

SunCon Still Hot Despite Share Price Correction

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Sunway Construction Group Berhad (Sunway Construction) has delivered a robust performance for the second quarter of 2024, with a core net profit (CNP) of RM39 million, reflecting a notable 18% increase year-on-year and a 20% rise quarter-on-quarter. This result brings the group's 1H24 CNP to RM71 million, up 17% compared to the same period last year. The results align with expectations, accounting for 46% of the full-year forecast and 39% of consensus estimates.

In response to the group's strong execution capabilities and successful job wins, analysts from RHB and Maybank have revised their earnings forecasts upwards. One analyst raised their FY24-26E CNP forecasts by 10%, 34%, and 56% respectively, adjusting the target price (TP) to RM3.70 from RM2.30, based on a revised 21x PER. One of the analyst maintains a **BUY** rating, adjusting the TP to RM5.50 from RM6.29, citing a 30% potential upside and a 3% dividend yield, though they acknowledge a miss in 1H24 earnings estimates.

Sunway Construction's construction revenue surged by 11.6% year-on-year to RM597.6 million, driven by accelerated progress in building and data centre projects. The group's EBIT margin remained steady at 7.8%, with improvements in both revenue and profit before tax (PBT), which grew by 19.9% year-on-year to RM46.9 million. The precast division's PBT also saw a slight increase due to the reversal of provisions for completed projects.

The company's order book stands at RM7.4 billion as of June 2024, bolstered by new job wins amounting to RM3.5 billion. This includes significant projects such as data centres in Klang Valley and Johor, and the Sunway Ipoh Mall. The group has raised its FY24 job win target to RM4 billion to RM5 billion, surpassing its initial target of RM2.5 billion to RM3 billion. The active tender book now totals RM13.7 billion, featuring major infrastructure projects including the Mutiara LRT and Penang International Airport expansion.

Looking ahead, Sunway Construction is expected to benefit from a stronger pipeline of projects, particularly in the data centre and infrastructure sectors. Despite the recent correction in share price, analysts maintain a positive long-term outlook, with a revised TP of RM4.46 reflecting a 5.2% upside potential.