

Sunway Construction (SCGB MK)

Major win from Sunway

MALAYSIA | CONSTRUCTION | UPDATE

- SunCon clinched a RM1.5bn contract from Sunway, for the construction works of the RTS TOD project in Bukit Chagar, Johor
- YTD new wins totalled RM1.7bn, this represents 34% of our existing full-year 2025 replenishment assumption
- Maintain our BUY rating with unchanged target price of RM4.55

6 March 2025

BUY (maintain)

LAST CLOSE PRICE	RM4.24
TARGET PRICE	RM4.55
TOTAL RETURN	7.3%

COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN) :	1,289
MARKET CAP (USD mn / RM mn) :	1231 / 5454
52 - WK HI/LO (RM) :	5.3 / 2.51
3M Average Daily T/O (mn) :	5.50
NET CASH/(DEBT) (RMm)	285.10

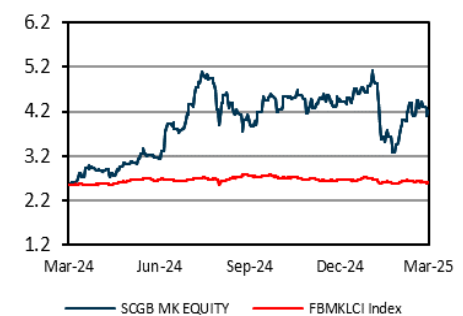
MAJOR SHAREHOLDERS (%)

Sunway Holdings	54.6%
Sungei Way Corp	10.1%
EPF	7.3%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	11.1	(7.2)	(11.7)
FBMKLCI RETURN	(0.5)	(3.5)	(5.2)

PRICE VS. FBMKLCI



Source: Bloomberg

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Secured RM1.5bn contract from Sunway

Sunway Construction (SunCon) announced that it has accepted a RM1.5bn from Sunway Group's indirect subsidiary, Sunway Integrated Properties Sdn Bhd for the construction works related to its newly secured Johor Bahru- Singapore Rapid Transit System Transport Oriented Development (RTS TOD) at Bukit Chagar. The works are divided into two parts: Part A entails constructing and completing basic infrastructure and the multi-story park and ride building, while Part B involves constructing and completing the retail mall, podium, and the top-side property at Bukit Chagar station. The work for Part A is expected to commence immediately, with the overall completion targeted for Nov27. The commencement date for Part B works is scheduled at a later date.

Contract win falls under our expectations

We estimate a 50:50 split of the RM1.5bn contract value for the work scope. Inclusive of this win, YTD contract wins amount to RM1.7bn, representing 34% of our RM5bn full-year 2025 order replenishment assumption. This latest win brings SunCon's outstanding order book to RM7.6bn (2.2x 2024 revenue cover ratio), providing revenue visibility until 2027. We estimate the PBT margin to be c.6%, which aligns with the margin for internal Sunway Group projects, translating to RM90m PBT across the project period. We anticipate SunCon's contract pipeline will remain supported by various data centres (DC), infrastructure, industrial and internal Sunway Group jobs with the tender book at RM14.6bn.

Maintain BUY with unchanged TP of RM4.55

We make no changes to our earnings as this contract falls under our replenishment assumption. We reiterate our BUY rating and 12-month target price of RM4.55, based on an unchanged target PE multiple of 22x on 2025E EPS. Key risks include slower-than-expected order book recognition and margin pressures.

Key Financials

Y/E Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,671.2	3,521.7	4,507.0	4,591.8	5,276.5
EBITDA (RMm)	274.8	279.4	396.2	411.7	475.0
Pretax profit (RMm)	188.6	273.0	365.0	380.0	451.7
Net profit (RMm)	145.1	186.9	267.3	278.7	333.2
EPS (sen)	11.2	14.5	20.7	21.6	25.8
PER (x)	37.7	29.3	20.5	19.6	16.4
Core net profit (RMm)	174.7	169.5	267.3	278.7	333.2
Core EPS (sen)	13.5	13.1	20.7	21.6	25.8
Core EPS growth (%)	21.5	(2.9)	57.7	4.3	19.6
Core PER (x)	31.3	32.3	20.5	19.6	16.4
Net DPS (sen)	6.0	8.5	10.0	11.0	12.0
Dividend Yield (%)	1.4	2.0	2.4	2.6	2.8
EV/EBITDA (x)	21.2	18.6	13.4	12.6	10.5
Chg in EPS (%)			-	-	-
Phillip/Consensus (%)			1.0	0.9	1.1

Sources: Company, Bloomberg, Phillip Research forecasts

FINANCIALS

Income Statement

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
Revenue	2,671.2	3,521.7	4,507.0	4,591.8	5,276.5
Operating expenses	(2,396.4)	(3,242.3)	(4,110.8)	(4,180.1)	(4,801.5)
EBITDA	274.8	279.4	396.2	411.7	475.0
Depreciation	(21.0)	(17.3)	(17.8)	(18.3)	(18.8)
EBIT	253.8	262.2	378.4	393.4	456.2
Net int income/(expense)	(21.5)	(6.9)	(13.7)	(13.7)	(4.8)
Associates' contribution	(14.1)	0.3	0.3	0.3	0.3
Forex gain/(loss)	(1.7)	0.0	0.0	0.0	0.0
Exceptional gain/(loss)	(27.9)	17.4	0.0	0.0	0.0
Pretax profit	188.6	273.0	365.0	380.0	451.7
Tax	(42.8)	(75.9)	(87.6)	(91.2)	(108.4)
Minority interest	(0.7)	(10.1)	(10.1)	(10.1)	(10.1)
Net profit	145.1	186.9	267.3	278.7	333.2
Core net profit	174.7	169.5	267.3	278.7	333.2

