

# SunCon shares break new record highs as analysts, investors cheer new job win

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22 Mar 2024, 11:24 am



KUALA LUMPUR (March 22): Shares of Sunway Construction Group Bhd (SunCon) soared to new all-time highs on Friday, as investors cheered the builder's latest job win, while analysts bet on further upside for its stock price ahead.

SunCon climbed as much as 9.6% to RM2.95, sharply outperforming the construction sector and the broader market. The stock was trading at RM2.94 at 10.00am, after some 8.85 million shares changed hands. In contrast, the country's benchmark index FBM KLCI was a tad lower.

"While job wins have been impressive to date, we gather that SunCon still has multiple tenders in the advanced technology facilities space," said Hong Leong Investment Bank, which kept its "buy" call on the stock. "Further traction into the advanced technology facilities space could be a rerating catalyst amid a scarcity of quality exposure into this growth area."

On Thursday, SunCon announced that it has won a contract worth RM757.8 million to build a data centre, bringing total contracts won to RM1.6 billion. That is more than half of the company's own target of RM3 billion for 2024 in less than three months into the year.

Shares of SunCon have racked up nearly 50% so far this year amid broad rally in the construction sector, fuelled by optimism of major infrastructure projects roll-out by the government. A slew of high-margin jobs particularly to build data centres have also boosted shares of select companies, including SunCon's.

A majority of 10 of 15 analysts covering SunCon still recommended investors to "buy" the stock, while three rated SunCon as "hold" and two have "sell" calls, according to *Bloomberg*. Target price ranged from RM2.30 by CLSA to RM3.59 by AmInvestment Bank.



Contracts to build data centres typically fetch an earnings-before-interest-and-tax margin at the "higher end" of 5% to 8% range for construction jobs, Kenanga Investment Bank noted. The research house now expects SunCon to win jobs worth RM3.5 billion this year, versus the previous assumption of RM3.0 billion.

Data centre jobs now make up about 31% of SunCon's total outstanding orderbook, according to RHB Investment Bank's estimate. The company now has a total orderbook of RM6.9 billion, which will keep the company busy for at least over the next two years, it said.

The stock is currently trading at 16 times the projected earnings for 2025, which is a premium to Bursa Malaysia Construction Index's five-year average of around 13 times, RHB said. That valuation is "justified" partly due to the company's "significantly higher" return-on-equity and its other potentials, the house added.

**Analyst recommendations for Sunway Construction Group Bhd**

| Broker                      | Recommendation | Target price (RM) |
|-----------------------------|----------------|-------------------|
| Kenanga Investment Bank     | Outperform     | 3.16              |
| AmInvestment Bank           | Buy            | 3.59              |
| TA Securities               | Buy            | 3.21              |
| BIMB Securities             | Buy            | 3.19              |
| Hong Leong Investment Bank  | Buy            | 3.20              |
| CGS International           | Add            | 3.44              |
| RHB Research                | Buy            | 3.34              |
| Affin Hwang Investment Bank | Buy            | 2.90              |
| Nomura                      | Neutral        | 2.60              |
| UOB Kay Hian                | Buy            | 2.93              |
| MIDF Amanah Investment Bank | Buy            | 2.86              |
| Sadif Investment Analytics  | Strong buy     | 2.80              |
| Phillip Capital             | Hold           | 2.46              |
| Maybank Investment Bank     | Sell           | 2.30              |
| CLSA                        | Sell           | 2.30              |

Source: Bloomberg

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