

# Sunway Bhd bags RM1.2b MRT contract

**Sunway Bhd**  
(May 10, RM2.32)

**Maintain hold with target price of RM2.62:** Sunway's latest RM1.17 billion win for the Klang Valley MRT (KVMRT) Sungai Buloh-Kajang viaduct works will boost its outstanding order book by 41% to RM4 billion, and enhance earnings visibility over the medium term. We maintain our earnings forecasts for now, having imputed job win potential to the tune of RM1.5 billion for this year. Our revalued net asset value-based target price is unchanged at RM2.62. Maintain "hold".

Four new work packages — Viaduct 1, Viaduct 4, Viaduct 7 and Depot 1 (Sungai Buloh depot) — awarded by MRT Corp on Wednesday are worth a total of RM3.2 billion. Sunway is the winner of the Viaduct 4 package (6.6km in length) worth RM1.17 billion and is awaiting the official award. The scope of works comprises the construction of the viaduct guideway and other associated works from Section 17 to the Semantan portal.

This job win will raise Sunway's outstanding order book for construction by 41% to RM4 billion, from RM2.8 billion at end-December 2011, providing medium-term earnings visibility and growth for its construction business. Assuming a net margin of 5% to 7%, we estimate this new contract will contribute RM58 million to RM82 million in net profit (earnings per share [EPS] of five sen to six sen), to be recognised into 2016.

Sunway has won RM1.46 billion in construction jobs YTD (including RM42.4 million in foundation works from Tropicana Golf & Country Resort, RM250 million Sunway Velocity Mall substructure works), nearing our RM1.5 billion job win assumption for the full year.

The positives in the construction business are somewhat offset by slowing demand in its property development business. As at end-February 2012, Sunway recorded RM100 million in property sales, meeting just 7% of its effective sales target of RM1.4 billion for 2012 and 8% of our RM1.2 billion forecast for the full year. — *Maybank IB Research, May 10*