

BUSINESS TODAY – 7 JUNE 2024

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Suncon On Verge Of Substantial Contract Wins Driven Expansions And Upsizing

By **BusinessToday** - June 7, 2024



Sunway Construction Group Bhd (Suncon) anticipates significant contract wins in the second half of 2024, within its existing projects, according to a report by CGS International (CGS).

Suncon's management has highlighted that several substantial contract wins are expected in the latter half of 2024, likely exceeding the company's FY24 new win target of RM2.5bn-3bn (YTD-May 24 RM1.7bn). CGS maintains a forecast of RM5.2bn in new wins for FY24.

Key developments include the conversion of two early contractor involvement (ECI) data centre projects into full-scale contracts worth approximately RM1 bn-1.5bn and significant scope upsizing in the existing RM1.7bn Sedenak data centre contract.

Additionally, the K2 data centre project could add two more blocks to its portfolio, enhancing revenue prospects.

Suncon's orderbook, currently at RM6.2bn (as of March 2024), heavily relies on data centre projects, constituting 40% of its total. The company is actively bidding on four additional data centre projects, predominantly in Johor, which are still in the design stage.

Suncon remains cautious about potential capacity constraints should there be a need to accelerate existing data centre projects, CGS said.

A major catalyst is seen in the potential financial close of the US\$2.4bn Song Hau 2 Power Plant project in Vietnam, where Suncon holds a 55% stake. This project, expected to enhance Suncon's order book to RM12.3bn and offer superior pretax margins of approximately 10%, is contingent on Toyoventures achieving financial closure by June 30, 2024.

CGS maintains an Add call for Suncon with a target price of RM3.91, derived from a sum-of-parts (SOP) valuation. The firm underscores Suncon's strong execution track record, its strategic advantage in the data centre sector, and robust financial metrics projecting a 3-year EPS CAGR of 19% over FY23-26F.

As of June 6, Suncon's stock has shown a resilient performance, reflecting investor confidence amid optimistic sectoral developments and the company's strategic growth initiatives.