



## Sunway Construction SCOG.KL SCGB MK

EQUITY: ENGINEERING & CONSTRUCTION

### 4Q24: breakout results as DC projects ramp up Quick Note

**Results snapshot – earnings improved q-q:** SunCon’s 4Q24 net income of MYR69mn was up 40% y-y and 49% q-q. The sequential growth in earnings was driven by an acceleration in data centre (DC) project billings. FY24 net income was in-line with our estimates but beat consensus, forming 100%/111% of our/Bloomberg consensus estimates. SunCon is back at net cash position vs net gearing of 0.56x as of end-2023 and net cash position in end-2022, due to a reduction in receivables owing to partial payment received by SunCon related to LSS4 projects of ~MYR180mn (which have deferred payment terms) and the rise in earnings. SunCon declared a third interim dividend of 2.50 sen, implying a full-year DPS of 8.50sen and 59% payout, the highest full-year DPS in its post-listing history.

While 4Q is seasonally the strongest for SunCon, but typically slows in 1Q (due to Chinese New Year and Ramadan fasting month), given the short timeline for completing the JHB1X0 data center project, we believe the revenue recognition rate will remain elevated throughout 2025F.

**We are hosting a post-results conference call (virtual) with SunCon’s management on 21 February (Friday) at 10 AM MYT. Please contact us if you would like to attend the call.**

**Construction segment review:** Construction revenue for 4Q24 was at MYR1.35bn, up 63% q-q, driven by the ramp-up in data centre projects. PBT was up 56% q-q, with PBT margin at 7.9% in 4Q24 vs 8.2% in 3Q24. Outstanding orderbook from DC projects stands at MYR3.2bn, and based on our calculations, DC jobs burn rate in 4Q24 was at MYR647mn vs MYR369mn in 3Q24. New orderbook replenishment in 2024 stands at MYR4.2bn, which was within SunCon’s orderbook replenishment target of MYR4-5bn for FY24E. The company’s outstanding orderbook currently stands at MYR5.8bn, while the active tender book stands at MYR14.6bn (up from MYR10.6bn as of end-3Q24). For 2025, management is guiding for orderbook replenishment of MYR4.5-6bn. Main contributions to this should be DC projects and internal projects from parentco, including some components of the RTS (Rapid transit system) mixed-use development for which parentco *signed* a master-agreement recently.

The company reported strong operating cash flows (OCF) of MYR555mn vs MYR23mn in 3Q24. Long-term receivables balance reduced to MYR342mn vs MYR374mn as of end-3Q24 on its balance sheet. These receivables relate to its two India projects (which have deferred the payment terms for 60% of the project value) and also one LSS4 (Large Scale Solar 4) project (payment terms 3-6 months after commercial operations date [COD]). Note that SunCon has already received partial payment for the LSS4 project.

**Pre-cast segment review:** Precast revenue/PBT for 4Q24 came in at MYR46mn/ MYR3mn (+38%/ +70% q-q). PBT margin was up at 7.4% vs 6% in 3Q24. Management mentioned that although the delivery of new projects picked up, it still remains slow.

**Reiterate Buy:** After strong 4Q24 results, we expect 2025F to be a strong year in terms of earnings recognition from DC jobs and also job wins. Likely catalysts for the stock are - acceleration in earnings as project progress accelerates, further phases of data center projects, and receivables monetization. Our target price of MYR4.30 is based on a target P/E of 17x on FY25F EPS of 25sen. The stock currently trades at 16.2x FY25F P/E.

Rating Remains	Buy
Target price Remains	MYR 4.30
Closing price 20 February 2025	MYR 4.12

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Fig. 1: SunCon – FY24 results snapshot

MYR mn	FY24	NMR FY24F	as % of NMR	Cons FY24F	as % of cons
Revenue	3,522	3,465	102%	3,159	111%
Adj PBT	273	242	113%	225	121%
Adj NPATAMI	187	187	100%	169	111%
Reported NPATAMI	187	187	100%	172	109%

