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Sunway Construction Group Berhad

TP: RM1.94 (+16.9%)

More Works from South Quay Square Project

Last Traded: RM1.66

Buy (ESG: ★★★★★)

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Secures Additional Construction Works from South Quay Square Project Worth RM606.6mn

SUNCON has signed a second supplemental agreement with Sunway South Quay Sdn Bhd, an indirect subsidiary of Sunway Berhad, to include an additional scope of works for the commercial mixed development project, namely South Quay Square Project, in Bandar Sunway, Selangor.

Under the supplemental agreement, the total contract sum is revised to RMI.36bn from the original contract value of RM755.7mn.

The additional works will take 31 months to complete and are expected to be completed by 31 October 2025.

Our View

This contract will bring SUNCON's year-to-date job win to RM1.3bn. Assuming a PBT margin of 7.0%, we estimate the additional works to generate total net earnings of RM33.4mn throughout the construction period.

Following the job win, SUNCON's total outstanding order book stands at around RM6.5bn, equivalent to 3.0x FY22 revenue.

Impact

Maintain FY23 to FY25 earnings forecasts as the job win is within our FY23 order book replenishment assumption of RM2.5bn.

Valuation

No change to our target price of **RM1.94**, based on unchanged 13x CY24 earnings. Reiterate a **Buy** call on the stock.

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1,292.9
Market Cap (RMmn)	2146.2
52-wk Hi/Lo (RM)	1.74/1.41
12-mth Avg Daily Vol ('000 shrs)	308.9
Estimated Free Float (%)	14.1
Beta	0.7

Major Shareholders (%)

Sunholdings	- 54.6
Sungei Way Corp Sdn Bhd	- 10.1
Employee Provident Fund	- 9.7
Amanah Saham Nasional Bhd	- 6.0

Forecast Revision

	FY23	FY24
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	162.3	192.8
Consensus	152.7	159.6
TA's / Consensus (%)	106.3	120.8
Previous Rating	Buy (Maintained)	
Consensus Target Price	1.93	

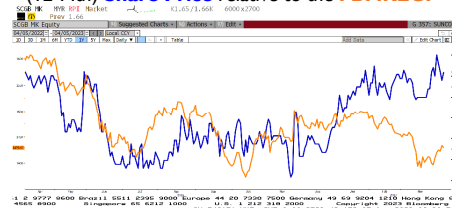
Financial Indicators

	FY23	FY24
Net Debt / Equity (%)	(1.3)	(32.2)
CFPS (sen)	23.7	5.0
Price / CFPS (x)	7.0	33.5
ROA (%)	6.7	7.0
NTA/Share (sen)	61.6	68.5
Price/NTA (x)	2.7	2.4

Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	(1.2)	(1.6)
3 mth	1.8	(2.7)
6 mth	7.8	1.4
12 mth	(2.9)	(10.6)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Earnings Summary

Profit & Loss (RMmn)

YE Dec 31	2021	2022	2023F	2024F	2025F
Revenue	1,729.2	2,155.2	2,672.0	3,220.0	3,350.0
EBITDA	166.8	210.3	223.7	257.5	274.3
Dep. & amortisation	(27.4)	(23.8)	(26.9)	(23.1)	(25.8)
Net finance cost	0.4	4.2	(8.7)	(9.7)	(9.7)
PBT	152.2	184.1	205.5	244.1	258.2
Taxation	(41.5)	(45.3)	(43.1)	(51.3)	(54.2)
MI	(1.8)	3.6	0.0	0.0	0.0
Net profit	112.6	135.2	162.3	192.8	204.0
Core net profit	145.5	147.1	162.3	192.8	204.0
GDPS (sen)	5.3	5.5	8.0	8.0	8.0
Div Yield (%)	3.2	3.3	4.8	4.8	4.8

Cash Flow (RMmn)

