

Sunview Group Berhad

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

Dragged by Weak LSS4 Margins but Prospects Remain

KEY INVESTMENT HIGHLIGHTS

- **2QFY24 core earnings were -16.6%yoy lower at RM1.5m; below estimates**
- **Notable reduction in GP margin due to competitive PPA pricing and higher administrative expenses**
- **Outstanding order book of RM361.7m, excluding CGPP-related jobs. May be able to generate RM550 worth of jobs from CGPP**
- **Maintain BUY with unchanged TP of RM1.48**


Below expectations. Sunview Group's core net profit in 2QFY24 declined -16.6%yoy to RM1.5m, despite recording a 2.6x jump in its revenue to RM204.3m. For the cumulative six-month period, core earnings were down -30.5%yoy to RM3.6m. The weaker performance was attributable to the composition of the current year's LSS4 projects, which involves a lower gross profit margin. The group also incurred higher administrative expenses such as staff costs, professional fees and marketing expenses. The results came in below our expectations, making up 18.2% of our full-year estimates.

EPCC and services. Revenue generated from the provision of products and services related to RE grew 2.9x to RM311.1m during 1HFY24 while the segment's gross profit grew only +17.1%yoy to RM15.8m. There was a notable reduction in GP margin from 12.5% to 5.1% due to the composition of its projects in the current year where more competitive power purchase agreement (PPA) tariffs were offered to clients. Management found that other factors include the extension of time for some projects, leading to additional costs and a rise in interest expense due to more trade facilities to execute projects.

Strong outstanding order book. The group's outstanding order book stands at RM361.7m, made up mainly for LSS projects. The figure excludes the Corporate Green Power Programme (CGPP) related jobs. We have previously estimated that Sunview may generate some RM550m of jobs from the CGPP.

Earnings estimates. We maintain our earnings estimates for now, pending further guidance from management at a result briefing today.

Target price. We maintain our **TP** for Sunview for now at **RM1.48**, pending changes. It was derived by pegging a PER of 25x to the group's FY25F EPS of 5.9 sen.

Maintain BUY. We maintain our **BUY** recommendation on Sunview, backed by its strong 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 also the Government's target of achieving a 70% of RE in the energy mix by 2050. Management also aims to continue investing in more solar PV facilities, augmenting its installed capacity and enhance its recurring revenue stream. 

Maintain BUY
Unchanged Target Price: RM1.48

RETURN STATISTICS

Price @ 27 th Nov 2023 (RM)	0.67
Expected share price return (%)	+120.90
Expected dividend yield (%)	0.00
Expected total return (%)	+120.90

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.2	-8.6
3 months	-15.7	-25.3
12 months	44.1	47.9

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	1,448.15
Issue shares (m)	468.00
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	313.56
52-wk price range	RM0.45-RM0.98
3-mth average daily volume (m)	2.77
3-mth average daily value (RM'm)	2.18
Top Shareholders (%)	
Kenanga Funds Bhd	2.07
Kenanga Trust Management Bhd	0.19

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SUNVIEW GROUP: 2QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	2QFY24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
Revenue	204.3	139.6	31.5	46.3%	548.6%	313.0	110.4	183.4%
Cost of sales	(196.2)	(128.1)	(26.2)	-53.2%	-647.5%	(296.5)	(96.2)	-208.1%
Gross profit	8.1	11.5	5.3	-29.4%	54.9%	16.6	14.2	16.7%
Other income	0.2	3.6	0.2	-95.5%	5.8%	0.3	1.3	-79.3%
Administrative expenses	(4.6)	(3.6)	(2.3)	-27.6%	-101.9%	(9.0)	(6.0)	-50.5%
Operating profit	3.7	11.5	3.1	-67.9%	18.2%	7.9	9.6	-17.8%
Finance costs	(1.1)	(1.3)	(0.8)	12.1%	-41.6%	(3.1)	(1.9)	-58.8%
Profit before tax	2.7	10.3	2.3	-73.4%	16.4%	4.9	7.6	-35.3%
Tax	(1.3)	(4.6)	(0.5)	72.1%	-140.7%	(1.5)	(2.6)	42.2%
Profit after tax	1.4	5.6	1.8	-74.5%	-20.4%	3.4	5.0	-31.8%
Core net profit	1.5	5.4	1.9	-71.2%	-16.6%	3.6	5.2	-30.5%

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