

"2024 results were within expectations; anticipating another record year for 2025"

Share price performance



| | 1M | 3M | 12M |
|--------------|------|------|------|
| Absolute (%) | 17.7 | -8.4 | 57.9 |
| Rel KLCI (%) | 17.3 | -7.3 | 55.6 |

| | BUY | HOLD | SELL |
|-----------|-----|------|------|
| Consensus | 10 | 5 | 2 |

Source: Bloomberg

Stock Data

| | |
|--------------------------|---------------|
| Sector | Construction |
| Issued shares (m) | 1,289.4 |
| Mkt cap (RMm)/(US\$m) | 5312.2/1199.6 |
| Avg daily vol - 6mth (m) | 4.0 |
| 52-wk range (RM) | 2.48-5.3 |
| Est free float | 26.5% |
| Stock Beta | 1.37 |
| Net cash/(debt) (RMm) | 285.1 |
| ROE (2025E) | 30.5% |
| Derivatives | No |
| Shariah Compliant | Yes |
| FTSE4Good | NA |
| Constituent | |
| FBM EMAS (Top 200) | NA |
| ESG Rank | |

Key Shareholders

| | |
|---------------|------|
| Sunway Berhad | 64.6 |
| EPF | 7.3% |
| ASN | 3.3% |

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +32%

Price Target: RM5.42

Previous Target (Rating): RM5.42 (BUY)

Patience rewarded; ending the year on a high note

- Sunway Construction's (SunCon) FY24 core net profit grew 9% yoy to a record high RM166.5m, coming in within our expectations
- SunCon introduced a higher replenishment guidance of RM4.5-6.0bn for FY25, which we expect to be driven by new data centre projects and internal projects from Sunway Group
- We reiterate our high-conviction market and sector BUY and a 12-month RNAV-based target price (TP) of RM5.42

Within expectations on seasonally strong quarter

SunCon's FY24 core net profit came in at RM166.5m (+9.4% yoy), making up c. 99% of consensus and our previous forecast on the back of a seasonally strong 4Q24. Revenue for the year grew by 32% yoy to RM3.5bn – a record high, driven by a 40% surge in construction revenue to RM3.3bn. Consequently, PBT for the year increased by 45% yoy RM273m, while PBT margin ticked up by 0.7ppt to 7.8%, driven by the higher mix of data centre projects that command relatively higher margins. On a qoq basis, 4Q24 revenue surged 62% to RM1.4bn, while core earnings increased by 98% to RM67.8m.

Robust order book to sustain

SunCon's remaining order book saw a net reduction of RM1.3bn qoq to RM5.8bn in 4Q24 with the ramp up in progress billings, which we estimate up to half of it was from the JHB1X0 project, while there was no major new project secured. Some projects completed during the quarter include the likes of Sunway Belfield, Sunway Velocity 2B, Sunmed Damansara, and Sunmed Ipoh. Prospects for order book replenishment remain strong, and SunCon has set a new replenishment guidance of RM4.5-6.0bn for FY25. We believe projects that will make up this guidance include: i) further upsizing and Phase 2 of the JHB1X0 data centre, ii) conversion of early contractor involvement works for data centres to full contracts, and iii) internal projects from Sunway Bhd, including the recently secured Bukit Chagar mixed development project in Johor Bahru.

Reiterate BUY call with unchanged 12-month TP of RM5.42

We maintain our order book replenishment assumption of RM5bn for FY25, which is within management's new guidance. Our FY25-26E earnings are raised upwards by c. 1% owing to housekeeping adjustments, and we introduce our FY27E earnings (core EPS +2% yoy from a high base in FY26E). SunCon remains our high-conviction market and sector BUY, with RNAV-based TP of RM5.42. Overall, the data centre theme supplemented by internal projects from Sunway Bhd will likely remain key catalysts for the share price outperformance in 2025E.

