

## Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

### Additional Works for JHB1X0

#### KEY INVESTMENT HIGHLIGHTS

- **Additional RM265m of tenant improvement works (TIW) for JHB1X0 DC in Sedenak**
- **Total contract size grew to RM3.5b from RM3.2b previously; Feb-26 completion date remains intact**
- **Outstanding order book RM7.8b; data centre projects make up 53%**
- **Maintain NEUTRAL with an unchanged TP of RM4.46**


**Variation order.** Sunway Construction Group Berhad (SunCon) is taking on an additional RM265m of tenant improvement works (TIW) for the JHB1X0 data centre in respect of variation orders under the contract. Including the previous TIW that it accepted on 6<sup>th</sup> September of RM82m, SunCon has received a total TIW of RM347m.

**Feb-26 completion remains intact.** The TIW awarded by Yellowwood Properties Sdn Bhd raises the total contract amount to RM3.5b from RM3.2b previously. The completion date remains intact, with all phases of the project scheduled for completion by Feb-26.

**Outstanding order book of RM7.8b.** With the two new TIWs secured, SunCon's outstanding order book is now at RM7.8b, of which 52.7% are data centre jobs. Year-to-date, the group has replenished a total of RM3.92b worth of new jobs, on track to hit its 2024 replenishment target of between RM4.0b and RM5.0b. We are optimistic that the group can achieve the higher end of the target as we understand that there is an abundance of Advanced Technology Facilities (ATF) projects, which comprise data centers, warehouses and semiconductor factories. SunCon is actively bidding for jobs, with a tender book of RM13.7b as at Jun-24.

**Earnings estimates.** We maintain our earnings estimates as the TIW is within replenishment estimates.

**Target price.** We are also maintaining our **TP** for SunCon at **RM4.46**, pegging its FY25F EPS of 18.6 sen to a PER of 24x, which is +1SD above its five-year mean.

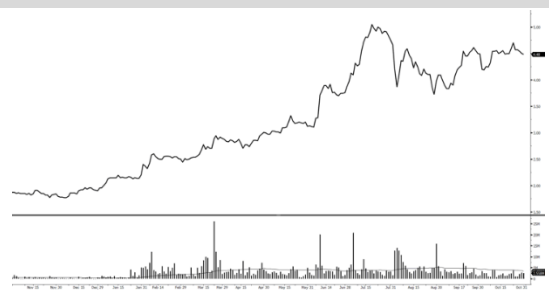
**Maintain NEUTRAL.** We view that the upcoming pipeline of projects remains healthy for the sector and SunCon is expected to be among the main beneficiaries of the rise in both private and civil construction jobs. SunCon is now renowned for its data centre construction expertise, allowing it to ride on the data centre growth in the country with more construction jobs expected in the space. Our **NEUTRAL** recommendation is premised on the strong run-up in SunCon's share, which has surged 2.3x, indicating that the positives have been priced in. 

**Maintain NEUTRAL**
**Unchanged Target Price: RM4.46**

#### RETURN STATISTICS

Price @ 30 <sup>th</sup> October 2024 (RM)	4.48
Expected share price return (%)	-0.4
Expected dividend yield (%)	+1.6
Expected total return (%)	+1.2

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.4	2.5
3 months	-0.4	-6.6
12 months	135.8	112.3

#### INVESTMENT STATISTICS

FYE Dec	2024F	2025F	2026F
Revenue	2,978.96	3,964.86	4,163.10
Operating Profit	217.27	303.69	333.05
Profit Before Tax	230.45	318.60	337.21
Core net profit	178.74	240.03	259.80
Core EPS (sen)	13.9	18.6	20.1
DPS (sen)	7.0	7.0	7.0
Dividend Yield	1.6%	1.6%	1.6%

#### KEY STATISTICS

FBM KLCI	1,601.88
Issue shares (m)	1292.90
Estimated free float (%)	26.71
Market Capitalisation (RM'm)	5,776.33
52-wk price range	RM1.76-RM5.18
3-mth average daily volume (m)	3.85
3-mth average daily value (RM'm)	16.51
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	54.56
Sungei Wav Corp Sdn Bhd	10.08
Employees Provident Fund Board	7.29

