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Sunway Construction top gainer in morning trade after data centre job gets upsized

By **DIYANA ISAMUDIN** - June 11, 2024 @ 11:19am



Sunway Construction Group Bhd (SunCon)'s share price was the stock market's top gainer in morning trade, after one of its data centre contracts was upsized to RM3.2 billion from RM1.7 billion. NSTP/FILEPIC

KUALA LUMPUR: Sunway Construction Group Bhd (SunCon)'s share price was the stock market's top gainer in morning trade, after one of its data centre contracts was upsized to RM3.2 billion from RM1.7 billion.

The share price jumped almost 17 per cent to hit a high of RM3.87 a share today.

As at 10:27am, the stock was up 13.3 per cent or 44 sen to RM3.75 a share, valuing the company at RM4.8 billion. More than 9.2 million shares changed hands.

In a filing to Bursa Malaysia yesterday, SunCon announced that it has secured additional works valued at RM1.5 billion for the JHB1X0 data centre at the Sedenak Tech Park, almost doubling the initial contract value to RM3.2 billion.

Its wholly owned subsidiary, Sunway Construction Sdn Bhd, and Yellowwood Properties Sdn Bhd entered an amendment deed to the contract yesterday to include the scope and value of works, known as NTP 4.

The works are expected to be completed in four phases within 20 months, or by February 2026.

The data centre is part of US-based firm, Yondr Group's 200MW hyperscale campus project at Sedenak Tech Park.

The news led Kenanga Research to raise SunCon's profit forecasts for financial year 2024 and 2025 (FY24-25) by 10 per cent and 22 per cent, respectively, as the research house lifted its FY24-25 job win assumptions from RM3.5 billion to RM4.5 billion and RM4 billion, respectively.

The firm upgrade its 'market perform' call on SunCon to 'outperform' and lift the target price by 22 per cent to RM3.85 a share from RM3.16 based on an unchanged FY25's price-to-earnings ratio (PER) of 18 times, which is in-line with its valuation for big cap construction companies like Gamuda Berhad and IJM Corp Bhd.

"Typically, data centre building jobs can fetch an earnings before interest and taxes (EBIT) margin that is at the higher end of the range of five to eight per cent for building jobs. We assume an EBIT margin of 7.5 per cent for the additional works," it said in a research note today.