Earnings & Valuation Summary

| FYE 31 Dec | 2023 | 2024 | 2025E | 2026E | 2027E |
|-----------------------|---------|---------|---------|---------|---------|
| Revenue (RMm) | 2,671.2 | 3,521.7 | 5,170.8 | 5,559.0 | 5,598.6 |
| EBITDA (RMm) | 252.4 | 259.1 | 436.5 | 495.0 | 497.4 |
| Pretax profit (RMm) | 188.6 | 273.0 | 395.7 | 455.9 | 463.4 |
| Net profit (RMm) | 145.1 | 186.9 | 290.6 | 336.4 | 342.1 |
| EPS (sen) | 11.3 | 14.5 | 22.5 | 26.1 | 26.5 |
| PER (x) | 36.6 | 28.4 | 18.3 | 15.8 | 15.5 |
| Core net profit (RMm) | 152.2 | 166.5 | 290.6 | 336.4 | 342.1 |
| Core EPS (sen) | 11.8 | 12.9 | 22.5 | 26.1 | 26.5 |
| Core EPS growth (%) | 5.9 | 9.4 | 74.5 | 15.7 | 1.7 |
| Core PER (x) | 34.9 | 31.9 | 18.3 | 15.8 | 15.5 |
| Net DPS (sen) | 6.0 | 8.0 | 11.0 | 12.0 | 12.0 |
| Dividend Yield (%) | 1.5 | 1.9 | 2.7 | 2.9 | 2.9 |
| EV/EBITDA | 22.6 | 19.9 | 14.0 | 10.2 | 11.9 |
| Chg in EPS (%) | | | 0.8 | 0.9 | New |
| Affin/Consensus (x) | | | 1.1 | 1.2 | NA |

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) | 4Q23 | 3Q24 | 4Q24 | QoQ % chg | YoY % chg | 2023 | 2024 | YoY % chg | Comment |
|--------------------------|--------------|--------------|----------------|------------------|------------------|----------------|----------------|------------------|---|
| Revenue | 871.5 | 865.3 | 1,400.3 | 61.8 | 60.7 | 2,671.2 | 3,521.7 | 31.8 | 2024: Higher construction (+40% yoy) revenue, but lower pre-cast concrete (-32% yoy) revenue due to slower progress billings. |
| Op costs | (777.6) | (808.3) | (1,306.1) | 61.6 | 68.0 | (2,418.9) | (3,262.6) | 34.9 | |
| EBITDA | 93.9 | 57.1 | 94.2 | 65.2 | 0.4 | 252.4 | 259.1 | 2.7 | |
| <i>EBITDA margin (%)</i> | <i>10.8</i> | <i>6.6</i> | <i>6.7</i> | <i>(1.9)</i> | <i>(4.0)</i> | <i>9.4</i> | <i>7.4</i> | <i>(2.1 ppt)</i> | |
| Depn and amort | (5.2) | (4.5) | (3.7) | (17.2) | (28.9) | (21.0) | (17.3) | (17.8) | |
| EBIT | 88.7 | 52.6 | 90.5 | 72.2 | 2.1 | 231.3 | 241.8 | 4.5 | |
| <i>EBIT margin (%)</i> | <i>10.2</i> | <i>6.1</i> | <i>6.5</i> | <i>0.4 ppt</i> | <i>(3.7 ppt)</i> | <i>8.7</i> | <i>6.9</i> | <i>(1.8ppt)</i> | |
| Interest income | 8.6 | 22.4 | 33.2 | 48.5 | 286.4 | 26.4 | 75.7 | 186.1 | Higher returns on cash in tandem with higher cash balance. |
| Interest expense | (15.2) | (16.6) | (14.6) | (12.6) | (4.1) | (47.9) | (65.2) | 36.0 | |
| Associates | (14.5) | 0.0 | 0.0 | n.m | n.m | (14.1) | 0.3 | (102.1) | |
| Forex gain (losses) | (1.6) | (1.2) | (0.1) | n.m | n.m | (1.7) | 0.5 | (132.0) | |
| Exceptional items | (5.2) | 13.4 | 1.5 | n.m | >100 | (5.4) | 19.8 | (467.7) | |
| Pretax profit | 60.8 | 70.5 | 110.6 | 40.5 | 82.0 | 188.6 | 273.0 | 44.7 | Higher PBT mainly due to higher revenue and exceptional gains. |
| Tax | (12.3) | (21.9) | (32.7) | 49.4 | 164.9 | (42.8) | (75.9) | 77.4 | |
| <i>Tax rate (%)</i> | <i>16.4</i> | <i>31.0</i> | <i>29.6</i> | <i>(1.5 ppt)</i> | <i>13.2 ppt</i> | <i>21.1</i> | <i>27.9</i> | <i>6.7ppt</i> | |
| Minority interests | 0.8 | (2.2) | (8.7) | >100 | n.m | (0.7) | (10.1) | >100 | |
| Net profit | 49.3 | 46.5 | 69.2 | 48.9 | 40.4 | 145.1 | 186.9 | 28.8 | Within expectations. |
| EPS (sen) | 3.8 | 3.6 | 5.4 | 48.9 | 40.3 | 11.3 | 14.5 | 28.9 | |
| Core net profit | 56.2 | 34.2 | 67.8 | 98.0 | 20.7 | 152.2 | 166.5 | 9.4 | Within expectations. Exclude one-off items. |

