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Sunway Construction Group

RM1.5b Extra Works for Data Centre Job

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Data centre developer Yellowwood Properties Sdn Bhd (Yellowwood) has awarded SUNCON the NTP 4 works of its data centre project JHB1x0, raising the total contract value by RM1.5b to RM3.2b. We raise our FY24-25F net profit forecasts by 10% and 22%, respectively, lift our TP by 22% to RM3.85 (from RM3.16) and upgrade our call to **OUTPERFORM** from **MARKET PERFORM**.

Yellowwood has awarded SUNCON the NTP 4 works of its data centre project JHB1x0, in addition to those of NTP 1 (completed), NTP 2 and NTP 3, awarded since Dec 2022. This has boosted the total contract value of SUNCON's JHB1x0 job by RM1.5b to RM3.2b (from RM1.7b). The entire JHB1x0 project will now be completed by Feb 2026.

This additional work scope for the JHB1x0 project has increased SUNCON's YTD job wins to RM3.3b (on track to beat our full-year job win assumption of RM3.5b) and its outstanding order book to RM7.9b. Typically, data centre building jobs can fetch an EBIT margin that is at the higher end of the range of 5% to 8% for building jobs. We assume an EBIT margin of 7.5% for the additional works.

Outlook. We expect a significant revitalisation of the construction sector in 2024 backed by: (i) the roll-out of the RM45b MRT3 project, Pan Borneo Highway Phase 2 and several flood mitigation projects reportedly to be worth RM13b, and (ii) a vibrant private sector construction market, backed by massive investment in new semiconductor foundries and data centres. SUNCON is eyeing opportunities in data centre building jobs, MRT3 and Penang LRT Mutiara Line work packages, and contracts from parent and sister companies.

Forecasts. We raise our FY24-25F net profit forecasts by 10% and 22%, respectively, as we lift our FY24-25F job win assumptions to RM4.5b and RM4b, respectively, (both from RM3.5b).

Valuations. Correspondingly, we lift our TP by 22% to RM3.85 (from RM3.16) based on an unchanged 18x FY25F PER, which is in-line with our valuation for big cap construction companies, i.e. **GAMUDA (OP; TP: RM6.70)** and **IJM (OP; TP: RM2.77)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 4).

Investment case. We like SUNCON for: (i) strong job prospects of the sector as a whole with the imminent roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM6.9b outstanding order book and recurring jobs from parent and sister companies, and (iii) its extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works. Upgrade the stock to **OUTPERFORM** from **MARKET PERFORM** as value has emerged on higher job win assumptions.

Risks to our recommendation include: (i) weak flows of construction jobs from public and private sectors, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

OUTPERFORM ↑

Price: **RM3.31**
Target Price: **RM3.85** ↑

Share Price Performance



KLCI	1,614.37
YTD KLCI chg	11.0%
YTD stock price chg	70.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK Equity
Market Cap (RM m)	4,267.8
Shares Outstanding	1,289.4
52-week range (H)	3.42
52-week range (L)	1.53
3-mth avg. daily vol.	4,130,095
Free Float	20%
Beta	0.9

Major Shareholders

Sunway Holdings Sdn	54.6%
Sungei Way Corp Sdn	10.1%
Employees Provident	6.6%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	2671.2	3148.4	4388.2
EBIT	210.1	247.3	355.7
PBT	188.6	237.3	345.7
Net Profit	145.1	180.6	263.0
Core Net Profit	151.2	180.6	263.0
Consensus	-	179.3	224.5
Earnings Revision (%)	-	+9.6	+21.8
Core EPS (sen)	11.7	14.0	20.4
Core EPS Growth (%)	5.0	19.4	45.7
NDPS (sen)	6.0	6.0	6.0
NTA Per Share (RM)	0.63	0.71	0.86
Price to NTA (x)	5.2	4.6	3.9
PER (x)	28.3	23.7	16.3
Net Gearing (x)	0.41	0.25	-0.05
ROE (%)	18.4	19.6	23.7
Net Div. Yield (%)	1.8	1.8	1.8

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SUNCON's Outstanding Order Book

Project	Outstanding Value (RM m)
Building	
Oxley Tower (MEP) + VO	31
JHB1X0 - Data Centre	2,953
K2 – Data Centre	104
Daiso	282
K2 DC (CIMC)	93
ECI & Work Order – MNC	58
PSR – MNC	748
New Order 2024	97
Infrastructure/Piling	
LRT3 Package GS07-08	8
RTS Link Package 1B & Package 5	417
LRT3 Package GS06	11
India	
Thorapalli-Jittandahalli (TJ)	190
Sustainable Energy	
Solar – External	7
LSS4 Gopeng	16
LSS4 Kapar	18
Sunway Square DCS	10
CGPP - Green	46
Singapore	
Precast	441
New Order 2024 – External	189
Internal – Sunway Group	
Sunway Belfield	77
Sunway Square – Superstructure + VO	744
Sunway Carnival Mall – Refurbishment	154
Sunway Velocity 2B	54
SMC Damansara	71
SMC Ipoh + VO	59
Sunway Flora	217
SMC Fit-Out	70
SMC SJ Fit-Out	14
Sunway Ipoh Mall	719
Total	7,900

