

06 March 2025

Sunway Construction Group

First of Many: More Wins to Come

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SUNCON has secured the highly anticipated Rapid Transit System Transport Oriented Development (RTS TOD) worth RM1.5b from its parent company SUNWAY (UP; TP: RM3.35). We view it positively as the contract value exceeds our previous assumption of RM1.04b. In line with the company's guidance of RM6.0b new job wins for FY25, we have raised our FY25 job replenishment target to RM6b, and thus upgraded FY25-26F earnings by 8-9%. Maintain OP with a higher TP of RM5.31.

RM1.5b contraction work for RTS TOD project. Yesterday, SUNCON announced that it has accepted a Letter of Award issued by SUNWAY for the construction works related to RTS TOD at Bukit Chagar. Details are as follows:

- Part A – Construction and completion of a multi-storey park and ride building for the RTS TOD Project, drop-off and pick-up facility, immigration customs and quarantine complex connection, perimeter ring road and retaining walls. The commencement date is 5 March 2025, with the section expected to be completed by November 2026 and overall completion by November 2027.
- Part B – Construction and completion of a retail mall, podium and the topside property at Bukit Chagar Station. The commencement and completion dates for Part B will be confirmed at a later date.

First major project in FY25. While the award was highly anticipated following SUNWAY's receipt of development rights for the RTS development from MRT Corp last month, we view this announcement positively as the contract value exceeded our previous assumption of RM1.04b. This increased SUNCON's YTD contract wins to RM1.7b, representing 43% of our FY25 job win assumption of RM4b. The YTD contract wins also account for 28% of the company's newly guided order book target of RM6b for FY25, up from the RM4.5b target revealed two weeks ago. The PBT margin for this RTS TOD project falls within the typical range of 5% to 8%.

Outlook. We understand that SUNCON has tendered for four data centre projects currently with a potential additional VO from its K2 data centre project. Outcome for these tenders are expected to be concluded soon in 1HFY25. Typically, data centre building jobs can fetch a PBT margin that is at the higher end of the range of 5% to 8% for building jobs, thereby improving its blended margin in the future. Other projects in the pipeline are Penang LRT Package 2 and 3, beside in-house projects within the SUNWAY Group. With this contract win, its outstanding order book is increased to RM7.6b.

Forecasts. We raised our job win assumption to RM6b (align with company's target) for FY25 from RM4b following this contract win while maintain FY26's assumption unchanged at RM4b. We also increased our EBIT margin assumption to 7.7%-8.2% from 7.5%-8.0% as we expect higher data centre jobs to improve overall blended margin higher. As a result, we upgraded FY25-26F earnings by 8-9%. However, we keep our annual NDPS projection at 8.5 sen for both FY25 and FY26.

Valuations. Post earnings revision and a roll-over valuation base-year to FY26 from FY25, our TP is increased 17% to RM5.31, from RM4.52, which is based on unchanged PER of 22x, which is in-line with our valuation for big cap construction companies, i.e. **GAMUDA (OP; TP: RM5.46)** and **IJM (OP; TP: RM3.00)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 4).

OUTPERFORM ↔

Price: RM4.24
Target Price: RM5.31 ↑

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,564.42 |
| YTD KLCI chg | -4.7% |
| YTD stock price chg | -8.4% |

Stock Information

| | |
|-----------------------|----------------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | SCGB MK Equity |
| Market Cap (RM m) | 5,466.9 |
| Shares Outstanding | 1,289.4 |
| 52-week range (H) | 5.30 |
| 52-week range (L) | 2.51 |
| 3-mth avg. daily vol. | 5,573,858 |
| Free Float | 26% |
| Beta | 1.4 |

Major Shareholders

| | |
|---------------------|-------|
| Sunway Holdings Sdn | 54.6% |
| Sungei Way Corp Sdn | 10.1% |
| Employees Provident | 6.9% |

Summary Earnings Table

| FY Dec (RM m) | 2024A | 2025F | 2026F |
|------------------------|------------|------------|------------|
| Turnover | 3522 | 4730 | 4850 |
| EBIT | 262 | 370 | 402 |
| PBT | 273 | 370 | 402 |
| Net Profit | 187 | 272 | 297 |
| Core Net Profit | 162 | 272 | 297 |
| Consensus | - | 271 | 294 |
| Earnings Revision (%) | - | +7.9 | +9.0 |
| Core EPS (sen) | 12.6 | 21.1 | 23.0 |
| Core EPS Growth (%) | -4.9 | 68.2 | 8.8 |
| NDPS (sen) | 8.5 | 8.5 | 8.5 |
| BVPS (RM) | 0.68 | 0.83 | 0.97 |
| NTA/share (RM) | 0.68 | 0.83 | 0.97 |
| PER (x) | 36.9 | 20.1 | 18.4 |
| PBV (x) | 6.80 | 5.13 | 4.36 |
| P/NTA (x) | 6.80 | 5.13 | 4.37 |
| Net Gearing (x) | N Cash | N Cash | N Cash |
| Net Div. Yield (%) | 1.8 | 2.1 | 2.1 |

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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 | 4.24 | 5.46 | 28.8% | 24,184.4 | Y | 07/2025 | 23.8 | 29.6 | 47.0% | 24.5% | 17.8 | 14.3 | 2.0 | 11.4% | 10.0 | 2.4% |
| IJM | OP | 2.07 | 3.00 | 44.9% | 7,257.8 | Y | 03/2025 | 11.7 | 13.6 | -17.1% | 17.0% | 17.8 | 15.2 | 0.7 | 4.2% | 8.0 | 3.9% |
| KERJAYA | MP | 2.08 | 2.10 | 1.0% | 2,623.0 | Y | 12/2025 | 16.7 | 18.1 | 29.7% | 8.0% | 12.4 | 11.5 | 1.7 | 14.0% | 12.0 | 5.8% |
| KIMLUN | OP | 0.910 | 1.36 | 49.5% | 321.6 | Y | 12/2025 | 7.7 | 11.8 | 56.8% | 53.6% | 11.9 | 7.7 | 0.4 | 3.4% | 2.0 | 2.2% |
| SUNCON | OP | 4.24 | 5.31 | 25.2% | 5,466.9 | Y | 12/2025 | 21.1 | 22.9 | 68.2% | 8.8% | 20.1 | 18.5 | 5.1 | 28.0% | 8.5 | 2.0% |
| WCT | OP | 0.645 | 1.29 | 100.0% | 1,005.5 | Y | 12/2025 | 5.0 | 5.6 | 67.4% | 12.7% | 12.9 | 11.5 | 0.3 | 2.1% | 0.5 | 0.8% |
| SECTOR AGGREGATE | | | | | 40,859.2 | | | | | 36.1% | 19.8% | 17.4 | 14.5 | 1.4 | 8.1% | | 2.8% |

Source: Kenanga Research

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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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