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

| FYE 31 Dec (RMm) | 4Q23 | 3Q24 | 4Q24 | QoQ % chg | YoY % chg | 2023 | 2024 | YoY % chg |
|------------------|--------------|--------------|----------------|-------------|-------------|----------------|----------------|-------------|
| Construction | 785.8 | 831.8 | 1,353.9 | 62.8 | 72.3 | 2,381.0 | 3,326.9 | 39.7 |
| Precast concrete | 85.7 | 33.5 | 46.4 | 38.5 | (45.8) | 290.2 | 194.8 | (32.9) |
| Total | 871.5 | 865.3 | 1,400.3 | 61.8 | 60.7 | 2,671.2 | 3,521.7 | 31.8 |

Source: Affin Hwang, Company



Fig 3: Segmental PBT breakdown

| FYE 31 Dec (RMm) | 4Q23 | 3Q24 | 4Q24 | QoQ % chg | YoY % chg | 2023 | 2024 | YoY % chg |
|------------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|-------------|
| Construction | 53.0 | 68.5 | 107.2 | 56.4 | 102.1 | 169.9 | 260.4 | 53.3 |
| Precast concrete | 7.7 | 2.0 | 3.4 | 70.4 | (55.8) | 18.7 | 12.5 | (33.2) |
| Total | 60.8 | 70.5 | 110.6 | 56.8 | 82.0 | 188.6 | 273.0 | 44.7 |

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

| FYE 31 Dec (%) | 4Q23 | 3Q24 | 4Q24 | QoQ ppt chg | YoY ppt chg | 2023 | 2024 | YoY ppt chg |
|------------------|------------|------------|------------|--------------|-------------|------------|------------|-------------|
| Construction | 6.7 | 8.2 | 7.9 | (0.3) | 1.2 | 7.1 | 7.8 | 0.7 |
| Precast concrete | 9.0 | 6.0 | 7.4 | 1.4 | (1.7) | 6.5 | 6.4 | (0.1) |
| Total | 7.0 | 8.2 | 7.9 | (0.3) | 0.9 | 7.1 | 7.8 | 0.7 |

