

## Sunview Group Berhad

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

### Prospects to Improve from FY25 Onwards

#### KEY INVESTMENT HIGHLIGHTS

- **FY24 margins to be lower due to LSS projects, which will mostly be completed before Mar-24 year end**
- **Current outstanding order book of RM361.7m; CGPP could further add RM450m of jobs**
- **Proposed private placement by 4QCY23, up to 10% of issued shares, special issue by 1QCY24 up to 12.5% of issued shares**
- **Maintain BUY with revised TP of RM1.13**

**FY24 to see lower margins due to LSS.** Despite the strong growth in revenue in 2QFY24 the lower margins coming from large scale solar (LSS) projects and higher expenses incurred weighed on Sunview's bottom line for the quarter. Management guided that its FY24 ending Mar-24 would generally see lower margins compared to FY23 but this will improve in FY25 onwards after the completion of the LSS jobs. As announced on Monday, the group's core net profit dipped -54.2%yoy to RM1.5m despite a stronger 2.6x revenue of RM204.3m. It was hit by higher material costs due to unfavorable exchange rate, higher staff costs due to headcount expansion and higher marketing costs, among others.

**CGPP to drive earnings in FY25.** Sunview's prospects in FY25 will be driven by the Corporate Green Power Programme (CGPP). Recall that the group secured two 29.99MWac allocations (under a consortium of JAKS Solar Power Sdn Bhd, Ann Joo Green Energy Sdn Bhd and Fabulous Sunview Sdn Bhd and another under a consortium of Solarcity REIT Sdn Bhd and Coara Solar Sdn Bhd), of which it holds stakes of 10% and 80% respectively. It expects to take on the entire EPCC jobs for these two plants, which we estimate could be in the range of RM150m. It is also targetting to secure EPCC contracts from six other CGPP winners, which we estimate could further generate about RM300m of new jobs. Construction for CGPP plants are mostly expected to kick off by 2HCY24 and has to be completed by 2025.

**Strong outstanding order book.** The group's unbilled order book stands at RM361.7m, made up mainly of large-scale (LSS) projects, most of which will be completed by FY24 ending Mar-24. Other than the replenishment prospects of about RM450m from CGPP, the group is also able to secure about RM100m of rooftop solar projects, which is its routine jobs.

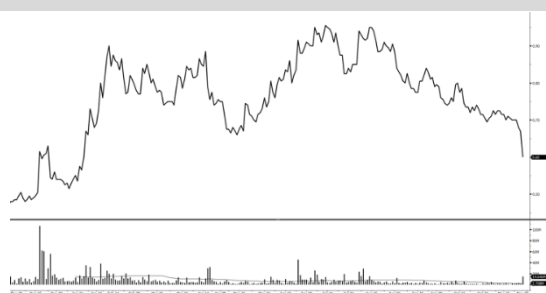
**ESG consultancy.** Part of the reason for the higher staff costs is due to the expansion of Sunview's sustainability team especially for the sustainability reporting, though it is not a requirement for the group as it is listed in the ACE Market but it is an initiative that the management wants to build on. Rather than being just a cost centre, management is discussing on ways to leverage on the team's expertise to provide ESG consultancy to third parties.

**Maintain BUY**
**Revised Target Price: RM1.13**  
(Previously RM1.48)

#### RETURN STATISTICS

Price @ 28 <sup>th</sup> Nov 2023 (RM)	0.60
Expected share price return (%)	+88.3
Expected dividend yield (%)	0.0
Expected total return (%)	+88.3

#### 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	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	1,448.02
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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**Overseas expansion progress.** On the group's venture into Eastern Europe as asset owners for two projects of about 15MW, management said they are currently in the term sheet negotiation stage and expects it to be completed by next month or Jan-24. Management is also in the midst of discussions with some parties on the opportunities for exporting electricity to Singapore and Thailand.

**Proposed private placement and special issue.** 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 the 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. It is also proposing a special issue of up to 73.55m new shares (12.5% of issued shares), to independent third party Bumiputera investor to be identified and/or recognised by MITI and proceeds will be used for reasons similar to the above. The proposed special issue is to comply with the Bumiputera Equity Condition and to facilitate the equity participation of Bumiputera investors in Sunview. This is expected to be completed in 1QFY24.

**Earnings estimates.** We are slashing our core earnings estimates for FY24E/FY25F/FY26F by -28.8%/-23.3%/-10.7% to RM14.1m/RM21.1m/RM30.8m to better reflect the tighter margins from LSS projects and the gradual improvement from FY25 onwards.

**Target price.** We revise our TP for Sunview downwards to **RM1.13** (previously RM1.48) by pegging the group's revised FY25F EPS of 4.5 sen to a PER of 25x.

**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. 

## 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	2023A	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
<b>Non-current assets</b>	<b>57.2</b>	<b>57.9</b>	<b>61.9</b>	<b>65.9</b>	<b>67.4</b>
Cash	20.1	87.4	78.7	86.6	99.6
Trade debtors	31.4	44.6	32.8	39.4	49.5
<b>Current assets</b>	<b>101.1</b>	<b>226.6</b>	<b>251.4</b>	<b>281.2</b>	<b>323.8</b>
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
<b>Current liabilities</b>	<b>60.4</b>	<b>148.2</b>	<b>161.8</b>	<b>177.4</b>	<b>185.2</b>
Long-term debt	42.7	31.9	24.6	17.2	18.9
<b>Non-current liabilities</b>	<b>43.1</b>	<b>32.7</b>	<b>28.2</b>	<b>18.9</b>	<b>20.6</b>
Share capital	24.2	81.6	81.6	81.6	81.6
Retained earnings	17.7	30.7	50.5	78.0	112.5
<b>Equity</b>	<b>54.7</b>	<b>103.5</b>	<b>123.3</b>	<b>150.8</b>	<b>185.3</b>

<b>Cash Flow (RM'm)</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
PBT	21.5	21.1	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
<b>Operating cash flow</b>	<b>2.0</b>	<b>14.0</b>	<b>3.5</b>	<b>18.2</b>
Capital expenditure	(4.2)	(4.6)	(5.3)	(5.3)
<b>Investing cash flow</b>	<b>(3.0)</b>	<b>(3.3)</b>	<b>(3.6)</b>	<b>(3.6)</b>
Debt raised/(repaid)	(15.0)	(11.5)	(10.0)	(11.0)
Equity raised/(repaid)	32.6	-	-	-
Dividends paid	-	-	-	-
<b>Financing cash flow</b>	<b>56.6</b>	<b>24.1</b>	<b>22.6</b>	<b>23.6</b>
<b>Net cash flow</b>	<b>55.5</b>	<b>34.8</b>	<b>22.5</b>	<b>38.2</b>
<b>Beginning cash flow</b>	<b>1.9</b>	<b>57.4</b>	<b>92.2</b>	<b>114.7</b>
<b>Ending cash flow</b>	<b>57.4</b>	<b>92.2</b>	<b>114.7</b>	<b>152.9</b>

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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