



AmInvestment Bank

SUNWAY CONSTRUCTION

(SCGB MK EQUITY, SCOG.KL)

21 Feb 2025

Company Report

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Rationale for report: Company Result

BUY

(Maintained)

Price	RM4.12
Fair Value	RM5.25
52-week High/Low	RM5.30/RM2.48

Key Changes

Fair value	↔
EPS	⬇️

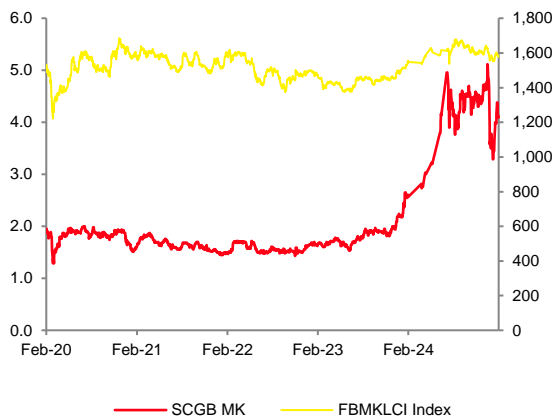
YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	3,521.7	4,510.7	5,264.4	5,155.9
Core net profit (RM mil)	171.3	268.5	312.1	303.7
FD Core EPS (sen)	13.3	20.8	24.2	23.6
FD Core EPS growth (%)	23.6	56.7	16.2	-2.7
Consensus Net Profit (RM mil)	-	264.9	282.9	244.0
DPS (sen)	8.5	12.2	14.2	13.8
PE (x)	28.0	19.8	17.0	17.5
EV/EBITDA (x)	3.0	1.9	1.3	1.1
Div yield (%)	2.1	3.0	3.4	3.4
ROE (%)	0.2	0.3	0.3	0.3
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	258.6
Market Cap (RMmil)	1,065.4
Book Value (RM/Share)	0.64
P/BV (x)	6.5
ROE (%)	20.6
Net Gearing (%)	55.5

Major Shareholders	Amanah Saham Nasional (13.7%)
	EPF (8.4%)
	AIA (4.1%)
Free Float	73.8
Avg Daily Value (RMmil)	20.0

Price performance	3mth	6mth	12mth
Absolute (%)	(8.4)	(0.7)	57.9
Relative (%)	(7.3)	3.4	55.6



Investment Highlights

Maintain BUY on Sunway Construction (SunCon). The Group's full-year FY24 core net profit (CNP) of RM171mil (+14% YoY) came within our and consensus expectations. Performance in 4QFY24 was driven largely by accelerated progress from the RTS Link and data centre projects. Outstanding orderbook currently stands at RM5.8bil. Management guides for replenishment amount of RM4.5bil to RM6bil in FY25. We perform housekeeping adjustments of +1-2% to our FY25 and FY26 earnings. We continue to like SunCon as a pure-play construction player with a strong replenishment track record. As such, we maintain our TP of RM5.25.

- **Maintain BUY at TP of RM5.25.** This is based on a 1-year blended forward PER of 22x, or +2SD to its 10-year average. We adjust earnings by +1-2% to account for year-end figures (*Exhibit 2*)
- **Within expectations.** The Group reported a strong 4QFY24 CNP of RM73mil (+>100% QoQ, +22% YoY) due to accelerate progress from the construction segment which booked in accelerated progress for the RTS Link and several data centre projects. On the flipside, the precast segment saw earnings halved on a YoY basis due to a higher base effect as most projects was nearing completion in the corresponding quarter. This brought full-year FY24 CNP to RM171mil (+14% YoY) which came in at 97%-101% of ours and consensus estimates.
- **Sustaining orderbook growth momentum.** Total outstanding orderbook as of end-2024 grew to RM5.8bil, or +RM500mil vs RM5.3bil in 2023. This comes as SunCon secured RM4.2bil new projects, nearly double the amount as compared to last year. This was mainly due to data centre projects which now account for 55% of outstanding orderbook. Management is looking to replenish orderbook with RM4.5bil to RM6.0bil for FY25. This is supported by a tenderbook of 14.6bil which translates to a win rate of 30%-40%. We believe this is achievable due to the consistent stream of public infrastructure projects including Penang LRT Package 2 and Penang Airport Expansion project. Additionally, the Group remains optimistic over its data centre pipeline, evident through the recent announcement by AirTrunk for its second data centre with a scalable capacity of 270MW in Iskandar Puteri. As such, we set our orderbook replenishment assumptions at RM5.5bil throughout our forecast period.

