

Results Note

RM4.43 @ 21 November 2024

"9M24 results were within expectations; anticipating a seasonally strong 4Q24"

Share price performance



	1M	3M	12M
Absolute (%)	-1.6	7.5	134.4
Rel KLCI (%)	2.0	10.7	115.9

	BUY	HOLD	SELL
Consensus	8	8	1

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,289.4
Mkt cap (RMm)/(US\$m)	5,711.9/1,281.5
Avg daily vol - 6mth (m)	3.8
52-wk range (RM)	1.76-5.18
Est free float	26.7%
Stock Beta	0.98
Net cash/(debt) (RMm)	(297.3)
ROE (2024E)	19.6%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good	NA
Constituent	
FBM EMAS (Top 200)	NA
ESG Rank	

Key Shareholders

Sunway Holdings	54.6%
Sungei Way Corp	10.1%
EPF	6.4%
ASN	3.3%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

Loong Chee Wei, CFA

T (603) 2146 7548

E cheeweiloong@affinhwang.com

Lim Jia Zhen

T (603) 2146 7588

E jiazhen.lim@affingroup.com

Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +22.3%

Price Target: RM5.42

Previous Target (Rating): RM5.00 (BUY)

On the brink of explosive earnings growth

- Sunway Construction's (SunCon) 9M24 core net profit grew 8% yoy to RM103.8m, which is within our expectations as we anticipate a seasonally strong 4Q24
- YTD wins stand at RM4bn, achieving the lower end of SunCon's target of RM4-5bn for the year. We adjust downwards our replenishment assumption for 2024 to RM4.2bn (from RM5bn), and raise the 2025 assumption to RM5bn
- We reiterate our high conviction sector BUY with a higher 12-month RNAV-based target price (TP) of RM5.42

Broadly within expectations; one-off items hit core earnings

SunCon's 9M24 core net profit came in at RM103.8m (+8% yoy), making up c.60% of the consensus and our forecast. The results are broadly within expectations, in anticipation of a seasonally strong 4Q24. Our core net profit is derived after stripping away a RM9.8m reversal of impairment losses and RM3.7m gain on disposal of assets during the quarter. SunCon recorded revenue of RM865.3m (+33% qoq, +29% yoy) in 3Q24, driven by higher construction revenue during the quarter. PBT increased by 41% qoq and 47% yoy to RM70.5m, in tandem with the higher revenue recorded. The PBT margin ticked up by 0.4 ppt qoq and 1.0 ppt yoy, which we attribute to the higher mix of data centre projects that command relatively higher margins.

Data centre momentum likely to continue

Data centres still remain in the spotlight for SunCon, making up 54% (RM3.9bn) of its total outstanding order book of RM7.1bn. We estimate that the JHB1X0 project (worth RM3.7bn) contributed c.RM332m in revenue during the quarter, and will continue to see a further ramp-up in 4Q24 and 2025. SunCon's active tender book of RM10.6bn includes 5 data centre packages, which we gather make up the bulk of the value. With the US elections and the uncertainties surrounding it in the rear-view mirror, we believe it is likely that MNCs will now move ahead with their investment decisions moving into 2025.

Reiterate BUY with higher 12-month TP of RM5.42

SunCon's YTD new contract wins stand at RM4bn, hitting the lower end of its RM4-5bn guidance set for the year. We believe it will likely close out the year on this note and have revised downwards our assumption to RM4.2bn (from RM5bn). On the flip side, we raise the 2025 order book replenishment assumption to RM5bn (from RM3.5bn) underpinned by the robust data centre pipeline. Thus, our 2024E core earnings is trimmed by 2.6%, while 2025-26E core earnings are raised by 0.7-7.4%. We maintain our high conviction sector BUY call with a higher 12-month RNAV-based TP of RM5.42, after raising our PER for the construction segment to 20x (from 18x). We believe our elevated valuations are justified, given the order book has increased by nearly 1.8x since 3Q22 (before the introduction of data centres), and the abundance of replenishment opportunities ahead.

Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	2,155.2	2,671.2	3,210.5	5,162.0	5,551.2
EBITDA (RMm)	218.9	252.4	278.7	441.1	499.6
Pretax profit (RMm)	184.1	188.6	227.9	380.5	439.6
Net profit (RMm)	135.2	145.1	173.7	288.4	333.4
EPS (sen)	10.5	11.3	13.5	22.4	25.9
PER (x)	42.3	39.4	32.9	19.8	17.1
Core net profit (RMm)	143.8	152.2	168.7	288.4	333.4
Core EPS (sen)	11.1	11.8	13.1	22.4	25.9
Core EPS growth (%)	(0.6)	5.9	10.8	71.0	15.6
Core PER (x)	39.8	37.5	33.9	19.8	17.1
Net DPS (sen)	5.5	6.0	7.0	11.0	12.0
Dividend Yield (%)	1.2	1.4	1.6	2.5	2.7
EV/EBITDA	25.9	24.2	21.8	14.2	12.0

Chg in EPS (%)	(2.6)	0.7	7.4
Affin/Consensus (x)	1.0	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Key risks

Key downside risks to our BUY call are: i) lower-than-expected new contract wins, ii) lower-than-expected profit margins.

Fig 1: Results comparison

FYE 31 Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg	Comment
Revenue	673.5	651.2	865.3	32.9	28.5	1,799.7	2,121.4	17.9	9M24: Higher construction (+14% yoy) revenue, but lower pre-cast concrete (-5% yoy) revenue as some projects are at the tail end
Op costs	(611.3)	(595.7)	(808.3)	35.7	32.2	(1,624.3)	(1,951.2)	20.1	
EBITDA	62.2	55.5	57.1	2.7	(8.3)	175.4	170.1	(3.0)	
<i>EBITDA margin (%)</i>	<i>9.2</i>	<i>8.5</i>	<i>6.6</i>	<i>(1.9 ppt)</i>	<i>(2.6 ppt)</i>	<i>9.7</i>	<i>8.0</i>	<i>(1.7 ppt)</i>	
Depn and amort	(5.2)	(4.6)	(4.5)	(1.9)	(14.0)	(32.7)	(13.6)	(58.6)	
EBIT	57.0	51.0	52.6	3.1	(7.8)	142.7	156.6	9.7	
<i>EBIT margin (%)</i>	<i>8.5</i>	<i>7.8</i>	<i>6.1</i>	<i>(1.8 ppt)</i>	<i>(2.4 ppt)</i>	<i>7.9</i>	<i>7.4</i>	<i>(0.5 ppt)</i>	
Interest income	7.0	15.3	22.4	45.9	218.6	17.8	42.4	137.8	Higher returns on cash in tandem with higher cash balance
Interest expense	(13.0)	(17.8)	(16.6)	(6.4)	27.7	(32.7)	(50.6)	54.5	
Associates	0.0	0.0	0.0	n.m	n.m	0.3	0.0	n.m	
Forex gain (losses)	(0.9)	0.4	(1.2)	>100	34.9	(0.0)	0.6	>100	
Exceptional items	(2.0)	1.3	13.4	>100	>100	(0.2)	13.3	>100	
Pretax profit	48.1	50.2	70.5	40.5	46.6	127.9	162.4	27.0	Higher PBT mainly due to higher revenue and exceptional gains
Tax	(12.6)	(12.4)	(21.9)	75.9	73.7	(30.5)	(43.3)	42.0	
<i>Tax rate (%)</i>	<i>26.2</i>	<i>24.8</i>	<i>31.0</i>	<i>6.3 ppt</i>	<i>4.8 ppt</i>	<i>23.9</i>	<i>26.6</i>	<i>2.8 ppt</i>	
Minority interests	(0.5)	1.1	(2.2)	>100	>100	(1.6)	(1.4)	(12.6)	
Net profit	35.0	38.9	46.5	19.6	32.7	95.8	117.7	22.8	Within expectations, assuming stronger 4Q24 performance
EPS (sen)	2.7	3.0	3.6	19.6	32.4	7.4	9.1	22.9	
Core net profit	37.9	37.2	34.2	(8.0)	(9.7)	96.0	103.8	8.0	Within expectations Exclude one-off items

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

FYE 31 Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg
Construction	590.6	597.6	831.8	39.2	40.9	1,595.2	1,973.0	23.7
Precast concrete	83.0	53.6	33.5	(37.5)	(59.6)	204.5	148.4	(27.4)
Total	673.5	651.2	865.3	32.9	28.5	1,799.7	2,121.4	17.9

Source: Affin Hwang, Company

Fig 3: Segmental PBT breakdown

FYE 31 Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg
Construction	41.6	46.9	68.5	46.2	64.6	116.9	153.3	31.1
Precast concrete	6.5	3.3	2.0	(40.1)	(69.1)	11.0	9.1	(17.2)
Total	48.1	50.2	70.5	40.5	46.6	127.9	162.4	27.0

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

FYE 31 Dec (%)	3Q23	2Q24	3Q24	QoQ ppt chg	YoY ppt chg	9M23	9M24	YoY ppt chg
Construction	7.0	7.8	8.2	0.4	1.2	7.3	7.8	0.4
Precast concrete	7.8	6.2	6.0	(0.3)	(1.8)	5.4	6.1	0.8
Total	7.1	7.7	8.2	0.4	1.0	7.1	7.7	0.5

