

21 February 2025

Sunway Construction Group

FY24 Inline; Order Book Guidance Raised

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SUNCON's FY24 result met expectations. Management raised its job win guidance for FY25 to RM6.0b, from RM4.5b, (FY24A: RM4.2b) with 70% from data centre projects. Nonetheless, we maintain our assumption of RM4.0b as we are more conservative as we build in some time-lag effect due to the ongoing AI and chip export rules development. We expect FY25 earnings to grow significantly by 56% on the back of its current outstanding order book of RM5.8b. Maintain OP with unchanged TP of RM4.52.

FY24 results in-line with core profit of RM161.9m which came 1% above our forecast but 4% below consensus estimate. It declared a 3rd interim NDPS of 2.5 sen (ex-date: 13 Mar; payment date: 10 Apr) in 4QFY24, bringing FY25 full-year NDPS to 8.5 sen which is higher than 6.0 sen paid in FY23 and our projection of 6.0 sen.

Strong construction revenue led 4QFY24 earnings. 4QFY24 core profit jumped 85% QoQ to RM63.5m on the back of 62% hike in revenue. This was due to the acceleration progress of RTS Link Project (revenue recognised RM175m in 4QFY24 vs. RM82m in 3QFY24) and data centre projects (RM689m vs. RM371m). On the other hand, effective tax rate remained high at 29.6% in 4QFY24 from 31.0% in 3QFY24, mainly due to higher tax rate for its India highway projects which likely is a one-off event that will not occur again in the future.

FY25 results impacted by lower margin. FY24 core profit slid by 5% to RM161.9m although revenue jumped 32% to RM3.52b. This is partly attributable to more low-margin in-house job recognition in 2HFY24 as well as higher taxation (by 77% to RM75.9m from RM42.8m) as mentioned above for its India highway projects.

Outlook. SUNCON has raised its new order book target for FY25 to RM6.0b from RM4.5b previously. We understand that SUNCON has tendered for four data centre projects currently with a potential additional VO from its K2 data centre project. We believe SUNCON is highly likely to secure the construction job for the RM2.6b RTS development project (assuming 40% or RM1.04b for construction work) where the development right was awarded to **SUNWAY (UP; TP: RM3.35)** last week by MRT Corp. Other projects in the pipeline are Penang LRT Package 2 and 3.

Forecasts. While we keep our FY25 earnings forecasts, we raised NDPS to 8.5 sen from 6.0 sen. Our FY25 job wins assumption remains conservatively at RM4.0b despite management's new guidance of RM6.0b. We introduce FY26 new earnings forecasts with earnings set to grow at 8% on the back of RM4.0b order book assumption and NDPS projection of 8.5 sen. For earnings and TP sensitivity, FY25F EPS would rise 2.7% and TP by 13 sen for every RM500m (2-year project period) increase in its FY25 order book.

Valuations. We maintain our TP of RM4.52, which is in-line with our valuation for big cap construction companies, i.e., **GAMUDA (UP; TP: RM5.46)** and **IJM (OP; TP: RM3.16)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 5).

Investment case. We like SUNCON for: (i) strong job prospects of the sector with the imminent roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM5.8b 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. **OUTPERFORM** reaffirmed.

OUTPERFORM ↔

Price: **RM4.12**
Target Price: **RM4.52** ↔

Share Price Performance



KLCI	1,577.67
YTD KLCI chg	-3.9%
YTD stock price chg	-11.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK Equity
Market Cap (RM m)	5,312.2
Shares Outstanding	1,289.4
52-week range (H)	5.30
52-week range (L)	2.48
3-mth avg. daily vol.	5,044,137
Free Float	27%
Beta	1.4

Major Shareholders

Sunway Holdings Sdn Bhd	54.6%
Sungei Way Corp Sdn Bhd	10.1%
Employees Provident Fund	7.3%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	3522	4488	4550
EBIT	262	342	369
PBT	273	342	369
Net Profit	187	252	272
Core Net Profit	162	252	272
Consensus	-	265	283
Earnings Revision (%)	-	-	NEW
Core EPS (sen)	12.6	19.6	21.1
Core EPS Growth (%)	-4.9	55.9	7.8
NDPS (sen)	8.5	8.5	8.5
BVPS (RM)	0.68	0.81	0.94
NTA/share (RM)	0.68	0.81	0.94
PER (x)	36.9	21.0	19.5
PBV (x)	6.80	5.08	4.40
P/NTA (x)	6.80	5.08	4.40
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	1.8	2.1	2.1

21 February 2025

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.

Income Statement								
FY Dec (RM m)	4Q FY24	3Q FY24	Q-o-Q Chg	4Q FY23	Y-o-Y Chg	12M FY24	12M FY23	Y-o-Y Chg
Turnover	1,400.3	865.3	62%	871.5	61%	3,521.7	2,671.2	32%
EBITDA	95.3	69.3	38%	87.0	10%	279.4	245.3	14%
Depreciation	-3.7	-4.5	-17%	-5.2	-29%	-17.3	-21.0	-18%
EBIT	91.6	64.8	41%	81.8	12%	262.2	224.3	17%
Interest and other incomes	33.2	22.4	49%	8.6	286%	75.7	26.4	186%
Interest expense	-14.6	-16.6	-13%	-15.2	-4%	-65.2	-47.9	36%
Associates	0.0	0.0	0%	0.2	N/M	0.0	0.5	N/M
Exceptional items	0.0	0.0	0%	0.0	0%	0.0	0.0	0%
Pretax profit	110.6	70.5	57%	60.8	82%	273.0	188.6	45%
Taxation	-32.7	-21.9	49%	-12.3	165%	-75.9	-42.8	77%
Profit after tax	77.9	48.6	60%	48.4	61%	197.0	145.8	35%
Minority interest	-8.7	-2.2	301%	0.8	-1132%	-10.1	-0.7	1272%
Net profit	69.2	46.5	49%	49.3	40%	186.9	145.1	29%
Core net profit	63.5	34.2	85%	74.2	-14%	161.9	170.2	-5%
EPS (sen)	4.9	2.7	85%	5.8	-14%	12.6	13.2	-5%
DPS (sen)	2.50	2.50	0%	3.00	-17%	8.50	6.00	42%
NTA/share (RM)	0.68	0.65	5%	0.64	7%	0.68	0.64	7%
EBITDA margin	6.8%	8.0%		10.0%		7.9%	9.2%	
EBIT margin	6.5%	7.5%		9.4%		7.4%	8.4%	
Pretax margin	7.9%	8.2%		7.0%		7.8%	7.1%	
Core net margin	4.5%	4.0%		8.5%		4.6%	6.4%	
Effective tax rate	29.6%	31.0%		20.3%		27.8%	22.7%	

Source: Company

Segmental Breakdown								
FY Dec (RM m)	4Q FY24	3Q FY24	Q-o-Q Chg	4Q FY23	Y-o-Y Chg	12M FY24	12M FY23	Y-o-Y Chg
Turnover								
Construction								
Precast Concrete	1,353.9	831.8	63%	785.8	72%	3,326.9	2,381.0	40%
Group Turnover	46.4	33.5	38%	85.7	-46%	194.8	290.2	-33%
	1,400.3	865.3	62%	871.5	61%	3,521.7	2,671.2	32%
Segment Results								
Construction								
Precast Concrete	107.2	68.5	56%	53.0	102%	260.4	169.9	53%
Group PBT	3.4	2.0	70%	7.7	-56%	12.5	18.7	-33%
	110.6	70.5	57%	60.8	82%	273.0	188.6	45%
PBT Margin								
Construction								
Precast Concrete	7.9%	8.2%		6.7%		7.8%	7.1%	
Group PBT Margin	7.4%	6.0%		9.0%		6.4%	6.5%	

Source: Company

21 February 2025

SUNCON's Outstanding Order Book	
Project	Outstanding Value (RM m)
Building	
Oxley Tower (MEP) + VO	20
Daiso	176
Data Centre	
JHB1X0 - Data Centre	455
ECI & Work Order – MNC	21
PSR – MNC	687
JHB1X0 – Revised NTP	1,500
JHB1X0 – TIW	541
Infrastructure/Piling	
RTS Link Package 1B & Package 5	90
India	
Thorapalli-Jittandahalli (TJ)	199
Sustainable Energy	
CGPP - Green	46
Singapore	
Precast	239
New Order 2024 – External	442
Internal – Sunway Group	
Sunway Square – Superstructure + VO	420
Sunway Carnival Mall – Refurbishment	81
Sunway Flora	121
SMC Fit-Out	44
Sunway Ipoh Mall	666
SunMed PH3 Fit-Out	80
SunMed Ipoh PH2 Fit-Out	12
SunMed Damansara PH2 Fit-Out	8
Total	5,830

Source: Company

21 February 2025

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	OP	4.60	5.46	18.7%	26,237.1	Y	07/2025	23.8	29.6	47.0%	24.5%	19.3	15.5	2.1	11.4%	10.0	2.2%
IJM	OP	2.13	3.16	48.4%	7,468.1	Y	03/2025	13.0	14.4	-6.5%	11.2%	16.4	14.8	0.8	4.8%	8.0	3.8%
KERJAYA	MP	2.13	2.21	3.8%	2,686.0	Y	12/2024	14.2	17.5	33.3%	23.4%	15.0	12.2	1.9	13.0%	10.0	4.7%
KIMLUN	MP	0.955	1.36	42.4%	337.5	Y	12/2024	2.5	7.6	23.9%	206.8%	38.3	12.5	0.5	1.2%	1.0	1.0%
SUNCON	OP	4.12	4.52	9.7%	5,312.2	Y	12/2025	19.5	21.1	55.9%	7.8%	21.1	19.6	5.1	26.2%	8.5	2.1%
WCT	OP	0.820	1.43	74.4%	1,278.3	Y	12/2024	3.8	6.2	-78.9%	63.2%	21.7	13.3	0.4	1.8%	0.5	0.6%
Sector Aggregate					43,319.2					57.4%	21.4%	18.8	15.5	1.5	8.1%		2.4%

Source: Kenanga Research

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21 February 2025

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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