YE Dec 31	2021	2022	2023F	2024F	2025F
PBT	152.2	184.1	205.5	244.1	258.2
Adjustments	29.5	37.6	18.2	13.4	16.1
Changes in WC	83.3	(382.1)	312.0	38.3	9.1
Others	(26.3)	(54.5)	(34.4)	(41.6)	(44.5)
Operational cash flow	238.7	(215.0)	501.2	254.2	238.9
Capex	(34.8)	(27.1)	(20.0)	(25.0)	(30.0)
Others	(139.2)	450.9	(21.7)	(21.7)	(21.7)
Investment cash flow	(174.0)	423.7	(41.7)	(46.7)	(51.7)
Debt raised/(repaid)	(64.8)	233.4	(50.0)	(40.0)	(45.0)
Dividend	(51.6)	(90.3)	(103.4)	(103.4)	(103.4)
Others	(6.0)	(0.5)	0.0	0.0	0.0
Financial cash flow	(122.4)	142.7	(153.4)	(143.4)	(148.4)
Forex effect	0.4	(4.4)	0.0	0.0	0.0
Deposit	0.0	0.0	0.0	0.0	0.0
Net cash flow	(57.7)	351.4	306.1	64.1	38.7
Beginning cash	117.8	60.6	407.7	713.8	777.8
Ending cash	60.6	407.7	713.8	777.8	816.6
Adjustments	38.2	83.9	0.0	0.0	0.0
Cash	98.8	491.6	713.8	777.8	816.6

YE Dec 31	2021	2022	2023F	2024F	2025F
Order book replenishment	1473.6	2584	2500	2500	2500

Balance Sheet (RMmn)

YE Dec 31	2021	2022	2023F	2024F	2025F
Fixed assets	124.7	107.6	92.4	86.0	81.9
Others	724.8	491.1	491.3	491.3	491.3
NCA	849.4	598.7	583.7	577.3	573.2
Cash	98.8	491.6	713.8	777.8	816.6
Others	916.0	1,145.7	1,311.8	1,566.3	1,649.5
CA	1,014.8	1,637.4	2,025.6	2,344.1	2,466.1
Total assets	1,864.2	2,236.0	2,609.3	2,921.4	3,039.3
ST borrowings	92.5	172.2	122.2	82.2	37.2
Other liabilities	899.5	931.2	1,295.5	1,558.2	1,620.6
CL	992.0	1,103.3	1,417.7	1,640.4	1,657.7
Shareholders' funds	699.1	737.1	796.0	885.4	986.0
MI	17.6	83.7	83.7	83.7	83.7
LT borrowings	145.4	308.5	308.5	308.5	308.5
Other LT liabilities	10.0	3.4	3.4	3.4	3.4
Total capital	1,864.2	2,236.0	2,609.3	2,921.4	3,039.3

Ratio

YE Dec 31	2021	2022	2023F	2024F	2025F
EBITDA Margins (%)	9.6	9.8	8.4	8.0	8.2
Core EPS (sen)	11.3	11.4	12.6	14.9	15.8
EPS Growth (%)	99.9	1.1	10.1	18.8	5.8
PER (x)	14.7	14.6	13.2	11.1	10.5
GDPS (sen)	5.3	5.5	8.0	8.0	8.0
Div Yield (%)	3.2	3.3	4.8	4.8	4.8
Net cash (RMmn)	(139.1)	10.9	283.0	387.1	470.9
Net gearing (%)	0.2	(0.0)	(0.3)	(0.4)	(0.4)
ROE (%)	21.8	20.5	21.2	22.9	21.8
ROA (%)	7.7	7.2	6.7	7.0	6.8
NTA/share (sen)	54.2	57.2	61.6	68.5	76.3
P/NTA(x)	3.1	2.9	2.7	2.4	2.2

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★★	★★★★	★★★★★	★★★★
Remark	Environmental management system in place with ISO 14001:2015 certification. SUNCON will embark on the environmental supply chain assessment in 2021 and complete it by 2023.	Adopted e-bidding. CSR events include Build A Home which focuses on the welfare of the Orang Asli community.	Established anti-bribery and whistleblower policies. 14.3%-woman representation on the board. Transparent in its sustainability report and has won several ESG and IR awards.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

Disclaimer

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As of Wednesday, April 05, 2023, the analyst, Chan Mun Chun, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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