

SUNVIEW GROUP BERHAD

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

Dragged by LSS4 Again

KEY INVESTMENT HIGHLIGHTS

- **3QFY24 core earnings slipped -54.7%yoy to RM1.0m; 9MFY24 core earnings declined -36.2%yoy to RM4.8m, below estimates**
- **Margins dragged by LSS4 projects, due to competitive PPA tariffs**
- **Outstanding order book of RM296.9m, excluding CGPP-related jobs, providing earnings visibility up to FY25**
- **Maintain BUY with unchanged TP of RM1.13**

Below expectation. Sunview Group's revenue for 3QFY24 came in -48.7%yoy lower at RM49.7m while its core earnings slipped -54.7%yoy to RM1.0m. Management attributed this to the LSS4 projects that it focused on during the quarter, which came with lower gross profit margin due to competitive PPA tariffs. For the cumulative 9MFY24, the group's core earnings declined -36.2%yoy to RM4.8m despite a +74.9%yoy improvement in its revenue to RM362.7m. This is below our expectation, making up only 34.0% of full-year estimate.

EPCC and services. Revenue generated from the provision of products and services related to RE grew +75.9%yoy to RM359.7m during the 9MFY24 while the segment's gross profit declined -3.7%yoy to RM23.2m. Margins have noticeably declined from 11.8% to 6.5%. Management had previously guided that margins would be lower in FY24 but this will pick up in FY25 upon the competition of the LSS4 jobs.

Strong outstanding order book. The group's unbilled order book currently stands at RM296.9m, providing Sunview with financial visibility in FY25. We believe the EPCC jobs related to the Corporate Green Power Programme (CGPP) may add another RM300m-RM400m. Future order book replenishment prospects would come from programmes such as the upcoming 2GW LSS5 that will be opened for bidding in Apr-24.

Earnings estimates. We are maintaining our earnings estimates for now, pending further guidance from management after the results briefing session with management tomorrow.

Target price. As such, we also maintain our **TP** for Sunview currently at **RM1.13**, which was derived by pegging a PER of 25x to the group's FY25F EPS of 4.5 sen.

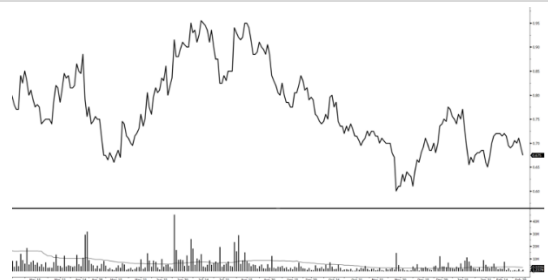
Maintain BUY. We continue to like Sunview despite the weaker quarterly performance, as the drag from the LSS4 jobs is only temporary. Management is also optimistic of a better FY25 as they expect to secure projects from LSS5, rooftop projects and jobs related to the Battery Energy Storage System (BESS). Nearer term prospects would come from CGPP-related jobs. Sunview also intends to continued investing in more solar PV facilities to strengthen its recurring income stream. We maintain our **BUY** recommendation on **Sunview**.

Maintain BUY
Unchanged Target Price: RM1.13

RETURN STATISTICS

Price @ 28 th Feb 2024 (RM)	0.675
Expected share price return (%)	+67.41
Expected dividend yield (%)	0.00
Expected total return (%)	+67.41

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.7	-3.3
3 months	-8.8	5.4
12 months	-15.1	-20.1

INVESTMENT STATISTICS

FYE Mar (RM'm)	2024E	2025F	2026F
Revenue	468.4	538.7	619.5
Operating Profit	27.2	40.9	53.3
Profit Before Tax	21.1	31.7	44.4
Core Net Profit	14.1	21.1	30.8
Core EPS (sen)	3.0	4.5	6.6
PER (x)	20.0	13.3	9.1
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	468.00
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	344.61
52-wk price range	RM0.59-RM0.98
3-mth average daily volume (m)	3.49
3-mth average daily value (RM'm)	2.42
Top Shareholders (%)	
Kenanga Trust Management Bhd	0.23
Kenanga Funds Bhd	0.11
Bintang Capital Partners Bhd	0.08

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SUNVIEW GROUP: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	Q324	Q224	Q323	QoQ	YoY	9MFY24	9MFY23	YoY
Revenue	49.7	204.3	96.9	-75.7%	-48.7%	362.7	207.4	74.9%
Cost of sales	(42.0)	(196.2)	(86.0)	78.6%	51.2%	(338.4)	(182.2)	-85.8%
Gross profit	7.7	8.1	11.0	-5.4%	-29.8%	24.3	25.2	-3.5%
Other income	0.1	0.2	0.6	-43.6%	-84.9%	0.4	1.9	-81.1%
Administrative expenses	(3.9)	(4.6)	(6.8)	15.2%	42.2%	(12.9)	(12.7)	-1.3%
Operating profit	3.9	3.7	4.8	5.0%	-19.3%	11.8	14.4	-18.3%
Finance costs	(1.8)	(1.1)	(1.2)	-58.7%	-44.4%	(4.9)	(3.2)	-53.2%
Profit before tax	2.8	2.7	3.6	2.0%	-22.4%	7.7	11.2	-31.2%
Tax	(1.2)	(1.3)	(1.3)	3.1%	0.2%	(2.8)	(3.9)	28.6%
Profit after tax	1.5	1.4	2.3	6.6%	-34.3%	5.0	7.4	-32.6%
Core net profit	1.0	1.7	2.3	-37.5%	-54.7%	4.8	7.5	-36.2%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	99.3	347.0	468.4	538.7	619.5
Cost of sales	(78.9)	(310.3)	(421.6)	(474.1)	(532.8)
Gross profit	20.3	36.7	46.8	64.6	86.7
Administrative expenses	(7.8)	(16.3)	(22.5)	(26.9)	(37.2)
Profit before tax	13.4	25.9	21.1	31.7	44.4
Tax	(2.0)	(8.5)	(7.0)	(10.7)	(13.6)
Reported net profit	8.9	13.0	14.1	21.1	30.8
Core net profit	8.9	12.9	14.1	21.1	30.8

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	31.7	44.4
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%	10.0%	12.0%	14.0%
Operating profit margin	7.5%	7.5%	5.8%	7.6%	8.6%
PBT margin	6.2%	6.2%	4.5%	5.9%	7.2%
PAT margin	3.7%	3.7%	3.0%	3.9%	5.0%
Core PAT margin	3.7%	3.7%	3.0%	3.9%	5.0%
PER (x)	28.3	35.2	20.0	13.3	9.1

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