

Sunview Group Berhad

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

Shining with Bright Prospects

KEY INVESTMENT HIGHLIGHTS

- **CGPP to drive near term prospects; may replenish RM550m worth of new jobs**
- **Current outstanding order book of RM472.7m, among the highest compared to peers**
- **Venturing overseas as asset owners before embarking on EPCC jobs**
- **Proposed private placement by 4QCY23, up to 10% of issued shares**
- **Maintain BUY with revised TP of RM1.48**

CGPP to take centre stage. Sunview's prospects in the near term will be driven by the Corporate Green Power Programme (CGPP), which will provide the group with earnings visibility up to FY26 ending Mar-26. Other than the two 29.99MWac allocations that it secured (under a consortium of JAKS Solar Power Sdn Bhd, Ann Joo Green Energy Sdn Bhd and Fabulous Sunview Sdn Bhd and another under Solarcity REIT Sdn Bhd), of which it would undertake the entire EPCC job scope, it is also targeting EPCC opportunities for five other CGPP awardees. We estimate that this would add another RM550m worth of jobs to its order book.

Aiming for more quota. Sunview is also aiming for further allocations under the CGPP, of which a balance of 236.6MW has yet to be awarded by the Energy Commission out of the 800MW quota. The group has ongoing applications and has resubmitted several others. Under the two quotas secured earlier, Sunview holds a 10% stake under the consortium with JAKS Solar Power and Ann Joo Green Energy and 80% of the quota awarded to Solarcity REIT. The remaining 20% of the latter will be held by Coara Solar Sdn Bhd.

Strong outstanding order book. At RM472.7m, Sunview's unbilled order book is among the highest among its peers, made up mainly of large-scale solar (LSS) projects, most of which would be completed by its FY24 ending Mar-24. Other than the replenishment prospects of RM550m mentioned above, the group is also able to secure about RM100m of rooftop solar projects, which is its routine job.

Overseas expansion progress. Sunview has plans to venture overseas, involving a project in Cambodia, two projects in Indonesia of 5MW and 10MW capacities and four projects in Eastern Europe, with capacities of 10MW and the remaining three at 3.5MW each. The group's strategy is to enter these new markets as asset owners before embarking on EPCC jobs. Management revealed that negotiations with its Eastern Europe counterparts are almost at the tail end, which they hope to wrap up in several months' time.

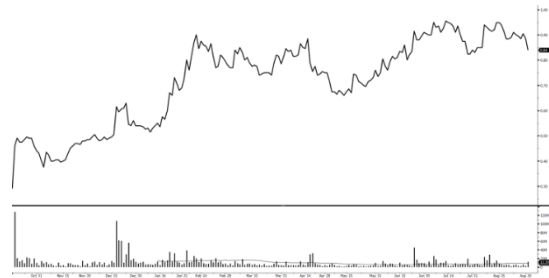
1QFY24 results recap. As announced last week, the group's core net profit for the 1QFY24 climbed +12.9%yoy to RM2.1m, on the back of a stronger revenue of RM108.7, which rose 3.5x over the same quarter a year ago. This was, however weaker than 4QFY23 with a revenue of RM139.6m and core earnings of RM5.4m. Management guided that this

Maintain BUY
Revised Target Price: RM1.48
 (Previously RM1.32)

RETURN STATISTICS

Price @ 1 st Sept 2023 (RM)	0.84
Expected share price return (%)	+76.19
Expected dividend yield (%)	0.00
Expected total return (%)	+76.19

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.2	-2.4
3 months	-7.7	5.7
12 months	-	-

INVESTMENT STATISTICS

FYE Mar (RM'm)	2024E	2025F	2026F
Revenue	347.0	478.9	550.7
Operating Profit	36.3	47.4	53.7
Profit Before Tax	28.6	38.2	45.5
Core Net Profit	19.8	27.5	34.5
Core EPS (sen)	4.2	5.9	7.4
PER (x)	35.2	25.0	20
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,463.43
Issue shares (m)	468.00
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	393.12
52-wk price range	RM0.36-RM0.98
3-mth average daily volume (m)	8.55
3-mth average daily value (RM'm)	7.63
Top Shareholders (%)	
Kenanga Unit Trust BHD	2.08
Kenanga Funds Bhd	2.07
Kenanga Trust Management Bhd	0.02


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was due to the fluctuation of the USD which resulted in higher costs for solar panels, higher finance costs due to higher short-term borrowings for working capital of its ongoing projects and higher staff costs as Sunview expands its team to study and diversify into other renewable energy (RE) businesses and products such as batter storage.