Source: Company data, Bloomberg Finance L.P. consensus, Nomura estimates

Fig. 2: SunCon – 4Q24 results review

MYR mn	4Q24	4Q23	% chg y-y	3Q24	% chg q-q	FY24	FY23	% chg y-y	FY24F	as % of FY24F
<b>Revenues</b>	<b>1,400</b>	<b>871</b>	<b>61%</b>	<b>865</b>	<b>62%</b>	<b>3,522</b>	<b>2,671</b>	<b>32%</b>	<b>3,465</b>	<b>102%</b>
Construction	1,354	786	72%	832	63%	3,327	2,381	40%	3,077	108%
Precast concrete	46	86	(46%)	34	38%	195	290	(33%)	388	50%
<b>Operating profit</b>	<b>92</b>	<b>82</b>	<b>12%</b>	<b>65</b>	<b>41%</b>	<b>262</b>	<b>224</b>	<b>17%</b>	<b>286</b>	<b>92%</b>
Construction	87	57	53%	60	44%	240	179	34%		
Precast concrete	5	25	(80%)	5	10%	22	45	(50%)		
<b>Adjusted Pretax profit</b>	<b>111</b>	<b>61</b>	<b>82%</b>	<b>71</b>	<b>57%</b>	<b>273</b>	<b>189</b>	<b>45%</b>	<b>242</b>	<b>113%</b>
Construction	107	53	102%	69	56%	260	170	53%	220	118%
Precast concrete	3	8	(56%)	2	70%	13	19	(33%)	21	59%
Core PAT	78	48	61%	49	60%	197	146	35%	188	105%
<b>Core PAT - equityholders</b>	<b>69</b>	<b>49</b>	<b>40%</b>	<b>46</b>	<b>49%</b>	<b>187</b>	<b>145</b>	<b>29%</b>	<b>187</b>	<b>100%</b>
<b>Other one-off charges</b>	<b>0</b>	<b>0</b>	<b>NM</b>	<b>0</b>	<b>NM</b>	<b>0</b>	<b>0</b>	<b>NM</b>	<b>0</b>	<b>NM</b>
<b>Headline NPAT - equityholders</b>	<b>69</b>	<b>49</b>	<b>40%</b>	<b>46</b>	<b>49%</b>	<b>187</b>	<b>145</b>	<b>29%</b>	<b>187</b>	<b>100%</b>
<b>Adj Pretax margins</b>	<b>7.9%</b>	<b>7.0%</b>	<b>1 ppt</b>	<b>8.2%</b>	<b>0 ppt</b>	<b>7.8%</b>	<b>7.1%</b>	<b>1 ppt</b>	<b>7.0%</b>	
Construction	7.9%	6.7%	1 ppt	8.2%	0 ppt	7.8%	7.1%	1 ppt	7.2%	
Precast concrete	7.4%	9.0%	-2 ppt	6.0%	1 ppt	6.4%	6.5%	0 ppt	5.5%	

Source: Company data, Nomura estimates

**Fig. 3: SunCon's outstanding orderbook**

As of end-4Q24

MYR mn	Contract Sum	Outstanding order book
<b>Infrastructure/Piling</b>		
RTS Link Package 1B and 5	558	90
<b>Building</b>		
Oxley Tower + VO	76	20
Daiso	298	176
<b>Data Centre</b>		
JHB1X0 - Data Centre	3,806	2,496
ECI and Work order - MNC	78	21
PSR - MNC	765	687
<b>India</b>		
Thorapalli Agraharam - Jittandahalli	508	199
<b>Renewable energy</b>		
Cgpp - Green	46	46
<b>Internal</b>		
South Quay Square - Superstructure + VO	1,067	402
Sw Carnival Mall - Refurbishment	253	81
SW Flora	276	121
SMC Fit-out	70	44
SMC4 Phase 3 - Fit-out	80	80
SW Ipoh Mall	721	666
SMC IPOH Phase 2 Fit out	18	12
SMC Damansara Phase 2 Fit out	9	8
<b>Singapore</b>		
Precast	472	239
External - New order 2024	443	442
<b>Total</b>	<b>9,545</b>	<b>5,830</b>
<b>Orderbook burn rate (FY24, including internal)</b>		<b>4,552</b>
<b>Implied earnings visibility (years)</b>		<b>1.3</b>

