

# Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction



**Maintain BUY**

Unchanged Target Price **RM4.46**

## 4QFY24 Results Review

### From Groundwork to Growth: SunCon's FY24 Ends on a High Note

**Maintain BUY.** We are maintaining our **BUY** call on SunCon with a target price of RM4.46, pegging its FY25F EPS of 18.6 sen to a PER of 24x, which is +1SD above its five-year mean. Our earnings estimates remain unchanged following the release of 4QFY24 results, which reflected strong progress billings from key data centre projects and infrastructure works. SunCon continues to benefit from a robust project pipeline and steady construction sector momentum, with the sector expanding +20.7%yoy in 4QCY24. The Group has further strengthened its position in Advanced Technology Facilities (ATF), particularly data centre projects, currently managing five ongoing developments while actively pursuing new opportunities. The favourable macroeconomic backdrop, supported by national initiatives and Malaysia's strategic push to become a regional data centre hub, presents additional tailwinds for growth. Moreover, SunCon's financial position has improved, with its average ROE and ROCE rising by +3% and +4%, respectively, to 20% and 24% as of Dec-24. Additionally, the company has transitioned to a net cash-positive position, underscoring its solid financial foundation.

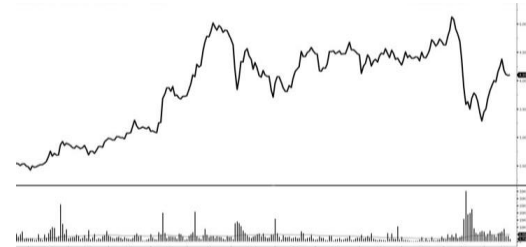
**Within expectations.** Sunway Construction Group Berhad's (SunCon's) core net profit for 4QFY24 came in +29.9%yoy higher at RM64.7m, bringing the cumulative 12MFY24 core earnings to RM179.9m, an increase of +25.0%yoy. The 4QFY24 revenue also encountered an increase of +60.7%yoy to RM1.40b, bringing the cumulative 12MFY24 revenue to RM3.52b, a +31.8%yoy growth. At 100.1% of ours and 106.5% of consensus' full-year core net profit projections, we deem the results within estimates, driven by its sizeable and fast-paced data centre jobs. The group declared its third interim dividend of 2.5 sen, bringing the year-to-date dividend declared to 8.5 sen per share.

**Construction segment.** The group's construction revenue grew +72.3%yoy during the quarter to RM1.35b, generating a PBT of RM107.2m, a growth of +102.3%yoy. This was due to the continued accelerated progress of SunCon's RTS Link project as well as several data centre projects. Additionally, the 12MFY24 construction revenue grew +39.7%yoy to RM3.33b, while PBT also jumped by +53.3%yoy to RM260.5m. There was an improvement in PBT margin to 7.9%, as compared to 6.7% in 4QFY23, however PBT margin declined from 3QFY24's margin of 8.2%. We expect the margins at the current level to be sustainable, if not better in future quarters in line with revenue turnover as there is a continued minimal impact from the diesel rationalisation, stable cement prices and lower steel bar prices driven by a global oversupply of steel from China. Moreover, SunCon has realigned its domestic strategy to prioritise Advanced Technology Facilities, with a strong focus on data centre projects. The company is currently overseeing five data centre developments for leading multinational clients and remains proactive in securing further opportunities in this expanding sector.

