

Sunway Construction (SCGB MK)

Inline

HOLD

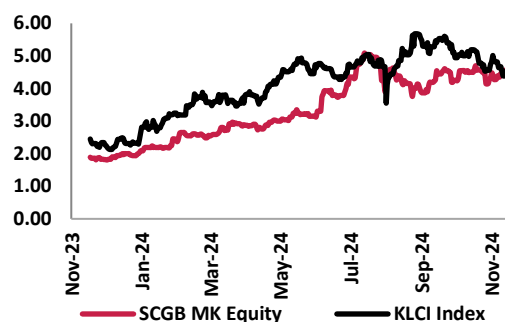


Share Price RM4.43
Target Price RM4.27 -3.6%

Data Centers Lead While Precast Lags

- Maintain HOLD (TP: RM4.27).** Sunway Construction (SunCon) reported a 9M24 core net profit of RM117.7mn (+22.8% YoY) that aligns with our estimates, however fell short of consensus expectations at 73.7% and 67.4%, respectively. The strong performance was driven by accelerated progress in data center projects that has offset the weakness in precast segment. Looking ahead, we anticipate a gradual recovery in the precast segment, with momentum gaining as the Singapore Housing and Development Board (HDB) ramps up its launches. SunCon has declared a second interim dividend of 2.5 sen, bringing the total YTD DPS for FY24 to 6.0 sen. We maintain our **HOLD** call on SunCon with a **TP of RM4.27**, based on a 5-year average PER of 23.6x and FY25F EPS of 18.1 sen.
- Key Highlights.** The company is executing five data center projects for four multinational corporations, comprising 54% of its RM7.1bn orderbook. This led to revenue growth of 40.9% YoY in its construction segment to RM832mn in 3Q24. Conversely, the precast segment's turnover declined 59.6% YoY to RM34mn due to staggered rollouts of new projects. Notably 8,573 Build-To-Order (BTO) flats was launched as at October 2024, being the largest number in a single BTO exercise to date. However, despite strong HDB demand, the timing of these rollouts and ongoing contract execution are expected to slow earnings contributions in the near term.
- Earnings Revision.** No changes.
- Outlook.** SunCon has been capitalizing on both private and public sector opportunities while leveraging in-house projects from Sunway Berhad, particularly in specialized building developments. Additionally, we note on the progress of its annuity collections which already underway for the Meensurutti-Chidambaram Highway, meanwhile the Thorapalli-Agraharam Jittandahalli Highway is on track for 2Q2025 completion. Its exploration of Advanced Technology Facilities (ATF) sector projects in ASEAN through local partnerships also reflects a strategic push for regional diversification.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(1.6)	8.5	139.1
vs FBM KLCI	2.0	10.7	115.9

Stock Data

ESG Rating	Good
Mkt Cap (RM mn)	5,711.9
Adjusted Beta	1.0
Free float (%)	28.9
Issued shares (mn)	1,289.4
52w H/L (RM)	5.18 / 1.76
3m avg daily volume	3,006,087

Major Shareholders (%)

Sunway Holdings	54.6
Sungei Way Corp	10.1
Employees Provident Fund	6.4

Research Team

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Table 1: Quarterly Figures

Sunway Construction	Quarterly			Change		Cumulative		YTD Chg	BIMB	9M/F24
FYE 31 Dec (RM mn)	3Q23	2Q24	3Q24	QoQ	YoY	9MFY23	9MFY24			
Revenue	673.5	651.2	865.3	32.9%	28.5%	1,799.7	2,121.4	17.9%	2,907.0	73.0%
EBITDA	59.3	57.2	69.3	21.1%	16.8%	158.3	184.1	16.3%	206.2	89.3%
Pretax Profit	48.1	50.2	70.5	40.5%	46.6%	127.9	162.4	27.0%	201.8	80.5%
Taxation	(12.6)	(12.4)	(21.9)	75.9%	73.7%	(30.5)	(43.3)	42.0%	(28.0)	154.5%
Net Profit	35.5	38.9	48.6	25.1%	37.0%	97.4	119.1	22.3%	159.7	74.6%
PATAMI	35.0	38.9	46.5	19.6%	32.7%	95.8	117.7	22.8%	159.7	73.7%
EPS (sen)	2.7	3.0	3.6	0.2	0.3	7.6	9.2	0.2	12.4	74.6%
				Chg (ppts)				Chg (ppts)		
EBITDA margin	8.8%	8.8%	8.0%	(0.8)	(0.8)	8.8%	8.7%	(0.1)		
PBT margin	7.1%	7.7%	8.2%	0.5	1.1	7.1%	7.7%	0.6		
Net Profit margin	5.2%	6.0%	5.4%	(0.6)	0.2	5.3%	5.6%	0.3		
Effective tax rate	-26.2%	-24.8%	-31.0%	6.2	4.8	-23.8%	-26.6%	2.8		

