

## Sunway Construction (SCGB MK)

**Below**

**HOLD** ◀ ▶

Share Price **RM1.88**  
Target Price **RM1.99 +5.8%**

### Powering Progress

- **Maintain HOLD (TP: RM1.99).** SunCon's 9MFY23 Core Net Profit of RM95.8mn (+7.0% YoY) was below ours and consensus expectations, accounting for 66.5% and 69.4% respectively. Despite this, SunCon's revenue for the same period surged by 9.0% YoY, driven by the peak construction progress in India, heightened contributions from sustainable energy projects, and the increased input from both ICPH and newer projects in the precast segment. We maintain a **HOLD** on SunCon, with a **TP of RM1.99**, based on FY24F EPS of 12.8sen and PER of 15.6x.
- **Key highlights.** In 3QFY23, both revenue and core net profit exhibited substantial growth, increasing by +43.5% and +54.1% YoY respectively. This improvement was driven by enhanced margins in both the construction and precast segments. Furthermore, on a QoQ basis, there was a notable uptick in revenue by 11.5% and 6.8% increase in net profit. The recent wins, firstly through the joint venture with Kajima (M) Sdn Bhd for the Daiso global distribution centre warehouse project and secondly, the development of a data center in Johor, have elevated their outstanding orderbook to RM5.8bn with earning visibility for FY24/25. Nevertheless, in light of the proposed diesel subsidy rationalisation and changes in the sales and services tax outlined in the Federal Budget 2024, there may be an impact on earnings and potential for higher operational costs.
- **Earnings Revision.** We maintain our earnings for FY24F-FY25F.
- **Outlook.** With the Large-Scale Solar 4 (LSS4) projects in Kapar, Klang, and Gopeng, Perak nearing completion by year end, we anticipate that SunCon will actively participate in additional bids for renewable energy projects, seizing opportunities from the National Energy Transition Roadmap (NETR), underpinned by their established expertise in the field, particularly in solar initiatives. Consequently, we hold an optimistic outlook on SunCon's potential to secure new projects in the upcoming quarter which further reinforced by their substantial active tender book of RM26.4bn, with anticipation of projects namely, revival of 5 stations in LRT3, Bayan Lepas LRT and MRT3.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(2.6)	10.4	26.8
vs FBM KLCI	(3.3)	9.7	23.3

#### Stock Data

ESG Rating	Good
Mkt Cap (RM)	2,424.0
Adjusted Beta	0.8
Free float (%)	25.4
Issued shares (m)	1,289.4
52w H/L (RM)	1.99 / 1.41
3m avg daily volume (m)	644,500

#### Major Shareholders (%)

Sunway Holdings	54.6
Sungei Way Corp	10.1
Employees Provident Fund	9.9

#### Research Team

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Table 1: Quarterly figures

Sunway Construction FYE 31 Dec (RMm)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	3Q22	2Q23	3Q23	QoQChg	YoYChg	9MFY22	9MFY23	%	FY23F	9M/F
Revenue	469.3	604.1	673.5	11.5%	43.5%	1,651.8	1,799.7	9.0%	2,282.7	78.8%
EBITDA	42.7	52.0	59.3	14.1%	38.9%	102.0	98.2	-3.7%	186.8	52.5%
EBIT	36.9	46.7	54.1	15.9%	46.7%	122.2	142.5	16.6%	161.8	88.0%
Pretax profit	37.6	42.3	48.1	13.8%	27.9%	127.8	127.9	0.1%	176.5	72.4%
Taxation	(13.6)	(9.0)	(12.6)	40.1%	-7.7%	(34.5)	(30.5)	-11.8%	(32.5)	93.7%
<b>Core Net Profit</b>	22.7	33.5	35.0	4.4%	54.1%	89.5	95.8	7.0%	144.0	66.5%
EPS (sen)	1.76	2.56	2.72	6.3%	54.5%	6.95	7.43	6.9%	11.2	66.5%
				<b>Chg (ppts)</b>				<b>Chg (ppts)</b>		
EBITDA margin (%)	9.1%	8.6%	8.8%	0.2	(0.3)	6.2%	5.5%	(0.7)	8.2%	
PBT margin (%)	8.0%	7.0%	7.1%	0.1	(0.9)	7.7%	7.1%	(0.6)	7.7%	
Net profit margin (%)	4.8%	5.6%	5.2%	(0.4)	0.4	5.4%	5.3%	(0.1)	6.3%	
Effective tax rate (%)	36.3%	21.3%	26.2%	4.9	(10.1)	36.3%	26.2%	(10.1)	-1.4%	

Source: BIMB Securities, Company

Table 2: Quarterly segments breakdown

FYE Dec (RM m)	3Q22	2Q23	3Q23	QoQ Chg	YoY Chg
Construction	554.0	701.4	731.1	4.2%	32.0%
Precast concrete	95.5	125.3	137.4	9.7%	43.9%
Inter-segment revenue	-180.2	-222.5	-195.0	-12.4%	8.2%
<b>Total revenue</b>	469.3	604.1	673.5	11.5%	43.5%
Construction	35.1	39.1	41.6	6.5%	18.7%
Precast concrete	2.5	3.2	6.5	102.0%	68.4%
<b>Total pre-tax profit</b>	37.6	42.3	48.1	13.7%	-1.7%
Construction	20.5	29.8	31.7	6.4%	54.6%
Precast concrete	2.2	3.2	3.3	3.2%	50.0%
<b>Total net profit</b>	22.7	33.0	35.0	6.0%	54.1%

Table 3: Earnings forecast

FYE Jan (RMm)	2021	2022	2023F	2024F	2025F
Turnover	1,729.2	2,155.2	2,282.7	2,398.0	2,776.0
EBITDA	198.9	210.3	186.8	199.6	202.1
Pretax profit	152.2	184.1	176.5	189.4	199.6
<b>Core Net Profit</b>	<b>110.8</b>	<b>138.7</b>	<b>144.0</b>	<b>160.5</b>	<b>171.6</b>
Consensus			140.4	161.6	172.9
EPS (sen)	8.6	10.8	11.2	12.8	13.3
PER (x)	21.0	16.7	16.1	14.1	13.5
DPS (sen)	5.3	5.5	5.5	6.0	6.0
Div. Yield (%)	2.9	3.1	3.1	3.3	3.3
BVPS (RM)	0.6	0.6	0.6	0.7	0.8
P/B (x)	3.3	3.0	2.8	2.5	2.3
<b>Key Ratios (%)</b>					
ROE	16.6	18.9	17.9	18.6	17.6
EBITDA margin	11.5	9.8	8.2	8.3	7.3
Pretax margin	8.8	8.5	7.7	7.9	7.2
Net margin	6.4	6.4	6.3	6.9	6.2

Source: Bloomberg, BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months. <b>TRADING</b>
<b>BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain. <b>HOLD</b>
	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months. <b>SELL</b> Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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