#### RETURN STATISTICS

Price @ 20 February 2025 (RM)	4.12
Expected share price return (%)	+8.3
Expected dividend yield (%)	+2.1
Expected total return (%)	+10.4

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	17.1	17.0
3months	-11.4	-7.5
12 months	57.1	55.2

#### INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	3521.7	3964.86	4163.10
Operating Profit	262.16	303.69	333.05
Profit Before Tax	272.96	318.60	337.21
Core Net Profit	179.90	240.03	259.80
Core EPS (sen)	13.9	18.6	20.1
DPS (sen)	8.5	7.0	7.0
Dividend Yield	2.1%	1.6%	1.6%

#### KEY STATISTICS

FBM KLCI	1,577.67
Issued shares (m)	1292.90
Estimated free float (%)	26.54
Market Capitalisation (RM'm)	5,286.37
52-wk price range	RM2.48 - RM5.3
3-mth average daily volume (m)	5.00
3-mth average daily value (RM'm)	20.00
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	54.56
Sungei Way Corp Sdn Bhd	10.08
Employees Provident Fund Board	7.28

Analyst

MIDF Research  
research@midf.com.my

**Precast segment.** The group's Precast segment revenue posted a -45.8%yoy decrease in revenue during 4QFY24 to RM46.4m. This led to a decline in the division's PBT by -55.8%yoy despite a +70.0%qoq increase to RM3.4m. This lower year-on-year revenue was due to a higher turnover in 4QFY23 being driven by increased contributions from projects nearing completion, while the upsurge in quarter-on-quarter turnover can be attributed to an increase in ICPH production and contributions from new projects secured. PBT margins inclined to 7.3% as compared to 6.0% last quarter, due to the reversal of material cost provisions for completed projects. In Oct-24, Singapore's Housing and Development Board (HDB) launched 8,573 Build-To-Order flats for sale. Since >90% of the group's precast segment sales are tied to Singapore HDB flats, prospects remain positive for SunCon's precast business. The division is also exploring opportunities beyond HDB projects, with two data centre projects to date.

**RM5.8b outstanding order book.** SunCon's outstanding order book as at Dec-24 stood at RM5.83b, providing strong earnings visibility up to FY27. About 55% of these are data centre projects. It has secured RM4.22b of new jobs to date, and we remain optimistic that the group will be able to achieve the higher end of its new order book and replenishment target of RM4.5b-6.0b for FY25. Management is actively bidding for jobs, with a tender book of RM14.6b. Jobs on the radar primarily include data centres, and in-house projects (particularly those involving special-purpose buildings) from its parent company, Sunway Berhad.

### SUNWAY CONSTRUCTION: 4QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	4QFY24	3QFY24	4QFY23	QoQ	YoY	12MFY24	12MFY23	YoY
<b>Income Statement</b>								
Revenue	1,400.3	865.3	871.5	61.8%	60.7%	3,521.7	2,671.2	31.8%
Net Operating Expenses	(1,309.8)	(810.3)	(766.4)	-61.6%	-70.9%	(3,270.4)	(2,501.0)	-30.8%
Operating Profit	91.6	64.8	81.8	41.4%	12.0%	262.2	224.3	16.9%
Finance Income	33.2	22.4	8.6	48.5%	286.4%	75.7	26.4	186.1%
Finance Costs	(14.6)	(16.6)	(15.2)	12.6%	4.1%	(65.2)	(47.9)	-36.0%
JV and Associates	0.3	0.0	(14.5)	-	102.1%	0.3	(14.1)	102.1%
Profit Before Tax	110.6	70.5	60.8	56.8%	82.0%	273.0	188.6	44.7%
Tax Expense	(32.7)	(21.9)	(12.3)	-49.4%	-164.9%	(75.9)	(42.8)	-77.4%
Minority Interest	8.7	2.2	(0.8)	301.2%	1131.9%	10.1	0.7	1272.5%
Reported Net Profit	69.2	46.5	49.3	48.9%	40.4%	186.9	145.1	28.8%
Core Net Profit	64.7	44.1	49.8	46.9%	29.9%	179.9	143.9	25.0%

## FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F	Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	2,155.23	2,671.23	3,521.69	3,964.86	4,163.10	PBT	184.1	188.6	273.0	232.3	262.7
Net operating expenses	(1,991.72)	(2,500.98)	(3,270.44)	(3,484.59)	(3,642.71)	Depreciation & amortisation	23.8	21.0	18.9	28.8	27.4
Operating profit	186.51	224.27	262.16	303.69	333.05	Changes in working capital	-382.1	-516.6	-534.9	-23.9	-16.7
Profit before tax	184.06	188.65	272.96	318.60	337.21	<b>Operating cash flow</b>	<b>-215.0</b>	<b>-299.4</b>	716.7	<b>297.7</b>	<b>286.1</b>
Net profit	135.18	145.11	186.91	240.03	259.80	Capital expenditure	-1.9	-16.4	115.3	-25.0	-30.0
Core net profit	134.44	143.90	179.90	240.03	259.80	<b>Investing cash flow</b>	<b>608.1</b>	<b>-62.9</b>	<b>138.6</b>	<b>184.8</b>	<b>189.8</b>
Core EPS (sen)	10.4	11.1	13.9	18.6	20.1	Debt raised/(repaid)	233.4	420.9	-167.0	-145.4	-145.4
DPS (sen)	5.5	6	8.5	7.0	7.0	Dividends paid	-90.3	-71.6	-116.0	-77.4	-77.4
<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025F</b>	<b>2026F</b>	<b>Financing cash flow</b>	<b>-41.7</b>	<b>337.4</b>	<b>-303.2</b>	<b>-222.8</b>	<b>-222.8</b>
Fixed assets	107.6	98.6	85.4	130.6	124.1	<b>Net cash flow</b>	<b>351.4</b>	-24.8	552.1	<b>259.8</b>	<b>253.1</b>
Other investments and assets	491.1	745.1	588.4	518.9	532.0	<b>Beginning cash flow</b>	<b>60.6</b>	<b>407.7</b>	<b>384.0</b>	<b>936.3</b>	<b>1196.0</b>
<b>Non-current assets</b>	<b>598.7</b>	<b>843.7</b>	<b>673.9</b>	<b>649.6</b>	<b>656.1</b>	<b>Ending cash flow</b>	<b>407.7</b>	<b>384.0</b>	936.3	<b>1196.0</b>	<b>1449.2</b>
Cash	491.6	470.4	1,015.8	548.3	520.8	<b>Profitability Ratios (%)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025F</b>	<b>2026F</b>
Trade debtors	988.7	1,595.6	1,843.1	1,304.2	1,369.4	Operating profit margin	8.7%	8.4%	7.4%	7.7%	8.0%
<b>Current assets</b>	<b>1,637.4</b>	<b>2,239.2</b>	<b>2,922.4</b>	<b>2,013.5</b>	<b>2,051.3</b>	PBT margin	8.5%	7.1%	7.8%	10.7%	11.3%
Trade creditors	916.8	1,242.5	1,912.7	1,277.4	1,335.4	PAT margin	6.3%	5.4%	5.3%	8.1%	8.7%
Short-term debt	172.2	438.2	730.6	197.6	217.3	Core PAT margin	6.2%	5.4%	5.1%	7.7%	8.0%
<b>Current liabilities</b>	<b>1,103.3</b>	<b>1,701.8</b>	<b>2,656.6</b>	<b>1,491.6</b>	<b>1,569.4</b>						
Long-term debt	308.5	487.7	0.0	150.6	118.3						
<b>Non-current liabilities</b>	<b>311.9</b>	<b>489.1</b>	<b>1.2</b>	<b>155.4</b>	<b>122.1</b>						
Share capital	258.6	258.6	258.6	258.6	258.6						
Retained earnings	515.9	590.0	660.9	757.4	757.4						
<b>Equity</b>	<b>737.1</b>	<b>892.0</b>	<b>938.5</b>	<b>1,016.0</b>	<b>1,016.0</b>						

Source: Bloomberg, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad****197501002077 (24878-X).**

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

**DISCLOSURES AND DISCLAIMER****This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).**

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD. The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

**MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS****STOCK RECOMMENDATIONS**

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

**SECTOR RECOMMENDATIONS**

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

**ESG RECOMMENDATIONS\*** - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology