

Sunview Group Berhad

(0262 | SUNVIEW MK) ACE | Industrial Products & Services

Warming up At the Start of New FY

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core net profit came in +12.9%yoy higher at RM2.1m, below estimates**
- **Lower GP margin during the quarter due to more competitive PPA tariffs and higher staff costs**
- **Outstanding order book of RM472.7m, currently the highest among its peers, providing earnings visibility in FY24**
- **Maintain BUY with an unchanged TP of RM1.32**

Below expectations. Sunview Group's core net profit for 1QFY24 climbed +12.9%yoy to RM2.1m, on the back of a stronger revenue of RM108.7m, which rose 3.5x over the same quarter a year ago, driven by progress recognition of construction works for large-scale solar (LSS4) projects. The bottom line came in below our expectations, making up 9.6% of full-year estimates.

EPCC and services. Revenue generated from the provision of products and services related to RE grew 3.5x to RM107.6m during the quarter while the segment's gross profit jumped +63.7%yoy to RM8.0m. There was a notable reduction in GP margin from 15.9% to 7.4% due to the composition of its projects in the current year where more competitive power purchase agreement (PPA) tariffs were offered to clients. This was on top of higher expenses incurred during the quarter, namely staff costs of RM1.5m (+67.8%yoy) and professional fees of RM0.8m (+388.2%yoy).

Highest order book among peers. As at Jun-23, Sunview's outstanding order book remained the highest among its peers at RM472.7m, which provides the group with earnings visibility in FY24. This will be boosted further with EPCC contract wins under the Corporate Green Power Programme (CGPP). Recall that Sunview secured two CGPP quotas earlier last month, one under the consortium comprising JAKS Solar Power Sdn Bhd, Ann Joo Green Energy Sdn Bhd and Sunview's wholly-owned subsidiary Fabulous Sunview Sdn Bhd and the other awarded to Sunview's 51% subsidiary Solarcity REIT Sdn Bhd with a capacity of 29.99MWac each.

Earnings estimates. We maintain our estimates for now pending an earnings briefing today.

Target price. We maintain our target price for Sunview of RM1.32, based on a forward PER of 28x to its FY24F EPS of 4.7 sen.

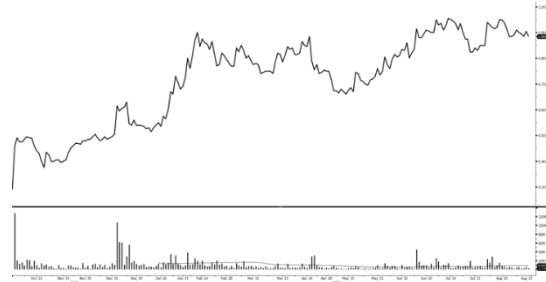
Maintain BUY. We reiterate our **BUY** recommendation on Sunview, backed by its strong outstanding order book and its active management on procurement and project management. The growth trajectory for solar EPCC players like Sunview remains strong with the focus on solar under the National Energy Transition Roadmap (NETR) and also the Government's target of achieving a 70% of RE in the energy mix by 2050.


Maintain BUY
Unchanged Target Price: RM1.32

RETURN STATISTICS

Price @ 30 th Aug 2023 (RM)	0.885
Expected share price return (%)	+49.15
Expected dividend yield (%)	0.00
Expected total return (%)	+49.15

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.4	5.9
3 months	-2.7	11.2
12 months	-	-

INVESTMENT STATISTICS

FYE Mar	2023A	2024E	2025F
Revenue	347.0	399.0	478.9
Operating Profit	5.6	4.7	5.6
Profit Before Tax	21.5	34.2	41.0
Core Net Profit	12.9	21.9	29.1
Core EPS (sen)	2.8	4.7	6.2
PER (x)	28.3	28.0	21.3
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,451.94
Issue shares (m)	468.00
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	414.18
52-wk price range	RM0.36-RM0.98
3-mth average daily volume (m)	8.43
3-mth average daily value (RM'm)	7.50
Top Shareholders (%)	
Kenanga Unit Trust BHD	2.08
Kenanga Funds Bhd	2.07
Kenanga Trust Management Bhd	0.02

Analyst
Royce Tan Seng Hooi
 royce.tan@midf.com.my

SUNVIEW GROUP: 1QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	108.7	139.6	31.5	-22.1%	245.1%
Cost of sales	(100.3)	(128.1)	(26.2)	21.7%	-282.0%
Gross profit	8.5	11.5	5.3	-26.6%	61.0%
Other income	0.1	3.6	0.2	-96.8%	-26.0%
Administrative expenses	(4.4)	(3.6)	(2.3)	-21.7%	-92.6%
Operating profit	4.2	11.5	3.1	-63.7%	33.7%
Finance costs	(2.0)	(1.3)	(0.8)	-55.3%	-150.1%
Profit before tax	2.2	10.3	2.3	-78.4%	-5.3%
Tax	(0.2)	(4.6)	(0.5)	95.0%	56.6%
Profit after tax	2.0	5.6	1.8	-64.8%	9.8%
Core net profit	2.1	5.4	1.9	-61.0%	12.9%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	43.3	99.3	347.0	399.0	478.9
Cost of sales	(30.5)	(78.9)	(310.3)	(337.0)	(404.5)
Gross profit	12.9	20.3	36.7	62.0	74.4
Administrative expenses	(4.0)	(7.8)	(16.3)	(25.1)	(30.1)
Profit before tax	9.1	13.4	25.9	41.6	50.2
Tax	(2.6)	(2.0)	(8.5)	(8.9)	(10.6)
Reported net profit	5.8	8.9	13.0	21.9	29.1
Core net profit	5.8	8.9	12.9	21.9	29.1

Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
Fixed assets	33.8	39.2	40.6	44.6	48.6
Intangible assets	17.3	17.3	17.3	17.3	17.3
Non-current assets	51.0	57.2	57.9	61.9	65.9
Cash	16.9	20.1	87.4	78.7	86.6
Trade debtors	18.3	31.4	44.6	32.8	39.4
Current assets	41.2	101.1	226.6	251.4	284.9
Trade creditors	31.2	19.3	38.4	46.2	55.4
Short-term debt	3.9	10.1	58.1	63.9	70.3
Current liabilities	37.9	60.4	148.2	161.8	177.4
Long-term debt	42.9	42.7	31.9	24.6	17.2
Non-current liabilities	43.2	43.1	32.7	26.1	18.9
Share capital	2.3	24.2	81.6	81.6	81.6
Retained earnings	8.8	17.7	30.7	52.6	81.7
Equity	11.2	54.7	103.5	125.4	154.5

Cash Flow (RM'm)	2023A	2024E	2025F
PBT	21.5	34.2	41.0
Depreciation & amortisation	3.2	5.1	6.2
Changes in working capital	3.9	7.9	(7.9)
Operating cash flow	2.0	14.0	(1.8)
Capital expenditure	(4.2)	(4.6)	(5.3)
Investing cash flow	(3.0)	(3.3)	(3.6)
Debt raised/(repaid)	(15.0)	(11.5)	(10.0)
Equity raised/(repaid)	32.6	-	-
Dividends paid	-	-	-
Financing cash flow	56.6	24.1	22.6
Net cash flow	55.5	34.8	17.2
Beginning cash flow	1.9	57.4	92.2

Profitability Margins	2021A	2022A	2023A	2024F	2025F
Gross profit margin	29.7%	20.5%	10.6%	15.5%	15.5%
Operating profit margin	21.1%	13.5%	7.5%	10.4%	10.5%
PBT margin	19.3%	10.9%	6.2%	8.6%	8.6%
PAT margin	13.4%	9.0%	3.7%	5.5%	6.1%
Core PAT margin	13.4%	9.0%	3.7%	5.5%	6.1%
PER (x)	-	-	28.3	28.0	21.3

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology