

## Sunview Group Berhad

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

### Prospects Still Shiny

#### KEY INVESTMENT HIGHLIGHTS

- **Much lower revenue for the quarter as revenue from materials delivered to client recorded upon delivery in previous quarter**
- **Outstanding order book of RM196.9m, active tender book of RM2.5b**
- **Margins to gradually improve with focus on more rooftop projects**
- **Maintain BUY with a revised TP of RM0.75**

**A case of revenue recognition.** The sudden plunge in Sunview's revenue for 1QFY25 was as we expected, due to the recognition of revenue upon delivery of solar modules in the previous quarter for the group's ongoing large-scale solar (LSS) projects. In a meeting with management yesterday, they explained that revenue was recognised upon the delivery of materials even before installation, as the risk and reward (of the materials) have been handed over to the respective clients. For the latest quarter, revenue dipped -65.5%yoy and -63.6%qoq to RM37.6m. Part of this was revenue for installation works and the other half came from commercial and industrial (C&I) rooftop solar projects.

**C&I rooftop jobs to drive margins improvement.** Management expects to gradually grow its C&I rooftop jobs, which will improve its profit margins in the long run. C&I rooftop projects are able to generate GP margins in the low to high teens as compared to LSS projects which are in the mid-single digit.

**Actively tendering.** Out of the group's unbilled order book of RM196.9m, slightly north of RM100m are LSS projects. This includes the RM51.9m Corporate Green Power Programme (CGPP) EPCC contract that it secured from Cenergi Solar Kuala Ketil Sdn Bhd which was officially formalised yesterday. Sunview's active tender book stands at RM2.5b, among which comprises RM650m of CGPP tenders, RM200m of rooftop projects, USD80m of projects in Eastern Europe and a RM700m Battery Energy Storage System (BESS) project. Management is confident of securing another RM150m of CGPP EPCC jobs soon.

**Updates on overseas projects.** Sunview is currently undertaking preliminary works for the RM79.5m EPCC project that it secured in Bulgaria for a 20MW solar PV power plant. It expects to begin construction works in Oct-24 or Nov-24. As for its Uzbekistan projects, management said they have received the draft power purchase agreement (PPA). The group is currently reviewing the PPA and aims to ink it by Oct-24. Sunview had in Jul-24, entered into a heads of terms agreement with Uzbekistan via the Ministry of Energy to develop two solar PV plants with a total capacity of 600MW.

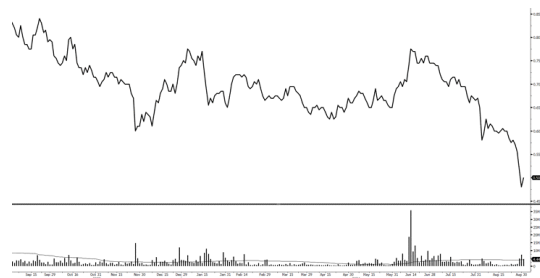
**Earnings estimates.** We slash our earnings estimates for FY25E/FY26F by -25.7%/-29.0% as the remaining LSS4 projects are now at its tail end, and the delay in rollout of CGPP-related EPCC jobs.

**Maintain BUY**
**Revised Target Price: RM0.75**  
*(Previously RM0.88)*

#### RETURN STATISTICS

Price @ 2 Sep 2024 (RM)	0.50
Expected share price return (%)	+50.0
Expected dividend yield (%)	0.0
Expected total return (%)	+50.0

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-23.1	-26.2
3 months	-32.9	-26.8
12 months	-40.5	-48.1

#### INVESTMENT STATISTICS


FYE Mar (RM'm)	2024A	2025E	2026F
Revenue	465.9	372.7	428.7
Operating Profit	22.6	28.3	32.6
Profit Before Tax	16.0	23.5	27.0
Core Net Profit	9.6	15.3	17.6
Core EPS (sen)	1.8	2.6	3.0
PER (x)	27.8	19.2	16.7
DPS	-	-	-
Dividend Yield	-	-	-

#### KEY STATISTICS

FBM KLCI	1,678.19
Issued shares (m)	510.54
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	247.10
52-wk price range	RM0.45-RM0.85
3-mth average daily volume (m)	4.00
3-mth average daily value (RM'm)	2.84
Top Shareholders (%)	
Kenanga Unit Trust BHD	0.98
PMB Investment Bhd	0.87
AIA Bhd	0.26

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**Valuation.** As such, we are revising our **TP** for Sunview to **RM0.75** from RM0.88 previously as we roll forward our valuation base year to FY26F, pegging its EPS of 3.0 sen to a PER of 25x, a slight discount to its larger peers.

**Maintain BUY.** While news flows are muted on the CGPP projects, we note that Sunview is the only EPCC player that has secured a contract so far, or at least the only one that is known in public domain. As the group takes on more C&I and residential rooftop solar jobs, we can expect a gradual improvement in margins as its remaining LSS4 projects come to an end. Prospects for solar EPCC players such as Sunview also remains bright, with favourable policies such as the National Energy Transition Roadmap (NETR) and the LSS5. Rating catalysts include stronger than expected job wins from CGPP, LSS5 and rooftop projects. Downside risks are delays in project rollouts and construction works. 

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025E	2026F
Revenue	99.3	347.0	465.9	372.7	428.7
Cost of sales	(78.9)	(310.3)	(422.7)	(331.7)	(381.5)
Gross profit	20.3	36.7	43.2	41.0	47.2
Administrative expenses	(7.8)	(16.3)	(21.3)	(14.9)	(17.1)
Profit before tax	13.4	25.9	16.0	23.5	27.0
Tax	(2.0)	(8.5)	(6.4)	(8.2)	(9.5)
Reported net profit	8.9	13.0	9.6	15.3	17.6
Core net profit	8.9	12.9	9.6	15.3	17.6

Balance Sheet (RM'm)	2022A	2023E	2024A	2025E	2026F
Fixed assets	39.2	40.6	43.7	48.6	50.1
Intangible assets	17.3	17.3	16.8	17.3	17.3
<b>Non-current assets</b>	<b>57.2</b>	<b>57.9</b>	<b>79.9</b>	<b>84.8</b>	<b>86.3</b>
Cash	20.1	87.4	51.1	86.6	99.6
Trade debtors	31.4	44.6	57.8	39.4	49.5
<b>Current assets</b>	<b>101.1</b>	<b>226.6</b>	<b>279.0</b>	<b>225.5</b>	<b>251.2</b>
Trade creditors	19.3	38.4	100.1	55.4	63.2
Short-term debt	10.1	58.1	91.7	70.3	70.3
<b>Current liabilities</b>	<b>60.4</b>	<b>148.2</b>	<b>201.7</b>	<b>135.6</b>	<b>143.4</b>
Long-term debt	42.7	31.9	36.6	17.2	18.9
<b>Non-current liabilities</b>	<b>43.1</b>	<b>32.7</b>	<b>37.1</b>	<b>18.9</b>	<b>20.6</b>
Share capital	24.2	81.6	108.8	81.6	81.6
Retained earnings	17.7	30.7	40.3	55.6	73.2
<b>Equity</b>	<b>54.7</b>	<b>103.5</b>	<b>140.5</b>	<b>155.8</b>	<b>173.4</b>

Cash Flow (RM'm)	2023E	2024A	2025E	2026F
PBT	21.5	16.0	23.5	27.0
Depreciation & amortisation	3.2	4.0	6.2	5.5
Changes in working capital	3.9	(89.6)	26.3	2.3
<b>Operating cash flow</b>	<b>2.0</b>	<b>(69.6)</b>	<b>3.5</b>	<b>18.2</b>
Capital expenditure	(4.2)	(5.4)	(5.3)	(5.3)
<b>Investing cash flow</b>	<b>(3.0)</b>	<b>6.2</b>	<b>(3.6)</b>	<b>(3.6)</b>
Debt raised/(repaid)	(15.0)	(2.7)	(10.0)	(11.0)
Equity raised/(repaid)	32.6	27.5	-	-
Dividends paid	-	-	-	-
<b>Financing cash flow</b>	<b>56.6</b>	<b>47.9</b>	<b>22.6</b>	<b>23.6</b>
<b>Net cash flow</b>	<b>55.5</b>	<b>11.9</b>	<b>22.5</b>	<b>38.2</b>
<b>Beginning cash flow</b>	<b>1.9</b>	<b>57.4</b>	<b>69.3</b>	<b>91.8</b>
<b>Ending cash flow</b>	<b>57.4</b>	<b>69.3</b>	<b>91.8</b>	<b>130.0</b>

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Gross profit margin	10.6%	10.6%	9.3%	11.0%	11.0%
Operating profit margin	7.5%	7.5%	4.9%	7.6%	7.6%
PBT margin	6.2%	6.2%	4.5%	6.3%	6.3%
PAT margin	3.7%	3.7%	2.1%	4.1%	4.1%
Core PAT margin	3.7%	3.7%	2.1%	4.1%	4.1%
PER (x)	28.3	35.2	27.8	19.2	16.7

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