

## UOBKH HIGHLIGHTS

**Sunway Construction Group (SCGB MK/HOLD/RM1.81/Target: RM1.70)**

On A Winning Streak

## WHAT'S NEW

Sunway Construction (SunCon) has won two external contracts worth RM207m (effective stake). These are:

- a) A highway project in India. – SunCon's 60%-owned JV with RNS Infrastructure has secured a RM315m (SunCon's effective stake: RM190m) highway project in India. The 24-month contract involves the construction of two lanes with a paved shoulder covering 31.5km from Meensurutti to Chidambaram Section of NH-227 under the Bharatmala Pariyojana Phase 1. The JV will not bear any traffic risk as it acts only as a contractor for the project. Project progress payment will be paid by the National Highways Authority of India. Works are expected to commence in 1H21.
- b) Solar Photovoltaic System contract. SunCon's wholly-owned Sunway Engineering has secured three solar roof top projects worth RM18m. The scope of works covers design, supply, deliver, install, commission, apply and secure of SEDA quota for a solar photovoltaic system for F&N Holdings and Borneo Springs

## COMMENTS

- **Beating its 2020 target.** This second India Highway contract and the three solar roof top projects brought ytd new job wins to RM2b (based on effective stake) or RM2.3b (cumulative). For the remainder of 2020, SunCon is eyeing precast contracts valued <RM100m. The company hopes to win more external contracts from 2021, driven by its existing external clients, like KLCC Property.
- **New jobs lift outstanding orderbook to RM5.9b**, implying an orderbook cover of 3.2x 2019 construction revenue. Key jobs include: a) LRT3 (RM0.7b); b) Tenaga Nasional Campus (RM666m); and c) India Highway (total effective stake of RM495m).
- We make no change to our earnings forecasts as we have assumed orderbook replenishment of RM2b, RM1.8b and RM1.8b for 2020-22 respectively. There could be further upside to our earnings forecasts if SunCon is able to bring in new precast contracts in the coming months

## RECOMMENDATION

- **Maintain HOLD and target price of RM1.70.** Our target price is based on 13x 2021F PE and net cash as of 2020F, implying 14.7x PE (or its 5-year average). We ascribe a higher-than-peers' PE multiple in view of SunCon's solid fundamentals and earnings visibility, underpinned by new contracts secured, its ability to clinch a balanced mix of external and internal construction projects and a strong balance sheet (net cash). Entry price is RM1.55.

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