Company profile

Established in 1981, Sunway Construction Group Bhd (SCGB) is a pure play construction company with turnkey capabilities. SCGB has a strong track record in buildings and public infrastructure works e.g., Kuala Lumpur Convention Centre, South Klang Valley Expressway (SKVE), Mass Rapid Transit Line 1 & 2. Additionally, the Company is involved in the manufacture and supply of precast concrete products with 3 manufacturing plants: Senai and Iskandar, Johor and Pulau Punggol Barat, Singapore. As part of Sunway Bhd (via a 55% equity stake), SCGB serves as the construction arm to the Group.

Investment thesis and catalysts

Proxy to Data Centre Growth in Malaysia. - According to Mordor Intelligence, Malaysia Data Center Construction Market is set for explosive growth, with an estimated market size of USD2.80 bil in 2024 and projected to reach USD6.60 bil by 2030, reflecting a 5-year CAGR of 15.03%. We believe Sunway Construction is the main beneficiary of booming DC demand premised on strong brand identity and execution track record.

To date, Suncon has secured five hyperscale DC projects, constituted 54% of its total orderbook.

Orderbook Support from Parent. SunCon has been involved in constructing Sunway Berhad's key developments, thanks to its parent diversified portfolio which includes townships, hospitals, and commercial buildings. This provides a steady pipeline of construction projects for SunCon. As of June 2024, internal projects accounted 27% of total orderbook.

Valuation methodology

Our TP of RM5.25 is based on a 1-yr blended forward PER multiple of 22x, which is at +2SD to its 5-year average.

Risk factors

Delay in project rollouts. Rising building material cost. Project cost overrun

EXHIBIT 1: VALUATIONS

Target PE (x)	22
FYxx EPS	24.2
ESG premium	-
12-month target price	5.25

Source: AmInvestment Bank

EXHIBIT 2: CHANGE IN EARNINGS

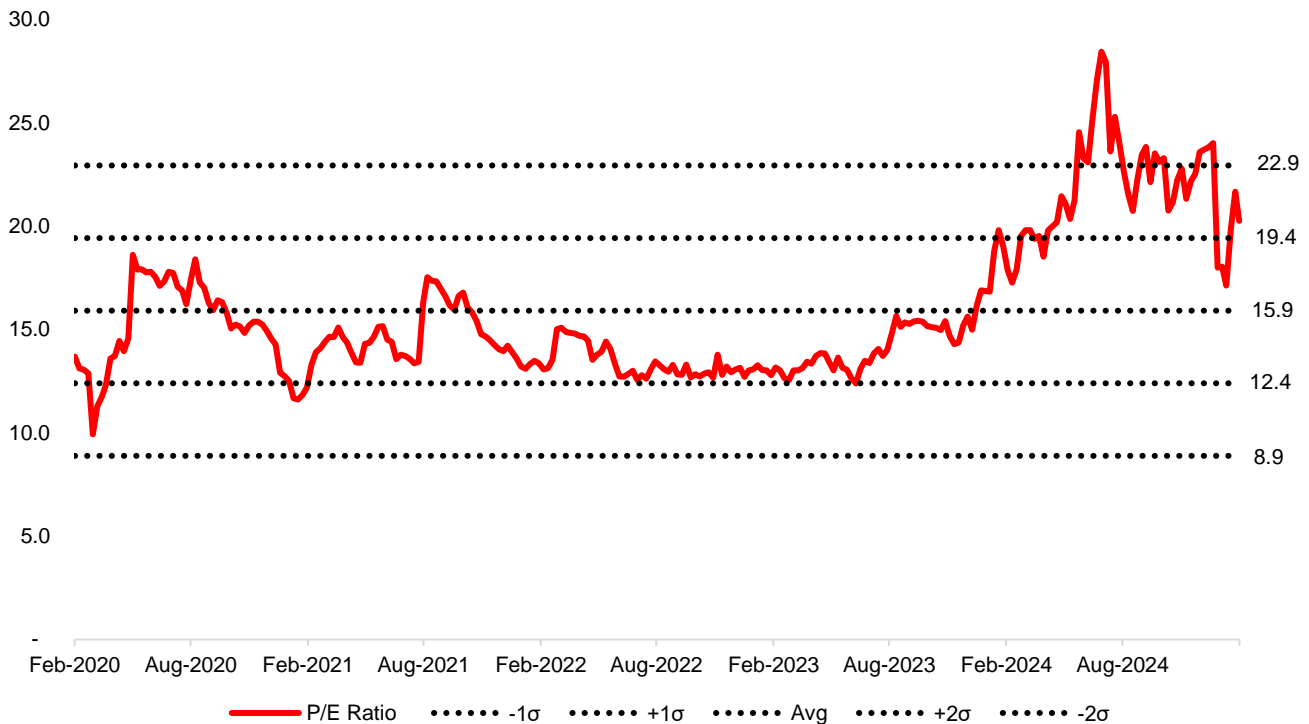
RMm	FY25			FY26			FY27		
	Old	New	%	Old	New	%	Old	New	%
Revenue	4140	4511	9%	5211	5264	1%	0	5156	n.a.
Earnings	262	268	2%	310	312	1%	0	304	n.a.

