

Sunway Construction (SCOG.KL)

Call Takeaways: DC Prospects Remain Positive

CITI'S TAKE

Key takeaway from our call with Suncon is that we remain positive on Malaysia's TAM growth for DCs. Despite recent uncertainties, on-the-ground job flows are as strong as ever, and are showing no signs of slowing. Suncon's current tender book stands at ~RM13bn (which grew significantly from RM10.6bn last quarter) – of which >90% are from DCs, with bulk of it comprising of potential new clients (only ~10% from upsizing jobs from existing clients). Guidance for 2025: expected to see stronger new wins of RM4.5-6bn (versus RM4.2bn last year), predominantly driven by DCs (RM2bn from inhouse Sunway projects). We maintain our Buy rating and TP of RM5.00, highlighting Suncon as the best DC play within the Malaysian construction space.

Buy

Price (07 Mar 25 17:00)	RM4.42
Target price	RM5.00
Expected share price return	13.1%
Expected dividend yield	2.5%
Expected total return	15.6%
Market Cap	RM5,715M US\$1,294M

Positive on DC prospects – We recently hosted a call with Sunway Construction (Suncon). Overall, our key takeaway remains positive on Malaysia's data center (DC) prospects, at least from a construction job flow POV. Despite recent uncertainties (e.g. AI diffusion, probes on Nvidia chips shipped from Malaysia/Singapore), we find that overall TAM growth for DCs in Malaysia remains intact. Suncon's current tender book stands at ~RM13bn (*slightly down from RM14.6bn as at end-2024 post award of the RTS project in Bukit Chagar, Johor. Read [here](#) for more details.*) – a significant growth from RM10.6bn last quarter. Of which, we gathered that >90% are from DCs. And from its DC tender book, only <10% are from upsizing jobs from existing clients – i.e. more new clients and DC operators are coming into Malaysia. The group also mentioned that there are no indications of any slowdown in projects pipeline (and in fact, the opposite is true, as more tenders are being dished out with a shorter delivery). Suncon is guiding an even stronger FY25 (after FY24 results beating expectations), with new wins guided at RM4.5-6bn, versus RM4.2bn last year.

Steven Chan^{AC}

Public infrastructure projects – On Penang LRT, Suncon is happy to take on subcon works for Package 1 (i.e. Komtar to Silicon Island) from the Gamuda-SRS consortium to act as a secondary contractor. For package 2 (i.e. from Komtar across the sea to Penang Sentral), Suncon could be eyeing for a main-con role in JV with another partner (given their lack of expertise in marine-related jobs). No other updates on upcoming transport oriented public infrastructure project (e.g. KVMRT3, Johor ART), as these projects are still in their conceptualization phase.

Implication – No changes to our Buy rating, TP and earnings. We continue to highlight Suncon as the best DC play within the Malaysia construction space.

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Sunway Construction

Valuation

We value SunCon based on 20x FY2026E P/E, close to its 10Y mean, for a target price of RM5.00.

Risks

Possible downside risks to our rating include (i) slowdown in DC investments in Malaysia, especially on the back of heightened geopolitical tensions or policies, (ii) job execution risks, given the high working capital requirement, (iii) delay in roll-out of Malaysian infrastructure jobs, and (iv) slowdown of inhouse jobs.

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Appendix A-1

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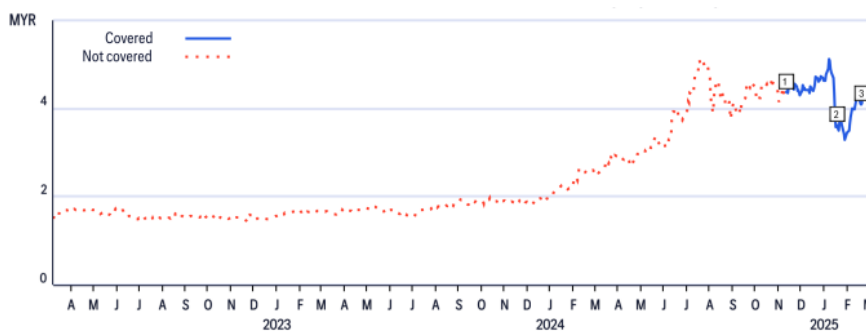
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Sunway Construction (SCOG.KL)

Ratings and Target Price History
Fundamental Research

Analyst: Steven Chan



Date	Rating	Target Price	Closing Price	Date	Rating	Target Price	Closing Price	Date	Rating	Target Price	Closing Price
11-Nov-24 07:20:49	*1	*5.10	4.37	17-Jan-25 18:31:51	1	*4.20	3.63	20-Feb-25 13:08:39	1	*5.00	4.12

*Indicates Change

Rating/target price changes above reflect Eastern Time

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Data current as of 01 Jan 2025	12 Month Rating			Catalyst Watch		
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