by **kenanga**

30 May 2025

Sunway Construction Group

Priced for Perfection; Downgrade to MP

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SUNCON has secured two data centre contracts worth RM1.16b from a US-based MNC, in line with earlier guidance. This lifts its YTD job wins to RM3.5b and outstanding order book to RM7.9b. With its share price having surged 19% over the past 10 days in anticipation of these wins, we believe the positive have been largely priced in. Accordingly, we downgrade the stock to MARKET PERFORM with an unchanged TP of RM5.94.

Secured another two data centre projects. Yesterday, SUNCON secured two additional data centre contracts totaling RM1.155b from a US-based MNC. These contracts, converted from earlier Early Contractor Involvement (ECI) agreements, are set to commence immediately and scheduled for completion by February 2027.

This marks SUNCON's second data centre contract win within ten days, following the RM260m K2 Phase 2-Stage 3 project secured on May 20. With these additions, SUNCON's YTD contract wins have reached RM3.5b, representing 58% of our FY25 job win assumption of RM6b. Consequently, the company's total outstanding order book has increased to RM7.9b. Data centre projects typically yield higher PBT margins, ranging between 5% and 8%.

Second data centre contract win in 10 days. These two contracts were well guided by the company, and we view it positively as it shows SUNCON's ability to secure projects in the highly competitive data centre bidding. This is the 2nd data centre contract win in 10 days, after the RM260m K2 Phase 2-Stage 3 works secured on 20 May. This increased SUNCON's YTD contract wins to RM3.5b, representing 58% of our FY25 job win assumption of RM6b. As a result, its total outstanding orderbook has risen to RM7.9b. The PBT margin for data centre projects is at the higher-end of the range of 5% to 8%.

Outlook: SUNCON is actively tendering for several data centre projects, which, if secured, could further enhance its blended profit margins. Additionally, the company is pursuing opportunities in the Penang LRT Packages 2 and 3, as well as in-house projects within the SUNWAY Group.

Forecasts. Maintained, with our job win assumption unchanged at RM6b/RM4b for FY25/FY26, respectively.

Valuations. We maintain our TP of RM5.94, based on unchanged PER of 22x, which is in-line with our valuation for big cap construction companies, i.e. GAMUDA (OP; TP: RM4.90) and IJM (OP; TP: RM3.40). Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 4).

Investment case. We like SUNCON for: (i) strong job prospects of the sector as a whole with the roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM7.9b 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. However, following a 19% share price increase since our last update on 21 May 2025 (alongside a 12% TP upgrade), we believe the positives have been largely priced in. As such, we downgrade the stock to **MARKET PERFORM** from OUTPERFORM.

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.



MARKET PERFORM

	Price:
Target	Price:

RM5.83 RM5.94 ↔





KLCI	1,518.98
YTD KLCI chg	-7.5%
YTD stock price chg	25.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK Equity
Market Cap (RM m)	7,546.3
Shares Outstanding	1,294.4
52-week range (H)	5.98
52-week range (L)	3.10
3-mth avg. daily vol.	4,233,453
Free Float	26%
Beta	1.2

Major Shareholders

54.4%
10.1%
7.0%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	3521.7	4930.0	5250.0
EBIT	262.2	399.0	450.0
PBT	273.0	399.0	450.0
Net Profit	186.9	294.1	331.7
Core Net Profit	162.3	294.1	331.7
Consensus	-	291.3	308.7
Earnings Revision (%)	-	-	-
Core EPS (sen)	12.6	22.8	25.7
Core EPS Growth (%)	-4.7	81.3	12.8
NDPS (sen)	8.5	12.5	12.5
BVPS (RM)	0.68	0.80	0.94
NTA/share (RM)	0.68	0.80	0.94
PER (x)	36.8	25.6	22.7
PBV (x)	6.80	7.25	6.23
P/NTA (x)	6.80	7.26	6.23
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	1.8	2.1	2.1

