

Sunview Group Berhad

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

Maintain BUY

At the Inflection Point

Revised Target Price: RM0.88
(Previously RM1.13)

KEY INVESTMENT HIGHLIGHTS

- **Margins starting to improve; expected to stabilise at 5%-6% in FY25**
- **Current outstanding order book of RM296.9m; CGPP could further add RM500m of jobs**
- **Special issue for 73.6m of shares to seek approval in EGM next week; 46.8m shares private placement by May-24**
- **Maintain BUY with revised TP of RM0.88**

A quarter focused on execution. The plunge in Sunview's revenue by -48.7%yoy to RM49.7m in 3QFY24 was mainly due to the group's focus on the quarter, which was on installation of the solar modules on its ongoing LSS4 projects. Revenue was noticeably higher during the first two quarters of FY24 at RM108.7m and RM204.3m on the back of the deliverables of materials to the site.

Profit margin at the turning point. Despite that, a quarterly comparison showed an improvement in the core earnings margins and management guided in post-earnings briefing on Friday that this would improve in upcoming quarters and may stabilise at the 5% to 6% levels. Among the few contributing factors are that the low margin LSS4 projects are almost at their tail end, lower solar module prices after declining about 20% over the past three months and its 30% stake in Winstar Aluminium, which synergises well with Sunview's business, giving it a better control of its costs as aluminium is a key component for solar mounting structures.

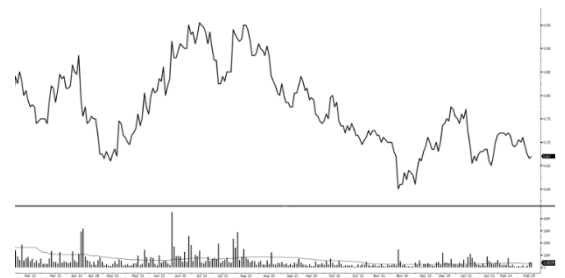
CGPP to drive earnings in FY25/FY26. Sunview's prospects in FY25 will be driven by the Corporate Green Power Programme (CGPP). Recall that the group secured two 29.99MWac allocations (under a consortium of JAKS Solar Power Sdn Bhd, Ann Joo Green Energy Sdn Bhd and Fabulous Sunview Sdn Bhd and another 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 would be in the range of RM200m. Sunview is also in the process of tendering EPCC contracts from six other CGPP winners worth RM650m, of which its target is to secure about 50%. This would further generate about RM300m for 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 RM296.9m, comprising about 75% of large-scale (LSS) projects, which will be completed by Jun-24, or Sunview's 1QFY25. Other than the CGPP tenders mentioned above, the group is also tendering for about RM200m of rooftop solar projects and some USD80m (RM380m) worth of projects abroad. Future job opportunities on the group's radar would be the upcoming 2GW LSS5 that will be opened for bidding on 1st April 2024.

RETURN STATISTICS

Price @ 1 st Mar 2024 (RM)	0.67
Expected share price return (%)	+31.34
Expected dividend yield (%)	0.00
Expected total return (%)	+31.34

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.1	1.6
3 months	-9.5	2.0
12 months	-13.0	-17.8

INVESTMENT STATISTICS

FYE Mar (RM'm)	2024E	2025F	2026F
Revenue	468.4	421.6	484.8
Operating Profit	20.1	29.9	41.7
Profit Before Tax	16.0	26.9	35.4
Core Net Profit	10.8	20.6	24.8
Core EPS (sen)	2.3	3.5	4.2
PER (x)	29.1	19.1	16.0
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,538.02
Issue shares (m)	468.00
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	342.06
52-wk price range	RM0.59-RM0.99
3-mth average daily volume (m)	3.33
3-mth average daily value (RM'm)	2.33
Top Shareholders (%)	
Kenanga Trust Management Bhd	0.23
Kenanga Funds Bhd	0.11


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Partnership in Uzbekistan. Sunview recently inked a strategic business partnership agreement with the Administration of Kashkadarya for a 500MW renewable energy project in the south-eastern region of Uzbekistan. The total cost of the project is expected to be USD1.0b (RM4.75b), which we understand will comprise both wind and solar farms. The target for implementation is within a year of the signing. During this period, Sunview, which will be the project developer and EPC contractor, will be exploring the possibilities of implementing the project and negotiate with local partners and evaluate operational processes.

Special issue and private placement. Sunview's proposed special issue of up to 73.55m of new shares to independent third party Bumiputera investor to be identified and/or recognised by MITI has been approved by Bursa Malaysia and an EGM will be held next Wednesday (13th March) to seek shareholders' approval. It also has a proposed private placement of up to 10% of its issued shares of up to 46.8m new shares, which management expects to be completed by Apr-24 to May-24. Recall that proceeds from these 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/FY25F by -23.4%/-2.4% to RM10.8m/RM20.6m due to the weaker 3QFY24 margins but keeping to the expectations of improving margins, especially for FY25. We are keeping our FY26 estimates intact for now.

Target price. We revise our **TP** for Sunview to **RM0.88** from RM1.13 previously, pegging a PER of 25x to the group's revised FY25F EPS of 3.5 sen after considering the proposed special issue and private placements that will inflate the number of shares by +25.7%.

Maintain BUY. Our optimism on Sunview remains as we believe it has reached an inflection point with the LSS4 jobs coming to an end. Prospects remain bright in our opinion, with strong government policies and plans in place for renewable energy that would catalyse Sunview's growth over the medium to long term. Apart from LSS and solar farm jobs, prospects also remain bright for the residential and C&I rooftop segment as demand is expected to grow in the coming years. All factors considered; we maintain our **BUY** recommendation on **Sunview**. 

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	99.3	347.0	468.4	421.6	484.8
Cost of sales	(78.9)	(310.3)	(433.3)	(377.3)	(417.0)
Gross profit	20.3	36.7	35.1	44.3	67.9
Administrative expenses	(7.8)	(16.3)	(17.8)	(16.9)	(29.1)
Profit before tax	13.4	25.9	16.0	26.9	35.4
Tax	(2.0)	(8.5)	(5.2)	(6.3)	(10.7)
Reported net profit	8.9	13.0	10.8	20.6	24.8
Core net profit	8.9	12.9	10.8	20.6	24.8
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
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	16.0	26.9	35.4
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%	7.5%	10.5%	14.0%
Operating profit margin	7.5%	7.5%	4.3%	7.1%	8.6%
PBT margin	6.2%	6.2%	3.4%	6.4%	7.3%
PAT margin	3.7%	3.7%	2.3%	4.9%	5.1%
Core PAT margin	3.7%	3.7%	2.3%	4.9%	5.1%
PER (x)	28.3	35.2	29.1	19.1	16.0

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