Source: Company data, Nomura research

**Fig. 4: 2024 orderbook replenishment**

Project	Duration	Contract Sum (MYR mn)
Sunway Ipoh Mall	Jan-27	721
Early Contractor Involvement (ECI) Services - Package A	Aug-24	34
Early Contractor Involvement (ECI) Services - Package B	Aug-24	26
Ulu Pandan C1 & C2	Jun-27	103
Project Service Request	Apr-27	748
Bedok N2C23 - Watertanks	Sep-25	3
LPS Term Contract Batch 14	Sep-25	82
101 Neythal Road Redevelopment	Aug-25	6
Sunmed Phase 3 - Fit out works	Jun-26	80
JHB1X0 - Revised NTP works	Feb-26	1,500
Kallang Whampoa C53	Jul-27	100
Project C - Site 1	May-26	23
Project C - Site 2	Dec-26	40
Tanglin Halt C2	Oct-27	58
JHB1X0 - Tenant improvement works	Feb-26	83
SMC IPOH Phase 2 Fit out	Apr-25	18
Nursing home at Jelapang Road	Apr-26	11
Nursing home at Tampines Street 42	Apr-26	11
SMC Damansara Phase 2 Fit Out	May-25	9
JHB1X0 - Tenant improvement works	Feb-26	265
Tengah Brickland C2 MSCP LPS	Sep-25	4
JHB1X0 - Tenant improvement works	Feb-26	103
JHB1X0 - Tenant improvement works	Feb-26	42
ECI & Enabling works - package B - work order	Apr-25	18
JHB1X0 - Tenant improvement works	Feb-26	114
Bukit Panjang N1C14 & Choa Chu Kang N8C12 MSCP LPS	various	1
PSR - work order	Apr-27	17
<b>Total</b>		<b>4,221</b>

Source: Company data, Nomura research

# Appendix A-1

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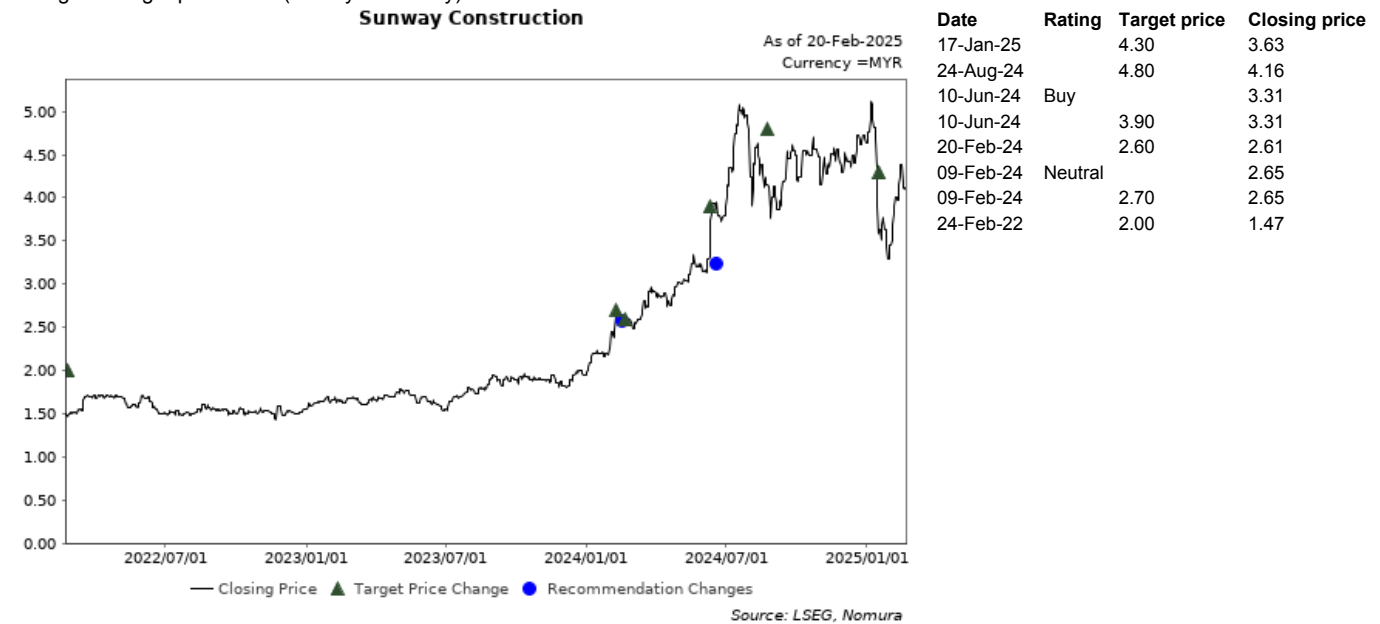
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sunway Construction	SCGB MK	MYR 4.12	20-Feb-2025	Buy	N/A	

### Sunway Construction (SCGB MK)

MYR 4.12 (20-Feb-2025) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** We value SunCon at a target P/E of 17x on FY25F earnings estimate of MYR327mn. We arrive at our TP of MYR4.30. The benchmark index for the stock is FTSE Bursa Malaysia KLCI Index.

**Risks that may impede the achievement of the target price** Downside risk to our view are: 1) delays in construction project awards; 2) lower-than-expected margins; 3) lower pre-cast earnings; 4) a lack of new infra/DC projects; 5) risk of project cancellation, delays or arbitration, 6) delay in monetisation of receivables.

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