

Sunway Construction (SCOG.KL)

FY2024 results beat expectations; maintain BUY

CITI'S TAKE

Suncon's FY24 results beat expectations on the back of accelerated progress for DC projects and RTS Link. We believe Suncon has proven that the TAM for Malaysia DCs continue to remain strong, despite recent uncertainties. Total new wins in 2024 is at a record-high of RM4.2bn, and the group is guiding an even stronger 2025 – at RM4.5-6bn, with latest tender book growing significantly to RM14.6bn, from RM10.6bn last quarter. **Reiterate BUY rating**, with a higher TP of RM5.00. We continue to highlight Suncon as the best Malaysia DC pure-play within the construction space. Stock is currently trading at 17x forward P/E, which is still close to its 5-year mean.

FY2024 results beat expectations — Suncon's FY24 core net profit of RM176m (+2% yoy) **beat expectations** (12%/5% above ours/BBG consensus) – driven by accelerated, especially from DC projects and the RTS Link project. For the 4Q24 quarter, core net profit of RM68m saw a QoQ jump of +86%, from the stronger aforementioned workflows.

Prospects remain strong — Despite recent uncertainties, Suncon has proven that growth in TAM for Malaysia DCs remains unhindered. In 2024, the group has secured total new orders of RM4.2bn (which itself is a record high, and by quite a margin) and is guiding 2025 new wins to be even stronger – at between RM4.5-6bn. Its active tender book grew significantly to RM14.6bn, from RM10.6bn last quarter, of which we estimate >70% are from DCs. Non-DC focus includes public infrastructure projects (e.g., Penang LRT and Penang International Airport Expansion), coupled with in-house Sunway projects. Current order book stands at RM5.8bn, down from RM7.1bn last quarter.

Implications — Maintain BUY with higher TP of RM5.00 (from RM4.20 previously), pegged to 20x P/E on FY26E earnings. We raised our FY25/26E by +14%/+13%, while introducing new FY27E numbers. We continue to like Suncon – being the best

Buy

Price (20 Feb 25 17:00)	RM4.12
Target price	RM5.00↑
from RM4.20	
Expected share price return	21.4%
Expected dividend yield	2.7%
Expected total return	24.0%
Market Cap	RM5,327M
	US\$1,199M

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Earnings Summary

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2023A	172	0.13	17.2	30.9	6.5	22.1	1.5
2024A	176	0.14	2.3	30.2	6.1	20.8	2.1
2025E	289	0.22	63.6	18.4	5.2	30.3	2.7
2026E	323	0.25	11.7	16.5	4.5	29.1	2.9
2027E	317	0.25	-1.8	16.8	3.9	24.9	2.9

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

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Malaysia DC pure-play within the construction space. Stock is currently trading at 17x forward P/E, which is still close to its 5-year mean.

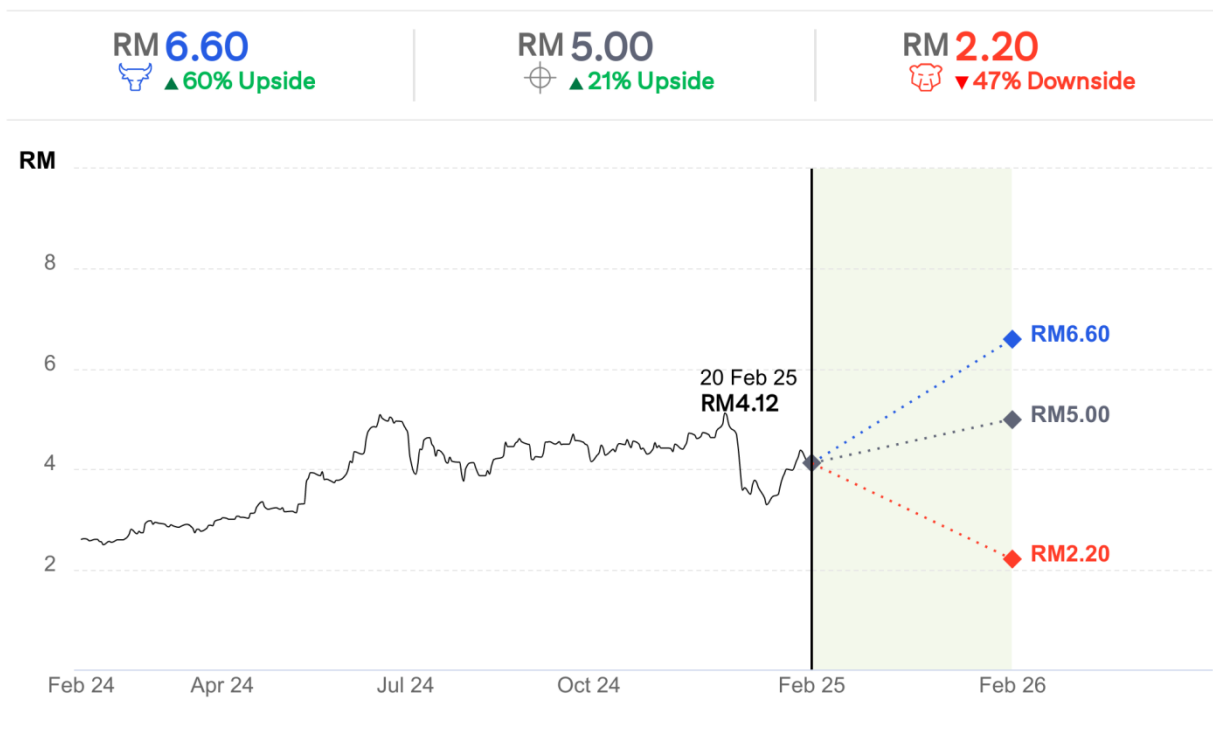
Figure 1. Results Summary

FYE Dec (RM'mil)	4Q23	3Q24	4Q24	YoY	QoQ	FY2023	FY2024	YoY
Revenue	871.5	865.3	1,400.3	61%	62%	2,671.2	3,521.7	32%
Operating expenses	(807.1)	(825.3)	(1,319.3)	63%	60%	(2,473.7)	(3,310.5)	34%
Other operating income	40.7	14.9	9.5	-77%	-36%	54.0	40.6	-25%
Net impairment	(23.3)	9.8	1.1	-105%	-89%	(27.3)	10.5	-138%
Profit from operations	81.8	64.8	91.6	12%	41%	224.3	262.2	17%
Finance income	8.6	22.4	33.2	286%	49%	26.4	75.7	186%
Finance costs	(15.2)	(16.6)	(14.6)	-4%	-13%	(47.9)	(65.2)	36%
JV & associates	(14.5)	0.0	0.3	-102%	N/A	(14.1)	0.3	-102%
Profit before tax	60.8	70.5	110.6	82%	57%	188.6	273.0	45%
Income tax expense	(12.3)	(21.9)	(32.7)	165%	49%	(42.8)	(75.9)	77%
Non-controlling interests	0.8	(2.2)	(8.7)	-1132%	301%	(0.7)	(10.1)	1271%
Net profit	49.3	46.5	69.2	40%	49%	145.1	186.9	29%
Core net profit	72.6	36.7	68.1	-6%	86%	172.4	176.4	2%
<i>Operating margins</i>	9%	7%	7%			8%	7%	
<i>PBT margins</i>	7%	8%	8%			7%	8%	
<i>Net margins</i>	6%	5%	5%			5%	5%	
<i>Core net margins</i>	8%	4%	5%			6%	5%	
<i>Effective tax rate</i>	20%	31%	30%			23%	28%	

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Source: Citi Research

Bull/Bear: Sunway Construction



Spread 107pp
Current Price and expected returns (upside/downside) as of 20 Feb 2025

BULL Assumptions



DC project flows into Malaysia is abundant
SunCon wins lion share of DC bids in Malaysia

BASE Assumptions



~70-80% of order book derived from DCs
Annual order book replenishment of RM4-5bn

BEAR Assumptions



Halt in flows of DC projects
Contract termination and execution failures

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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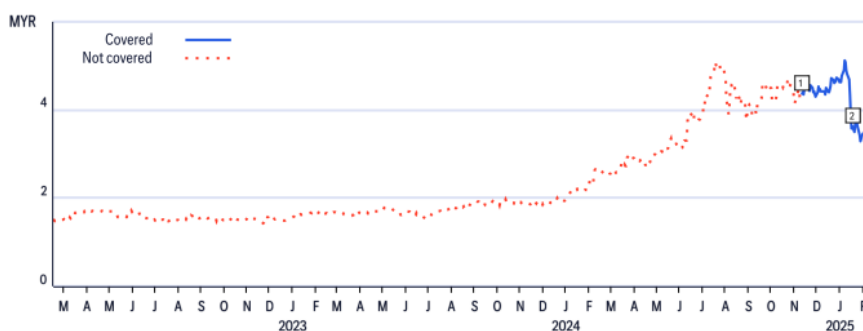
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Sunway Construction (SCOG.KL)

Ratings and Target Price History
Fundamental Research

Analyst: Steven Chan



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

*Indicates Change

Rating/target price changes above reflect Eastern Time

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