Source: Company

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	1729	2155	2671	3148	4388	Growth					
OP	139	187	224	247	356	Revenue	11%	25%	24%	18%	39%
JVA	13	2	-14	0	0	EBIT	52%	23%	12%	18%	44%
EBIT	153	188	210	247	356	PBT	50%	21%	2%	26%	46%
Finance costs	0	-4	-21	-10	-10	PAT	50%	25%	5%	24%	46%
PBT	152	184	189	237	346	Net Profit	55%	20%	7%	24%	46%
Taxation	-41	-45	-43	-57	-83	Core Net Profit	59%	29%	5%	19%	46%
PAT	111	139	146	181	263	Profitability					
MI	-2	4	1	0	0	EBIT margin	9%	9%	8%	8%	8%
Net Profit	113	135	145	181	263	PBT margin	9%	9%	7%	8%	8%
Exceptionals	1	-9	-6	0	0	PAT margin	6%	6%	5%	6%	6%
Core Net Profit	112	144	151	181	263	Net Profit margin	7%	6%	5%	6%	6%
Balance Sheet						CNP margin	6%	7%	6%	6%	6%
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	Effective Tax Rate	-27%	-25%	-23%	-24%	-24%
Fixed Assets	125	108	99	99	99	ROE	16.0%	19.5%	18.4%	19.6%	23.7%
Intangibles	0	0	0	0	0	ROA	6.0%	6.4%	4.9%	5.6%	7.5%
JVA	127	223	253	253	253	Leverage					
NC Inventories (Lanc	0	0	0	0	0	Debt/Equity (x)	0.34	0.65	1.07	0.96	0.80
Inventories	46	53	46	50	50	Net Debt/(Cash)	-458	-55	336	233	-52
Receivable	661	989	1596	1600	1600	Net Debt/Equity (x)	-0.65	-0.07	0.41	0.25	-0.05
Other Assets	210	328	548	548	548	Valuations					
Cash	696	535	541	655	941	Core EPS (sen)	8.7	11.1	11.7	14.0	20.4
Total Assets	1864	2236	3083	3205	3491	NDPS (sen)	5.3	5.5	6.0	6.0	6.0
Payables	861	917	1243	1250	1350	BV/share (RM)	0.54	0.57	0.63	0.71	0.86
ST Borrowings	93	172	438	438	438	Core PER (x)	38.1	29.7	28.3	23.7	16.3
LT Borrowings	145	309	438	450	450	Net Div. Yield (%)	1.6	1.7	1.8	1.8	1.8
Other Liabilities	49	18	72	72	72	PBV (x)	6.10	5.80	5.21	4.63	3.86
Total Liabilities	1147	1415	2191	2210	2310						
Net Assets	717	821	892	995	1181						
Share Cap	228	221	230	230	230						
Reserves	471	516	590	693	879						
Share Equity	699	737	820	923	1109						
MI	18	84	72	72	72						
Total Equity	717	821	892	995	1181						
Cashflow Statement											
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F						
Operating CF	239	-215	-286	190	373						
Investing CF	-174	424	-88	-337	-531						
Financing CF	-122	143	349	-76	-88						
Change in Cash	-58	351	-25	-222	-246						

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA BHD	OP	6.12	6.70	9.5%	16,953.7	Y	07/2024	40.2	50.6	29.7%	25.8%	16.8	13.5	1.5	10.0%	12.0	2.0%
IJM CORP BHD	OP	2.79	2.77	-0.7%	9,782.2	Y	03/2025	13.0	14.4	-8.3%	11.2%	30.6	32.7	1.0	5.2%	8.0	2.9%
KERJAYA PROSPEK GROUP BHD	MP	1.83	1.90	3.8%	2,307.7	Y	12/2024	14.2	15.8	33.3%	11.3%	15.0	13.1	1.6	13.0%	10.0	5.5%
KIMLUN CORP BHD	MP	1.47	1.47	0.0%	519.4	Y	12/2024	11.9	14.7	493.0%	23.0%	14.8	12.6	0.7	5.5%	1.0	0.7%
SUNWAY CONSTRUCTION GROUP BHD	OP	3.31	3.85	16.3%	4,267.8	Y	12/2024	14.0	20.4	19.4%	45.7%	26.1	24.9	4.3	19.1%	6.0	1.8%
WCT HOLDINGS BHD	OP	0.910	0.660	-27.5%	1,289.7	Y	12/2024	2.5	3.0	-85.9%	18.4%	36.1	24.7	0.4	1.2%	0.5	0.5%
SECTOR AGGREGATE					35,120.5					43.3%	22.7%	17.4	14.2	1.3	7.3%		2.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	★	☆
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	★	☆
SPECIFIC	Migrant Worker Welfare	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Environmentally Friendly Construction Technology	★	★	★	★	
	Supply Chain Auditing	★	★	★	★	
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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