EXHIBIT 3: FINANCIAL RESULTS

Figures in RM'000	Quarterly Results					YTD		
	4Q-2023	3Q-2024	4Q-2024	QoQ %	YoY %	FY23	FY24	YoY %
Revenue	871	865	1,400	61.8	60.7	2,671	3,522	31.8
EBIT	82	65	92	41.4	12.0	224	262	16.9
PBT	61	71	111	56.8	82.0	189	273	44.7
Taxation	(12)	(22)	(33)	49.4	164.9	-43	-76	77.4
Minority interest	(1)	2	9	301.2	(1,132)	1	10	1,272.5
PATAMI	49	46	69	48.9	40.4	145	187	28.8
Exceptional Items	0	(0)	0	(127.6)	(34.6)	6	-16	(375.4)
Core Net Profit	54	34	73	112.4	33.2	151	171	13.5
EPS (sen)	3.8	3.6	5.4	48.9	40.4	9	14	69.7
DPS (sen)	3.0	2.5	2.5	-	n.a	6	9	41.7
Payout ratio	79%	69%	47%			70%	59%	(16.5)
				PPT	PPT			PPT
EBIT Margin %	9.4%	7.5%	6.5%	-0.9	-2.8	8.4%	7.4%	-1.0
PBT Margin %	7.0%	8.2%	7.9%	-0.3	0.9	7.1%	7.8%	0.7
Effective Tax Rate %	20.3%	31.0%	29.6%	-1.5	9.3	22.7%	27.8%	5.1
PATAMI Margin %	5.7%	5.4%	4.9%	-0.4	-0.7	5.4%	5.3%	-0.1
Segmental Revenue								
Construction	786	832	1,354	62.8	72.3	2,381	3,327	39.7
Precast	86	34	46	38.5	(45.8)	2,381	195	(91.8)
Segmental Net income								
Construction	43	46	64	39.0	49.9	161	178	10.6
Precast	5	1	3	124.7	(28.6)	12	9	(20.5)
Segmental Net income Margin				PPT	PPT			PPT
Construction %	5.5%	5.6%	4.8%	-0.8	-0.7	6.7%	5.3%	(1.4)
Precast %	5.5%	4.4%	7.2%	2.8	1.7	0.5%	4.7%	4.3

Source: Company

EXHIBIT 4: 5-YEAR PE BAND



Source:

EXHIBIT 5: ESG SCORE

Environmental assessment	Parameters	Weightage	Rating			Rationale	
Environmental Assessment							
1	Water usage	Megalitres (ml) used	25%	*	*	*	-8% YoY in FY23
2	Energy usage	Renewable energy consumption (mWh)	25%	*	*	*	-2% YoY in FY23
3	Minimise waste generation	Recycled waste (tonnes)	25%	*	*	*	+153% to 2k tonnes in FY23
4	Greenhouse Gas (GHG) emissions	tCO2e emitted/	25%	*	*	*	-25% to 6,728 in FY23
Weighted score for environmental assessment			100%	*	*	*	
Social Assessment							
1	Health, safety & well-being	Loss time injury (LTI)	25%	*	*	*	0 fatalities & injuries
2	Women in workforce	% of total workforce	25%	*	*	*	38% of workforce
3	Investment in employee training	Average hours of training per employee	25%	*	*	*	RM6.4mil in FY23 (+3.6x)
4	CSR programmes	Investment in RM	25%	*	*	*	SROI of 3.4
Weighted score for social assessment			100%	*	*	*	
Governance Assessment							
1	Board age diversity	% under 60 years old	20%	*	*		15%
2	Board women representation	% of total board directors	20%	*	*	*	57% representation
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*	*	75%
4	Independent board directors	% of total board directors	20%	*	*	*	57%
5	Remuneration to directors	% of total staff costs	20%	*	*	*	RM20mil, 4% of staff costs
Weighted score for governance assessment			100%				
Environmental score			40%	*	*	*	
Social score			30%	*	*	*	*
Governance score			30%	*	*	*	
Overall ESG Score			100%	*	*	*	