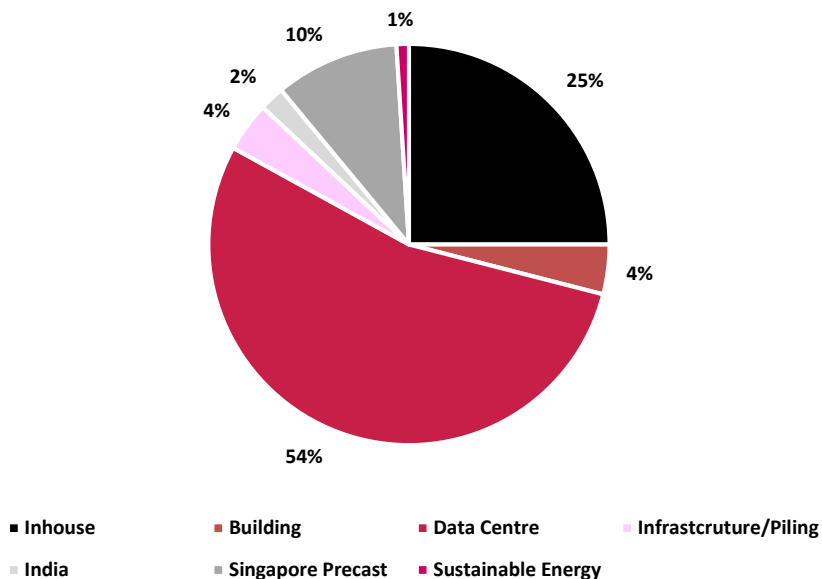
Source: Bloomberg, BIMB Securities

Table 2: SunCon's Segmental Performance

Revenue (RM mn)	3QFY23	3QFY24	YoY Chg	9MFY23	9MFY24	YTD Chg
Construction	590.5	831.8	40.9%	1,595.2	1,973.0	23.7%
Precast	83.0	33.5	-59.6%	148.4	204.5	37.8%
Total Group	673.5	865.3	28.5%	1,743.6	2,177.5	24.9%

Source: Company, BIMB Securities

Chart 1: SunCon's Construction Orderbook YTD FY24



Source: Company, BIMB Securities

Table 3: Earnings Forecast

FYE 31 Dec (RM mn)	2022	2023	2024F	2025F	2026F
Turnover	2155.2	2672.2	2907.0	3143.7	3328.9
EBITDA	210.3	203.3	206.2	225.3	363.6
Pre-tax profit	182.4	202.8	201.8	275.0	354.6
PATAMI	135.2	145.1	159.7	232.8	312.5
Consensus PATAMI			174.6	269.6	292.2
Core EPS (sen)	10.5	11.3	12.4	18.1	24.2
PER (x)	14.9	13.7	34.2	23.5	17.5
DPS (sen)	5.5	6.0	6.5	6.5	6.5
Div. Yield (%)	3.5	3.6	1.5	1.5	1.5
BVPS (sen)	0.6	0.6	0.7	0.8	1.0
P/B (x)	2.7	2.4	6.1	5.2	4.3
Net gearing (x)	(0.7)	(0.6)	(0.5)	(0.5)	(0.4)
Key Ratios (%)					
ROE	19.1	18.7	18.6	24.0	27.0
EBITDA margin	9.8	7.6	7.1	7.2	10.9
Pretax margin	8.5	7.1	6.5	8.3	10.2
Net margin	6.4	5.5	5.5	7.4	9.4

Source: Bloomberg, BIMB Securities

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BIMB Securities uses the following rating system:

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

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	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
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Printed and published by**BIMB SECURITIES SDN BHD (290163-X)**

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