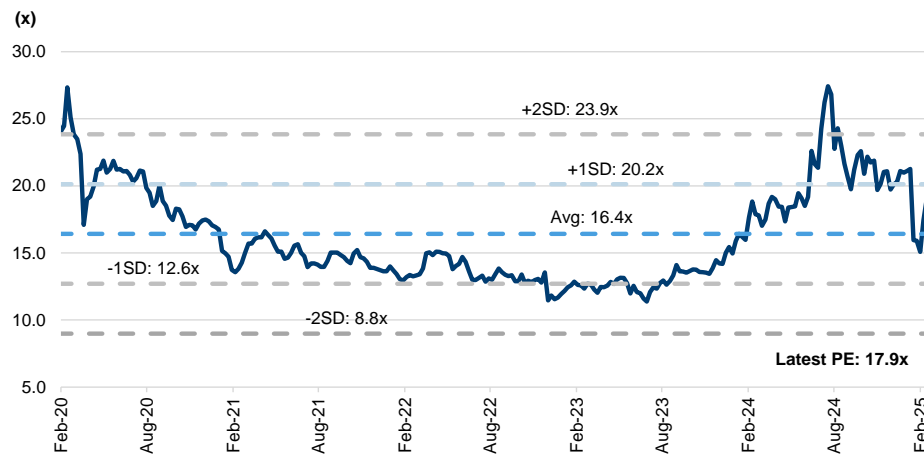
Source: Affin Hwang, Company

Fig 5: RNAV and target price

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

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

Fig 6: 12-month forward PER



Source: Affin Hwang, Bloomberg



Fig 7: New contract wins 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 | 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 | YELLOWWOOD PROPERTIES SDN BHD | FEB-26 | 103.0 |
| JHB1X0 - TENANT IMPROVEMENT WORKS | YELLOWWOOD PROPERTIES SDN BHD | FEB-26 | 42.4 |
| EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE B - WORK ORDER | MULTINATIONAL TECHNOLOGY COMPANY | APR-25 | 18.2 |
| JHB1X0 - TENANT IMPROVEMENT WORKS | YELLOWWOOD PROPERTIES SDN BHD | FEB-26 | 113.8 |
| BUKIT PANJANG N1C14 & CHOA CHU KANG N8C12 MSCP LPS | VARIOUS | VARIOUS | 1.3 |
| PROJECT SERVICE REQUEST - WORK ORDER | MULTINATIONAL TECHNOLOGY COMPANY | APR-27 | 17.4 |
| SECURED IN 4Q 2024 | | | 565.0 |
| TOTAL AS AT DECEMBER 2024 | | | 4,221.0 |

Source: Company

Fig 8: Order book

| AS AT DEC-24 (RM MIL) | COMPLETION | CONTRACT SUM | O/S ORDERBOOK | AS AT DEC-24 (RM MIL) | COMPLETION | CONTRACT SUM | O/S ORDERBOOK |
|---|------------|--------------|---------------|---------------------------------------|------------|--------------|---------------|
| BUILDING | | | 196 3% | INTERNAL - SUNWAY GROUP | | | 1,414 24% |
| OXLEY TOWER (MEP) + VO | 1Q 2025 | 76 | 20 | SUNWAY SQUARE - SUPERSTRUCTURE + (VO) | 4Q 2025 | 1,067 | 402 |
| DAISO | 2Q 2026 | 298 | 176 | SUNWAY CARNIVAL MALL - REFURBISHMENT | 2Q 2025 | 253 | 81 |
| DATA CENTRE | | | 3,204 55% | SUNWAY FLORA | 1Q 2026 | 276 | 121 |
| JHB1X0 - DATA CENTRE | 1Q 2026 | 1,700 | 455 | SUNMED PH2 FIT-OUT | 3Q 2025 | 70 | 44 |
| EARLY CONTRACTOR INVOLVEMENT & ENABLING | 2Q 2025 | 78 | 21 | SUNWAY IPOH MALL | 1Q 2027 | 721 | 666 |
| PSR - MNC | 2Q 2027 | 765 | 687 | SUNMED PH3 FIT-OUT | 2Q 2026 | 80 | 80 |
| JHB1X0 - REVISED NTP | 1Q 2026 | 1,500 | 1,500 | SUNMED IPOH PH2 FIT OUT | 2Q 2025 | 18 | 12 |
| JHB1X0 - TENANT IMPROVEMENT WORKS (TIW) | 1Q 2026 | 606 | 541 | SUNMED DAMANSARA PH2 FIT OUT | 2Q 2025 | 9 | 8 |
| INFRASTRUCTURE/PILING | | | 90 2% | GRAND TOTAL @ DEC 2024 | | 9,545 | 5,830 |
| RTS LINK PACKAGE 1B AND PACKAGE 5 | 2Q 2025 | 558 | 90 | RED : SECURED IN 2024 | | 4,221 | 3,957 |
| INDIA | | | 199 3% | | | | |
| THORAPALLI - JITTANDAHALLI (TJ) | 2Q 2025 | 508 | 199 | | | | |
| SUSTAINABLE ENERGY | | | 46 1% | | | | |
| CGPP - GREEN | 4Q 2025 | 46 | 46 | | | | |
| SINGAPORE | | | 681 12% | | | | |
| PRECAST | VARIOUS | 472 | 239 | | | | |
| NEW ORDER 2024 - EXTERNAL | VARIOUS | 443 | 442 | | | | |

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 |

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