Source: Company, AmInvestment Bank

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2,671.2	3,521.7	4,510.7	5,264.4	5,155.9
EBITDA	224.3	262.2	353.9	410.9	394.7
Depreciation/Amortisation	-21.0	-17.3	-19.7	-20.8	-21.9
Operating income (EBIT)	203.3	244.9	334.2	390.1	372.8
Other income & associates	-14.1	0.3	5.3	3.2	0.0
Net interest	-21.5	10.5	42.4	50.5	59.2
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	167.6	255.7	381.9	443.9	432.0
Taxation	-42.8	-75.9	-113.4	-131.8	-128.3
Minorities/pref dividends	0.7	10.1	0.0	0.0	0.0
Net profit	125.6	189.9	268.5	312.1	303.7
Core net profit	125.6	189.9	268.5	312.1	303.7
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY23	FY24F	FY25F	FY26F
Fixed assets	360.1	331.8	334.6	333.2	329.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Other long-term assets	483.5	342.0	342.0	342.0	343.0
Total non-current assets	843.6	673.9	676.6	675.2	672.7
Cash & equivalent	470.4	1015.8	1232.0	1493.4	1706.2
Stock	46.4	43.3	55.0	64.2	63.0
Trade debtors	1241.3	1843.1	2360.7	2755.2	2698.4
Other current assets	481.0	20.3	20.3	20.3	20.3
Total current assets	2239.2	2922.4	3667.9	4333.0	4487.9
Trade creditors	921.1	1912.7	2431.7	2839.2	2785.2
Short-term borrowings	438.2	730.6	848.5	975.6	1056.3
Other current liabilities	342.5	13.2	13.2	13.2	13.2
Total current liabilities	1701.8	2656.6	3293.4	3828.0	3854.8
Long-term borrowings	487.7	0.0	0.0	0.0	0.0
Other long-term liabilities	1.3	1.2	1.2	1.2	1.2
Total long-term liabilities	489.1	1.2	1.2	1.2	1.2
Shareholders' funds	820.2	877.9	989.0	1118.0	1243.7
Minority interests	71.8	60.6	60.6	60.6	60.6
BV/share (RM)	0.64	0.68	0.77	0.87	0.96
Cash Flow (RMmil, YE 31 Dec)	FY23	FY23	FY24F	FY25F	FY26F
Pretax profit	167.6	255.7	381.9	443.9	432.0
Depreciation/Amortisation	21.0	17.3	19.7	20.8	21.9
Net change in working capital	3.1	-43.3	-161.1	-185.6	-187.5
Others	-512.1	515.7	37.3	57.6	63.2
Cash flow from operations	-320.4	745.4	277.8	336.7	329.5
Capital expenditure	-18.9	-18.9	-19.4	-19.4	-19.4
Net investments & sale of fixed assets	2.0	2.0	0.0	0.0	0.0
Others	274.4	-791.4	-277.8	-336.7	-329.5
Cash flow from investing	-62.9	-62.9	-19.4	-19.4	-19.4
Debt raised/(repaid)	426.9	0.0	115.2	127.1	80.8
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	-71.6	-116.0	-157.4	-183.0	-178.1
Others	-17.9	-187.2	0.0	0.0	0.0
Cash flow from financing	337.4	-303.2	-42.2	-55.9	-97.3
Net cash flow	-45.8	379.3	216.2	261.4	212.9
Net cash/(debt) b/f	407.7	384.0	763.4	979.6	1241.1
Net cash/(debt) c/f	470.4	1015.8	1232.0	1493.4	1706.2
Key Ratios (YE 31 Dec)	FY23	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	23.9	31.8	28.1	16.7	-2.1
EBITDA growth (%)	20.2	16.9	35.0	16.1	-4.0
Pretax margin (%)	6.3	7.3	8.5	8.4	8.4
Net profit margin (%)	4.7	5.4	6.0	5.9	5.9
Interest cover (x)	9.5	nm	nm	nm	nm
Effective tax rate (%)	25.5	29.7	29.7	29.7	29.7
Dividend payout (%)	61.6	40.7	58.6	58.6	58.6
Debtors turnover (days)	131.1	159.8	170.1	177.4	193.0
Stock turnover (days)	6.8	4.6	4.0	4.1	4.5
Creditors turnover (days)	111.9	146.9	175.8	182.7	199.1

Source: Company, AmlInvestment Bank Bhd estimates

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