

Malaysia Results Snapshot

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DBS Group Research . Equity

19 Nov 2021

Latest Results				
Company	Date	vs. Expect.	Results Highlight	Our View & Catalysts
Industrials				
Sunway Construction Group Bhd	18-Nov-21	Within (3Q21)	<ul style="list-style-type: none"> Sunway Construction Group Berhad (SCG) reported a 3Q21 headline net profit of RM19m (+132% y-o-y), bringing 9M21 net profit to RM48m (+12% y-o-y). This was on the back of a 19% y-o-y increase in 9M21 revenue to RM1.1bn. There was an impairment of RM5m for 3Q21. Hence, 3Q21 and 9M21 core net profit stood at RM25m and RM53m respectively. We expect a strong 4Q21 as business returns to normalcy given SCG's high vaccination rate of its workers of nearly 100%. Construction revenue for 3Q21 declined 37% y-o-y and also 27% q-o-q to RM256m. Revenue in 3Q21 was impacted by the MCO 3.0, where only after 16 August 2021 were construction sites allowed to operate based on capacity linked to vaccination rates. The 3Q21 construction pretax margin was 10.5% vs. 3Q20's 8.6% due to the re-calibration of margins to reflect some upside, as some projects are nearing completion and certainty of better margins are more visible. Its construction orderbook as at 30 September 2021 was RM4.2bn. For 3Q21, its precast division made a pretax loss of RM2.4m vs. a pretax profit of RM1.2m in 3Q20. 3Q21 revenue was RM16.3m, which was flat y-o-y. Revenue for 3Q21 was impacted by the lockdown during the quarter, while the loss was attributable to higher steel prices, which have increased by c.25%. On the more positive side, its outstanding precast orderbook as of 30 September 2021 stood at RM504m, which is its peak. 	<ul style="list-style-type: none"> Its RM2bn orderbook target is intact. SCG has kept its RM2bn orderbook target with YTD September wins now at RM796m. The tenderbook now amounts to RM8bn. While there is just a month and a half to achieve this, SCG still appears optimistic of this target. The balance wins are expected to be achieved from a combination of internal and external projects. Of significance is potentially RM400m from LSS 4, RM250m from internal jobs, and RM700m from external jobs. SCG has also bid for three packages for the Chennai Metro Link in India. BUY with unchanged SOP-derived TP of RM2.30. We reiterate our view that SCG is still in the best position to weather this downturn than the other contractors. This is because of its strong balance sheet, ready pipeline of projects from its parent company, and overseas exposure in India. <p style="text-align: right;">Analyst CHONG Tjen San, CFA 603 2604 3972 tjensan@alliancedbs.com</p>



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*Share price appreciation + dividends

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