Proposed private placement. Sunview is proposing a private placement of up to 10% of its issued shares, or up to 46.8m new shares, which is expected to be completed by 4QCY23. Proceeds will be used for working capital of its EPCC projects, mainly for purchase of solar modules, inverters, interconnection facilities, monitoring systems and mounting structure.

Earnings estimates. We are slashing our core earnings estimates for FY24E and FY25F by -9.6% and -5.5% respectively to RM19.8m and RM27.5m to factor in slightly more conservative margins. We also introduce our FY26F estimates.

Target price. While we reduced our earnings estimates for FY24E/FY25F, we revised upwards our **TP** for Sunview to **RM1.48** due to rolling forward our valuation base year to FY25F. Our TP is derived by pegging a PER of 25x, based on the average forward PER among EPCC players, to the group's FY25F EPS of 5.9 sen.

Maintain BUY. We maintain our **BUY** recommendation on Sunview, backed by its stellar outstanding order book and bright prospects for job replenishments coming from the CGPP and strong growth trajectory for solar EPCC players with the focus on solar under the National Energy Transition Roadmap (NETR) and the Government's target of achieving a 70% of RE in the energy mix by 2050. 

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	99.3	347.0	399.0	478.9	550.7
Cost of sales	(78.9)	(310.3)	(342.4)	(407.0)	(468.1)
Gross profit	20.3	36.7	56.7	71.8	82.6
Administrative expenses	(7.8)	(16.3)	(25.1)	(30.1)	(35.2)
Profit before tax	13.4	25.9	28.6	38.2	45.5
Tax	(2.0)	(8.5)	(8.9)	(10.6)	(11.0)
Reported net profit	8.9	13.0	19.8	27.5	34.5
Core net profit	8.9	12.9	19.8	27.5	34.5

Balance Sheet (RM'm)	2022A	2023E	2024F	2025F	2026F
Fixed assets	39.2	40.6	44.6	48.6	50.1
Intangible assets	17.3	17.3	17.3	17.3	17.3
Non-current assets	57.2	57.9	61.9	65.9	67.4
Cash	20.1	87.4	78.7	86.6	99.6
Trade debtors	31.4	44.6	32.8	39.4	49.5
Current assets	101.1	226.6	251.4	281.2	323.8
Trade creditors	19.3	38.4	46.2	55.4	63.2
Short-term debt	10.1	58.1	63.9	70.3	70.3
Current liabilities	60.4	148.2	161.8	177.4	185.2
Long-term debt	42.7	31.9	24.6	17.2	18.9
Non-current liabilities	43.1	32.7	28.2	18.9	20.6
Share capital	24.2	81.6	81.6	81.6	81.6
Retained earnings	17.7	30.7	50.5	78.0	112.5
Equity	54.7	103.5	123.3	150.8	185.3

Cash Flow (RM'm)	2023E	2024F	2025F	2026F
PBT	21.5	34.2	41.0	45.5
Depreciation & amortisation	3.2	5.1	6.2	5.5
Changes in working capital	3.9	7.9	(2.6)	2.3
Operating cash flow	2.0	14.0	3.5	18.2
Capital expenditure	(4.2)	(4.6)	(5.3)	(5.3)
Investing cash flow	(3.0)	(3.3)	(3.6)	(3.6)
Debt raised/(repaid)	(15.0)	(11.5)	(10.0)	(11.0)
Equity raised/(repaid)	32.6	-	-	-
Dividends paid	-	-	-	-
Financing cash flow	56.6	24.1	22.6	23.6
Net cash flow	55.5	34.8	22.5	38.2
Beginning cash flow	1.9	57.4	92.2	114.7
Ending cash flow	57.4	92.2	114.7	152.9

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Gross profit margin	10.6%	10.6%	15.0%	15.0%	15.0%
Operating profit margin	7.5%	7.5%	9.1%	10.5%	10.5%
PBT margin	6.2%	6.2%	7.2%	8.0%	8.3%
PAT margin	3.7%	3.7%	5.0%	5.8%	6.3%
Core PAT margin	3.7%	3.7%	5.0%	5.8%	6.3%
PER (x)	28.3	35.2	25.0	20	20

Source: Bloomberg, MIDFR

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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