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FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F	FY Dec	2022A	2023A	2024A	2025F	202
Revenue	2155	2671	3522	4930	5250	Growth (%)					
EBITDA	210	245	279	418	469	Revenue	24.6	23.9	31.8	40.0	6
Depreciation	-24	-21	-17	-19	-19	EBITDA	26.0	16.7	13.9	49.7	1
Operating Profit	187	224	262	399	450	Operating Income	33.8	20.2	16.9	52.2	1
Interest Incomes	14	26	76	47	65	Pre-tax Income	20.9	2.5	44.7	46.2	1
Interest Expense	-18	-48	-65	-55	-43	Net Income	20.0	7.3	28.8	57.4	1
Associate	4	1	0	0	40 0	Core Net Income	0.7	18.2	-4.7	81.3	1
Exceptional	4 0	0	0	0	0		0.7	10.2	-4.7	01.0	
PBT						Profitability (%)					
Taxation	184	189	273	399	450		0.0	0.0	7.0	0.5	
	-45	-43	-76	-96	-108	EBITDA Margin	9.8	9.2	7.9	8.5	
Minority Interest	-4	-1	-10	-9	-10	Operating Margin	8.7	8.4	7.4	8.1	
Net Profit	135	145	187	294	332	PBT Margin	8.5	7.1	7.8	8.1	
Core Net Profit	144	170	162	294	332	Net Margin	6.3	5.4	5.3	6.0	
						Core Net Margin	6.7	6.4	4.6	6.0	_
Balance Sheet						Effective Tax Rate	24.6	24.6	22.7	27.8	2
FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F	ROE	7.3	7.4	5.5	9.6	
Fixed Assets	108	98	85	88	85	ROA	18.8	18.6	22.0	30.3	2
Associates	0	0	0	0	0						
JV	223	253	224	236	240	DuPont Analysis					
ntangibles	0	1	0	1	1	Net margin (%)	6.7	6.4	4.6	6.0	
Other FA	268	492	364	382	390	Assets Turnover (x)		0.9	1.0	1.1	
nventories	53	46	43	74	92	Leverage Factor (x)	3.0	3.8	4.1	4.5	
Receivables	813	1410	1843	2822	2993	ROE (%) 19.5		20.8	18.5	28.4	2
Other CA	279	312	20	21	22						
Cash	492	470	1016	1058	1111	Leverage					
Total Assets	2236	3083	3596	4681	4933	Debt/Asset (x)	0.21	0.30	0.20	0.16	0
						Debt/Equity (x)	0.65	1.13	0.83	0.72	0
Payables	886	1193	1913	2764	2917	Net Debt/(Cash)	11	-456	285	308	4
ST Borrowings	172	438	731	355	319	Net Debt/Equity (x)	-0.01	0.56	-0.32	-0.30	-0
Other ST Liability	45	70	13	67	68						
T Borrowings	309	488	0	395	356	Valuations					
Other LT Liability	3	1	1	1	1	Core EPS (sen)	11.2	13.2	12.6	22.8	2
Minority Int.	84	72	61	64	65	NDPS (sen)	5.5	6.0	8.5	12.5	1
Net Assets	737	820	878	1036	1207	BV/share (RM)	0.57	0.64	0.68	0.80	0
	101	020	010	1000	1207	NTA/share (RM)	0.57	0.64	0.68	0.80	0
Share Capital	259	259	259	259	259	Core PER (x)	15.6	15.2	36.8	25.6	2
Reserves	479	562	619	778	233 948	Net Div. Yield (%)	3.2	3.0	1.8	23.0	2
Equity	479 737	820	878	1036	940 1207	PBV (x)	3.04	3.16	6.80	7.25	6
_quity	131	020	010	1030	1207	P/NTA (x)	3.04	3.16	6.80	7.25	
Cashflow Statomy	unt										6
Cashflow Stateme Y Dec (RM m)		20224	20244	20255	20265	EV/EBITDA (x)	10.6	12.4	20.3	17.2	1
· · ·	2022A	2023A	2024A	2025F	2026F						
Operating CF	-142	-294	730	306	310						
nvesting CF	580	-66	119	-20	-20						
inancing CF	-41	338	-303	-245	-236						
Change In Cash	397	-22	546	42	53						
Free CF	438	-360	849	286	290						



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Peer Table Comparison

Name	Rating	Last Price	Target Price (RM)	ce Upside	Market Cap			Core EPS (sen)		Core EPS Growth			PER (x) - Core Earnings		PBV (x) ROE		Net Div Yld
		(RM)			(RM m)	Compliant		1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	(sen) 1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.65	4.90	5.4%	26,818.6	Y	07/2025	17.6	24.4	8.9%	38.7%	26.4	19.0	2.3	8.7%	10.0	2.2%
IJM	OP	2.43	3.40	39.9%	8,517.6	Y	03/2026	15.6	16.2	20.9%	4.0%	15.6	15.0	0.9	5.7%	8.0	3.3%
KERJAYA	OP	2.12	2.10	-0.9%	2,668.2	Y	12/2025	16.7	18.1	29.8%	8.0%	12.7	11.7	2.2	17.8%	12.0	5.7%
KIMLUN	OP	0.990	1.39	40.4%	349.8	Y	12/2025	23.2	27.3	376.5%	17.6%	4.3	3.6	0.4	9.9%	2.0	2.0%
SUNCON	MP	5.83	5.94	1.9%	7,546.3	Y	12/2025	22.8	25.7	81.6%	12.8%	25.6	22.7	7.3	30.7%	12.5	2.1%
WCT	OP	0.660	1.25	89.4%	1,028.9	Y	12/2025	5.0	5.6	67.4%	12.7%	13.2	11.7	0.3	2.1%	0.5	0.8%
SECTOR AGGREGATE					46.929.4					32.0%	21.9%	21.2	17.4	1.7	7.9%		2.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion			Rating	3	
	Earnings Sustainability & Quality	*	*	*	☆	
F	Corporate Social Responsibility	*	*	*	*	
GENERAL	Management/Workforce Diversity	*	*	*	*	
Z	Accessibility & Transparency	*	*	*	*	☆
ы	Corruption-Free Pledge	*	*	*	*	
	Carbon-Neutral Initiatives	*	*	*	*	☆
	Migrant Worker Welfare	*	*	*	*	
o	Waste Disposal/Pollution Control	*	*	*	*	
Ē	Work Site Safety	*	*	*	*	
SPECIFIC	Environmentally Friendly Construction Technology	*	*	*	*	
ึง	Supply Chain Auditing	*	*	*	*	
	Energy Efficiency	*	*	*	*	
	OVERALL	*	*	*	*	

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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