Balance Sheet

Y/E Dec (RMm)	2023	2024	2025E	2026E	2026E
Fixed assets	98.0	85.4	77.6	69.4	60.6
Other long term assets	745.6	588.4	588.7	588.9	589.1
Total non-current assets	843.6	673.9	666.3	658.2	649.7
Cash and equivalents	582.2	1,015.8	900.2	1,039.5	1,210.6
Stocks	46.4	43.3	57.4	58.5	67.2
Debtors	1,410.2	1,843.1	2,081.8	2,121.0	2,437.2
Other current assets	200.3	20.3	103.3	105.7	99.9
Total current assets	2,239.2	2,922.4	3,142.7	3,324.7	3,814.9
Creditors	1,193.3	1,912.7	1,987.5	2,024.9	2,326.9
Short term borrowings	441.1	730.6	730.6	730.6	730.6
Other current liabilities	67.4	13.2	13.2	13.2	13.2
Total current liabilities	1,701.8	2,656.6	2,731.3	2,768.7	3,070.7
Long term borrowings	488.7	1.1	1.1	1.1	1.1
Other long term liabilities	0.3	0.0	0.0	0.0	0.0
Total long term liabilities	489.1	1.2	1.2	1.2	1.2
Shareholders' Funds	820.2	877.9	1,015.9	1,152.4	1,330.4
Minority interests	71.8	60.6	60.6	60.6	60.6

Cash Flow Statement

Y/E Dec (RMm)	2023	2024	2025E	2026E	2026E
EBIT	253.8	262.2	378.4	393.4	456.2
Depreciation & amortisation	21.0	17.3	17.8	18.3	18.8
Working capital changes	(166.7)	534.9	(178.1)	(2.9)	(23.0)
Cash tax paid	(42.8)	(75.9)	(87.6)	(91.2)	(108.4)
Others	(86.6)	(21.6)	(27.1)	(27.1)	(9.3)
Cashflow from operation	(21.3)	716.7	103.4	290.5	334.2
Capex	(77.0)	115.3	(10.0)	(10.0)	(10.0)
Disposal/(purchases)	(59.0)	23.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	(136.0)	138.6	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	448.1	(198.2)	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	1.0	2.0
Net interest income/(exp)	0.0	(167.2)	0.0	0.0	0.0
Dividends paid	(77.6)	(116.0)	(129.3)	(142.2)	(155.1)
Others	0.0	(20.0)	0.0	0.0	0.0
Cash flow from financing	370.5	(501.4)	(129.3)	(141.2)	(153.1)
Free Cash Flow	(98.3)	832.0	93.4	280.5	324.2

Source: Company, Phillip Research forecasts

Financial Ratios and Margins

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
Growth					
Revenue (%)	23.9	31.8	28.0	1.9	14.9
EBITDA (%)	25.6	1.7	41.8	3.9	15.4
Core net profit (%)	21.5	(2.9)	57.7	4.3	19.6
Profitability					
EBITDA margin (%)	10.3	7.9	8.8	9.0	9.0
PBT margin (%)	7.1	7.8	8.1	8.3	8.6
Core net profit margin (%)	6.5	4.8	5.9	6.1	6.3
Effective tax rate (%)	24.0	27.8	24.0	24.0	24.0
ROA (%)	2.4	2.5	3.3	3.3	3.7
Core ROE (%)	22.4	20.0	28.2	25.7	26.8
ROCE (%)	27.4	29.8	52.6	46.6	53.9
Dividend payout ratio (%)	53.5	58.8	48.4	51.0	46.6
Liquidity					
Current ratio (x)	1.3	1.1	1.2	1.2	1.2
Op. cash flow (RMm)	(21.3)	716.7	103.4	290.5	334.2
Free cashflow (RMm)	(98.3)	832.0	93.4	280.5	324.2
FCF/share (sen)	(7.6)	64.4	7.2	21.7	25.1
Asset management					
Debtors turnover (days)	192.7	191.0	168.6	168.6	168.6
Stock turnover (days)	6.3	4.5	4.6	4.6	4.6
Creditors turnover (days)	163.1	198.2	161.0	161.0	161.0
Capital structure					
Net gearing (%)	42.3	(32.5)	(16.7)	(26.8)	(36.1)
Interest cover (x)	12.8	40.6	28.9	30.0	98.7

Quarterly Profit & Loss

Y/E Dec (RMm)	4Q23	1Q24	2Q24	3Q24	4Q24
Revenue	871.5	604.8	651.2	865.3	1,400.3
Operating expenses	(761.2)	(545.9)	(595.2)	(808.1)	(1,310.4)
EBITDA	110.3	58.9	56.1	57.2	89.9
Depreciation	(5.2)	(5.2)	(4.5)	(4.6)	(4.5)
EBIT	105.1	54.4	51.5	52.7	86.2
Net int income/(expense)	(6.6)	(11.4)	(2.4)	5.7	18.7
Associates' contribution	(14.5)	0.0	0.0	0.0	0.3
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Exceptional items	(23.3)	(1.3)	1.1	12.1	5.5
Pretax profit	60.8	41.6	50.2	70.5	110.6
Tax	(12.3)	(8.9)	(12.4)	(21.9)	(32.7)
Minority interest	0.8	(0.3)	1.1	(2.2)	(8.7)
Net profit	49.3	32.4	38.9	46.5	69.2
Core net profit	72.5	33.7	37.7	34.4	63.7
Margins (%)					
EBITDA	12.7	9.7	8.6	6.6	6.4
PBT	7.0	6.9	7.7	8.2	7.9
Core net profit	8.3	5.6	5.8	4.0	4.6

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