

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

First Major Job for FY24

KEY INVESTMENT HIGHLIGHTS

- **First major win for FY24 – RM721.0m for the construction of Sunway Ipoh Mall**
- **34-month project from Mar-24 to Jan-27 involving main building works including earthwork and piling**
- **Assuming 6% margin, the project is expected to deliver RM43.3m of gross profit to SunCon**
- **Maintain BUY with unchanged TP of RM2.86**

Sunway Ipoh Mall. Sunway Construction Group Berhad (SunCon) has secured its first major job for FY24 – a RM721.0m contract to build a shopping mall at the Kinta District in Perak. It is a related party transaction, awarded by Sunway Lost World Water Park Sdn Bhd (indirect subsidiary of Sunway Bhd) to Sunway Construction Sdn Bhd (wholly-owned subsidiary of SunCon).


Project details. The project will take about three years (34 months), starting from 1st March 2024 until 31st January 2027. SunCon will be involved in the piling, earthworks, sub-structure and main building works for the proposed development of one commercial block containing a six-floor shopping complex, cinema, shops and carpark.

Financial impact. SunCon is expected to pocket a gross profit of RM43.3m from the project, assuming a 6% margin. Our back of the envelope calculations points towards a gross profit recognition of RM7.1m in FY24, RM13.4m in FY25, RM22.0m in FY26 and RM2m in FY27.

Ahead of replenishment target. SunCon has an order book replenishment target of RM3.0b for FY24 and it has since secured RM831.1m of new jobs or 27.7% of its annual target. Other jobs won since Jan-24 include two packages of early contractor involvement (ECI) services for data centres worth RM3.4m each and a precast job in Singapore worth RM103.4m for Ulu Pandan C1 and C2. Recall that the group is also actively tendering for data centre, warehouses and semiconductor manufacturing plant projects.

Earnings estimates. We are maintaining our estimates for FY24E-FY25F as the new project is within the order book replenishment target.

Target price. We retain our **TP** at **RM2.86**, based on SunCon's FY24 EPS of 13.9 sen per share, pegged to a PER of 20.5x, which is +0.5SD above its mean since 2017.

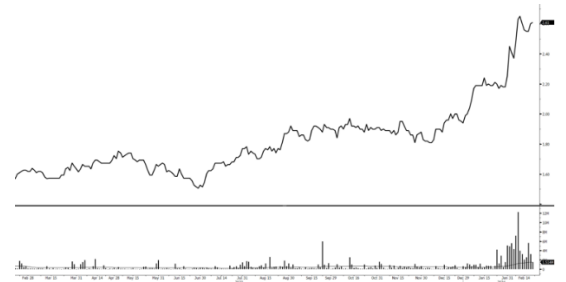
Maintain BUY. SunCon's outstanding orderbook stands at an estimated RM6.0b currently, with strong earnings visibility up to FY25. We view that the upcoming pipeline of projects remains healthy for the sector and the group is expected to be among the main beneficiaries of the rise in data centres and from the development initiatives lined out in the Budget 2024 and the Mid-Term Review of the 12th Malaysia Plan and other off-budget projects such as the MRT3. All factors considered, we reiterate our **BUY** recommendation on **SunCon**. 

Maintain BUY
Unchanged Target Price: RM2.86

RETURN STATISTICS

Price @ 21 st Feb 2024 (RM)	2.61
Expected share price return (%)	+9.58
Expected dividend yield (%)	+2.45
Expected total return (%)	+12.03

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	18.1	13.4
3 months	34.5	29.5
12 months	57.2	48.3

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	2,671.23	2,978.96	3,127.90
Operating Profit	224.27	217.27	239.58
Profit Before Tax	188.65	230.45	251.35
Core net profit	143.90	178.74	189.36
Core EPS (sen)	11.3	13.9	14.7
DPS (sen)	6.0	7.0	7.0
Dividend Yield	2.9%	2.5%	2.5%

KEY STATISTICS

FBM KLCI	1,533.55
Issue shares (m)	1289.36
Estimated free float (%)	13.72
Market Capitalisation (RM'm)	3,365.23
52-wk price range	RM1.53-RM2.79
3-mth average daily volume (m)	1.61
3-mth average daily value (RM'm)	3.83
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	54.56
Sungei Wav Corp Sdn Bhd	10.08
Employees Provident Fund Board	8.99

Analyst
Royce Tan Seng Hooi
 royce.tan@midf.com.my
 03-2173 8461

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	1,729.16	2,155.23	2,364.70	2,978.96	3,127.90
Net operating expenses	(1,589.74)	(1,963.75)	(2,182.91)	(2,655.54)	(2,749.01)
Operating profit	139.42	148.41	169.97	217.27	239.58
Profit before tax	152.25	184.06	193.79	230.45	251.35
Net profit	112.59	135.18	140.80	178.74	189.36
Core net profit	110.40	134.44	140.80	178.74	189.36
Core EPS (sen)	8.7	10.5	10.9	0.139	0.147
DPS (sen)	5.0	5.5	6.0	7.0	7.0

Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
Fixed assets	124.8	107.6	118.4	124.3	130.6
Other investments and assets	724.6	491.1	498.0	511.9	518.9
Non-current assets	849.4	598.7	616.3	636.2	649.6
Cash	98.8	491.6	468.2	522.1	548.3
Trade debtors	850.1	988.7	1,123.5	1,231.3	1,304.2
Current assets	1,014.8	1,637.4	1,730.1	1,905.9	2,013.5
Trade creditors	891.4	916.8	1,121.6	1,193.8	1,277.4
Short-term debt	92.5	172.2	161.6	197.5	197.6
Current liabilities	992.0	1,103.3	1,296.9	1,407.9	1,491.6
Long-term debt	145.4	308.5	203.6	207.6	150.6
Non-current liabilities	155.4	311.9	489.1	212.8	155.4
Share capital	258.6	258.6	258.6	258.6	258.6
Retained earnings	470.8	515.9	579.3	662.8	757.4
Equity	699.1	737.1	837.9	921.4	1,016.0

Cash Flow (RM'm)	2021A	2022A	2023A	2024E	2025F
PBT	152.2	184.1	193.8	211.5	232.3
Depreciation & amortisation	27.4	23.8	26.1	27.4	28.8
Changes in working capital	83.3	-382.1	100.8	-64.8	-23.9
Operating cash flow	238.7	-215.0	414.9	206.6	297.7
Capital expenditure	-31.5	-1.9	-25.0	-25.0	-25.0
Investing cash flow	-174.0	423.7	-308.0	-123.2	184.8
Debt raised/(repaid)	-70.1	233.4	107.6	193.7	-145.4
Dividends paid	-51.6	-90.3	-77.4	-77.4	-77.4
Financing cash flow	-122.4	142.7	30.2	116.3	-222.8
Net cash flow	-57.7	351.4	137.1	199.7	259.8
Beginning cash flow	117.8	60.6	407.7	544.8	744.4
Ending cash flow	60.6	407.7	544.8	744.4	1004.2

Profitability Margins	2021A	2022A	2023A	2024E	2025F
Operating profit margin	8.1%	6.9%	7.2%	7.3%	7.7%
PBT margin	8.8%	8.5%	8.2%	7.7%	8.0%
PAT margin	6.5%	6.3%	6.0%	6.0%	6.1%
Core PAT margin	6.4%	5.8%	6.0%	6.0%	6.1%

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