#### Analyst

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**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Revenue	2,155.23	2,364.70	2,978.96	3,964.86	4,163.10
Net operating expenses	(1,963.75)	(2,182.91)	(2,655.54)	(3,484.59)	(3,642.71)
Operating profit	148.41	169.97	217.27	303.69	333.05
Profit before tax	184.06	193.79	230.45	318.60	337.21
Net profit	135.18	140.80	178.74	240.03	259.80
Core net profit	134.44	140.80	178.74	240.03	259.80
Core EPS (sen)	10.5	10.9	13.9	18.6	20.1
DPS (sen)	5.5	6.0	7.0	7.0	7.0

<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Fixed assets	107.6	118.4	124.3	130.6	124.1
Other investments and assets	491.1	498.0	511.9	518.9	532.0
<b>Non-current assets</b>	<b>598.7</b>	<b>616.3</b>	<b>636.2</b>	<b>649.6</b>	<b>656.1</b>
Cash	491.6	468.2	522.1	548.3	520.8
Trade debtors	988.7	1,123.5	1,231.3	1,304.2	1,369.4
<b>Current assets</b>	<b>1,637.4</b>	<b>1,730.1</b>	<b>1,905.9</b>	<b>2,013.5</b>	<b>2,051.3</b>
Trade creditors	916.8	1,121.6	1,193.8	1,277.4	1,335.4
Short-term debt	172.2	161.6	197.5	197.6	217.3
<b>Current liabilities</b>	<b>1,103.3</b>	<b>1,296.9</b>	<b>1,407.9</b>	<b>1,491.6</b>	<b>1,569.4</b>
Long-term debt	308.5	203.6	207.6	150.6	118.3
<b>Non-current liabilities</b>	<b>311.9</b>	<b>489.1</b>	<b>212.8</b>	<b>155.4</b>	<b>122.1</b>
Share capital	258.6	258.6	258.6	258.6	258.6
Retained earnings	515.9	579.3	662.8	757.4	757.4
<b>Equity</b>	<b>737.1</b>	<b>837.9</b>	<b>921.4</b>	<b>1,016.0</b>	<b>1,016.0</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
PBT	184.1	193.8	211.5	318.6	337.2
Depreciation & amortisation	23.8	26.1	27.4	28.8	27.4
Changes in working capital	-382.1	100.8	-64.8	-23.9	-16.7
<b>Operating cash flow</b>	<b>-215.0</b>	<b>414.9</b>	<b>206.6</b>	<b>297.7</b>	<b>286.1</b>
Capital expenditure	-1.9	-25.0	-25.0	-25.0	-30.0
<b>Investing cash flow</b>	<b>423.7</b>	<b>-308.0</b>	<b>-123.2</b>	<b>184.8</b>	<b>189.8</b>
Debt raised/(repaid)	233.4	107.6	193.7	-145.4	-145.4
Dividends paid	-90.3	-77.4	-77.4	-77.4	-77.4
<b>Financing cash flow</b>	<b>142.7</b>	<b>30.2</b>	<b>116.3</b>	<b>-222.8</b>	<b>-222.8</b>
<b>Net cash flow</b>	<b>351.4</b>	<b>137.1</b>	<b>199.7</b>	<b>259.8</b>	<b>253.1</b>
<b>Beginning cash flow</b>	<b>60.6</b>	<b>407.7</b>	<b>544.8</b>	<b>744.4</b>	<b>1004.2</b>
<b>Ending cash flow</b>	<b>407.7</b>	<b>544.8</b>	<b>744.4</b>	<b>1004.2</b>	<b>1257.3</b>

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Operating profit margin	6.9%	7.2%	7.3%	7.7%	8.0%
PBT margin	8.5%	8.2%	7.7%	10.7%	11.3%
PAT margin	6.3%	6.0%	6.0%	8.1%	8.7%
Core PAT margin	5.8%	6.0%	6.0%	7.7%	8.0%

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