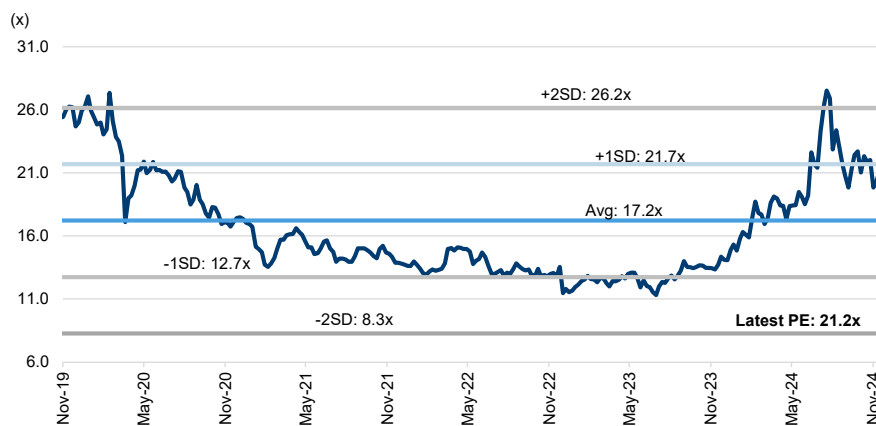
Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segments	Stake (%)	New RNAV (RMm)	Old RNAV (RMm)	Change (%)
Construction @ PER 20x sustainable earnings of RM300m	100	6,000	5,400	11
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640	640	0
Investment in Singapore IPPH JV @ book value	50	47	47	0
Book value of Indian highways	60	64	64	0
Net cash/(debt)		242	293	NA
RNAV		6,993	6,444	9
No. of shares (m)		1,289	1,289	0
RNAV/share (RM)		5.42	5.00	9
Target price		5.42	5.00	9

Source: Affin Hwang, Company *: adjusted for RNAV calculation

Fig 6: 12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 7: New contract wins YTD 2024

PROJECTS (2024 NEW AWARDS)	CLIENT	COMPLETION DATE	CONTRACT SUM (RM'MIL)
SUNWAY IPOH MALL	SUNWAY LOST WORLD WATER PARK SDN BHD	JAN-27	721.0
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	OCT-24	34.3
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	OCT-24	25.8
ULU PANDAN C1 & C2	CES ENGINEERING & CONSTRUCTION PTE LTD	JUN-27	103.4
PROJECT SERVICE REQUEST	MULTINATIONAL TECHNOLOGY COMPANY	APR-27	747.8
BEDOK N2C23 - WATERTANKS	PRECAST CONCRETE PTE LTD	SEP-25	3.4
LPS TERM CONTRACT BATCH 14	HOUSING AND DEVELOPEMNT BOARD	SEP-25	82.1
SECURED IN 1Q 2024			1,717.8
101 NEYTHAL ROAD REDEVELOPMENT	FONDA GLOBAL ENGINEERING PTE LTD	AUG-25	5.9
SUNMED PHASE 3 - FIT-OUT WORKS	SUNWAY MEDICAL CENTRE SDN BHD	JUN-26	80.0
JHB1X0 - REVISED NTP WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	1,500.0
SECURED IN 2Q 2024			1,585.9
KALLANG WHAMPOA C53	NEWCON BUILDERS PTE LTD	JUL-27	100.4
PROJECT C - SITE 1	FONDA GLOBAL ENGINEERING PTE LTD	MAY-26	22.6
PROJECT C - SITE 2	FONDA GLOBAL ENGINEERING PTE LTD	DEC-26	40.2
TANGLIN HALT C2	NEWCON BUILDERS PTE LTD	OCT-27	57.5
JHB1X0 - TENANT IMPROVEMENT WORKS (TIW)	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	82.5
SUNMED IPOH PH2 FIT OUT	SUNWAY MEDICAL IPOH SDN BHD	APR-25	18.2
9 STY NURSING HOME AT JELAPANG ROAD	ZHENG KENG ENGINEERING & CONSTRUCTION PTE LTD	APR-26	11.3
7 STY NURSING HOME AT TAMPINES STREET 42	VIGCON CONSTRUCTION PTE LTD	APR-26	10.6
SUNMED DAMANSARA PH2 FIT OUT	PARADIGM FAIRVIEW SDN BHD	MAY-25	9.0
SECURED IN 3Q 2024			352.2
JHB1X0 - TENANT IMPROVEMENT WORKS (TIW)	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	264.8
TENGAH BRICKLAND C2 MSCP LPS	CES ENGINEERING & CONSTRUCTION PTE LTD	SEP-25	4.0
JHB1X0 - TENANT IMPROVEMENT WORKS (TIW)	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	103.0
SECURED IN 4Q 2024			371.9
TOTAL AS AT NOVEMBER 2024			4,027.9

