

<https://www.thestar.com.my/business/business-news/2024/07/02/suncon-order-book-to-hit-record-high-of-rm141bil>

SunCon order book to hit record high of RM14.1bil

ANALYST REPORTS

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PETALING JAYA: The financial closing date achieved for the Song Hau 2 thermal power plant (SH2P) in Vietnam is positive for [Sunway Construction Group Bhd](#) (SunCon), despite the lack of funding details.

In March 2023, SunCon via a joint venture (JV) with Power Engineering Consulting Joint Stock Co 2 (PECC2), executed a formal contract agreement with the owner.

The agreement is to formalise the terms and conditions governing the engineering, procurement, construction and commissioning works for the SH2P project, with SunCon holding 55% while PECC2 having a 45% stake in the JV.

The contract value for the SH2P project is US\$2.4bil or around RM11.2bil, which brings SunCon's effective share to about RM6bil, said RHB Research.

On June 28, 2024, [Toyo Ventures Holdings Bhd](#) (TVHB) announced that the SH2P project had successfully achieved its financial closing date.

“Despite the lack of further funding details for SH2P, the latest development marks a huge milestone after some delays,” said RHB Research in a note to clients.

It said that prior to the announcement, on June 7, TVHB had accepted an equipment procurement facility of up to US\$980mil, which may finance up to 70% of SH2P's invoice amount.

Additionally, TVHB had entered into a grid connection agreement with the National Power Transmission Corp, which is a subsidiary of Vietnam Electricity, on June 12, on grid connection to the Vietnam National Power System via the 500 kilovolt switchyard of the Song Hau Power Complex.

However, RHB Research said it was adopting a prudent approach to make no changes to its earnings estimates for SunCon at this juncture, pending the notice to proceed by TVHB for SH2P.

"As mentioned in our report on June 10, we projected that SH2P may boost earnings by less than 5% for the financial year 2024 (FY24) and 18% to 32% for FY25 and FY26, assuming the initial project value of SH2P remains unchanged."

Meanwhile, UOB Kay Hian (UOBKH) Research said the next milestone for the project will be the issuance of notice to proceed (NTP).

"We anticipate that the NTP may be issued to Sunway-PECC2 Consortium soon, in line with its earlier proposed date of June 30, 2024. This will allow Sunway-PECC2 to begin its engineering, procurement and construction work for the SH2P project."

UOBKH Research said that upon receiving the NTP, SunCon's order book will be raised to an all-time high of RM14.1bil.

"While the project is scheduled to be completed in 54 months, we are forecasting initial-phase progress billings to kick in from fourth quarter 2024 (4Q24) onwards.

"Our preliminary assessment assumes 3% and 10% of the contract value to be recognised in 4Q24 and 2025, respectively.

"Assuming a relatively conservative earnings before interest and taxes margin of 10%, accretion to SunCon's forecast 2024-2025 earnings will be 2% and 12%, respectively," said UOBKH Research.

Both research firms kept their "buy" rating on the stock as they see further upside for its order book, which may come from industrial jobs related to warehouses and semiconductor facilities which the group is actively bidding for.

UOBKH Research said it will revise the stock's target price to RM4.86, from RM4.32 now, once the group officially receives the NTP and commence work for SH2P.

RHB Research, meanwhile upped the target price to RM4.32, from RM4.12, denoting a 14% upside and circa 2% FY24 forecast yield.