Source: Company



Fig 8: Order book

AS AT SEP-24 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK	
BUILDING			254	4%
OXLEY TOWER (MEP) + VO	4Q 2024	76	25	
DAISO	2Q 2026	298	229	
DATA CENTRE			3,851	54%
JHB1X0 - DATA CENTRE	1Q 2026	1,700	1,079	
K2 - DATA CENTRE	4Q 2024	190	21	
K2 DC (CIMC)	4Q 2024	99	17	
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - MNC	4Q 2024	60	45	
PSR - MNC	2Q 2027	748	739	
JHB1X0 - REVISED NTP	1Q 2026	1,500	1,500	
JHB1X0 - TENANT IMPROVEMENT WORKS (TIW)	1Q 2026	450	450	
INFRASTRUCTURE/PILING			265	4%
RTS LINK PACKAGE 1B AND PACKAGE 5	2Q 2025	605	265	
INDIA			180	2%
THORAPALLI - JITTANDAHALLI (TJ)	2Q 2025	508	180	
SUSTAINABLE ENERGY			46	1%
CGPP - GREEN	4Q 2025	46	46	
SINGAPORE			711	10%
PRECAST	VARIOUS	512	281	
NEW ORDER 2024 - EXTERNAL	VARIOUS	441	430	
AS AT SEP-24 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK	
INTERNAL - SUNWAY GROUP			1,761	25%
SUNWAY BELFIELD	4Q 2024	428	29	
SUNWAY SQUARE - SUPERSTRUCTURE + (VO)	4Q 2025	1,103	544	
SUNWAY CARNIVAL MALL - REFURBISHMENT	2Q 2025	253	113	
SUNWAY VELOCITY 2B	4Q 2024	276	19	
SUNMED DAMANSARA	4Q 2024	234	20	
SUNMED IPOH + VO	4Q 2024	217	14	
SUNWAY FLORA	1Q 2026	276	161	
SUNMED PH2 FIT-OUT	3Q 2025	70	59	
SUNWAY IPOH MALL	1Q 2027	721	694	
SUNMED PH3 FIT-OUT	2Q 2026	80	80	
SUNMED IPOH PH2 FIT OUT	2Q 2025	18	18	
SUNMED DAMANSARA PH2 FIT OUT	2Q 2025	9	9	
GRAND TOTAL @ SEP 2024		10,919	7,067	
RED : SECURED IN 2024		4,028	3,965	

Source: Company



Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

This report is intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) ("the Company") based on sources believed to be reliable and is not to be taken in substitution for the exercise of your judgment. You should obtain independent financial, legal, tax or such other professional advice, when making your independent appraisal, assessment, review and evaluation of the company/entity covered in this report, and the extent of the risk involved in doing so, before investing or participating in any of the securities or investment strategies or transactions discussed in this report. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (expressed or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, estimates, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel and the same are subject to change without notice. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest. Under no circumstances shall the Company, be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company its directors, its employees and their respective associates may have positions or financial interest in the securities mentioned therein. The Company, its directors, its employees and their respective associates may further act as market maker, may have assumed an underwriting commitment, deal with such securities, may also perform or seek to perform investment banking services, advisory and other services relating to the subject company/entity, and may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report. The Company, its directors, its employees and their respective associates, may provide, or have provided in the past 12 months investment banking, corporate finance or other services and may receive, or may have received compensation for the services provided from the subject company/entity covered in this report. No part of the research analyst's compensation or benefit was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. Employees of the Company may serve as a board member of the subject company/entity covered in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

Copyright © 2023 Sustainalytics. All rights reserved.

This report contains information developed by Sustainalytics. Such information and data are proprietary of Sustainalytics and/or its third-party suppliers (Third-Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>.

This report, or any portion thereof may not be reprinted, sold or redistributed without the written consent of the Company.

This report is printed and published by:
Affin Hwang Investment Bank Berhad (14389-U)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 32, Menara AFFIN,
Lingkaran TRX,
55188 Kuala Lumpur, Malaysia.

T : + 603 2142 3700
F : + 603 2146 7630
ahib.researchteam@affingroup.com

www.affinhwang.com

