

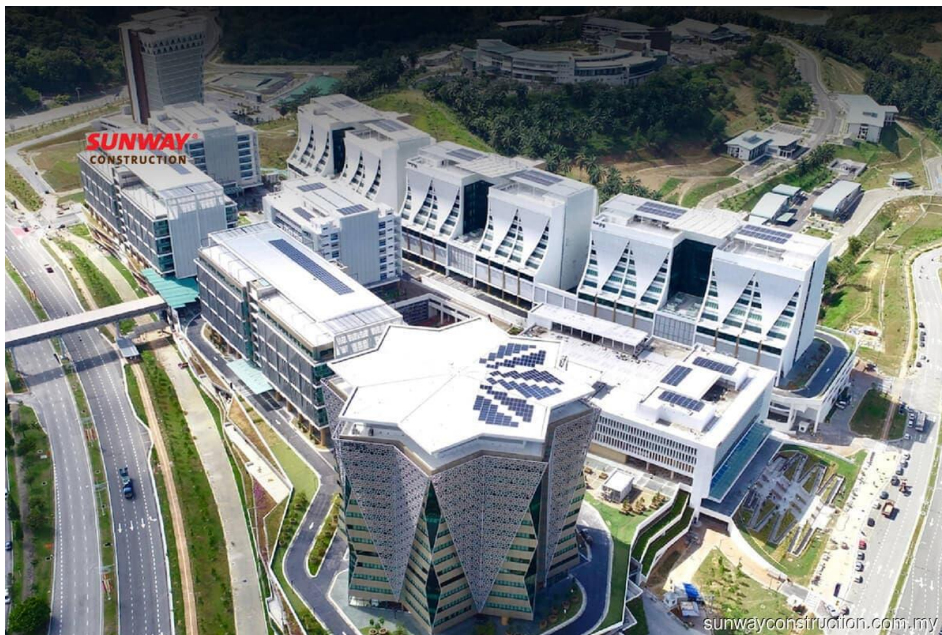
Hot Stock

SunCon charts another new all-time high after data centre contract upsized

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KUALA LUMPUR (June 11): Shares of Sunway Construction Group Bhd (KL:SUNCON) charted another new all-time high on Tuesday after one of its data centre contracts was upsized to RM3.2 billion, from RM1.7 billion.

SunCon rose as much as 17% or 56 sen to RM3.87. The stock closed at RM3.74, still up 13% or 43 sen, valuing the company at RM4.84 billion. More than 20 million shares changed hands, over nine times the stock's 200-day moving average.

“This expansion will significantly enhance the company's presence in the growing data centre market and boost its future earnings visibility,” said TA Securities. The addition of RM1.5 billion in contract value will add RM89 million to its net profit throughout the construction period, the house said.

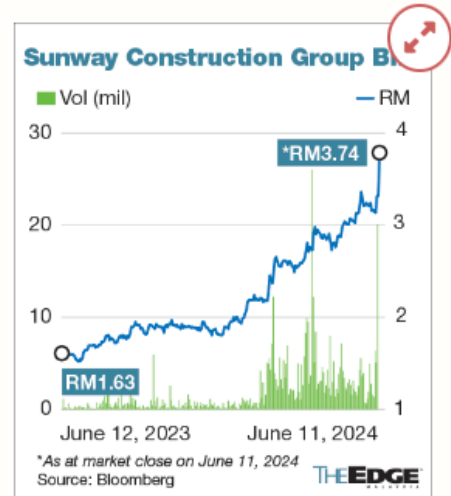
Shares of SunCon have risen 88% year-to-date amid a broad rally in the construction sector, fuelled by optimism about the government's rollout of major infrastructure projects. A slew of high-margin jobs, particularly to build data centres, have also boosted shares of select companies, including SunCon.

A majority of 10 of 14 analysts covering SunCon recommended investors to “buy” the stock, while one rated SunCon as “hold” and three have “sell” calls. The stock has surpassed the consensus’ 12-month target price of RM3.69, according to *Bloomberg*.

“We expect a significant revitalisation of the construction sector in 2024,” said Kenanga Investment Bank, citing rollout of major infrastructure projects and a vibrant private sector construction market, backed by massive investment in new semiconductor foundries and data centres.

SunCon on Monday said that it had accepted a revised contract price of RM3.2 billion for a data centre construction project in Sedenak Tech Park (STeP), Johor.

The latest contract was revised upwards with the notice-to-proceed for the project increased to four phases from three initially.



Research House	Recommendations	Target price (RM)
Kenanga IB	Outperform	3.85
RHB Research	Buy	4.12
AmlInvestment	Buy	3.70
TA Securities	Buy	4.46
UOB Kay Hian	Buy	4.32
CLSA	Reduce	3.42
BIMB Securities	Buy	4.01
HLIB	Buy	3.75
CGS International	Add	3.91
Nomura	Buy	3.90
Affin Hwang	Buy	3.90
MIDF	Neutral	3.09
Phillip Capital	Sell	2.90
Maybank IB	Sell	2.30

Source: Bloomberg THE EDGE

“With the inclusion of the NTP 4 works, the total contract amount for the works has been changed to approximately RM3.2 billion. The revised contract amount is a fixed-price lump-sum amount and is inclusive of all applicable taxes,” its filing said.

The latest contract revision is an “important win” for SunCon, CGS International said. SunCon now has RM3.2 billion in new contracts secured, exceeding the company’s own guidance for up to RM3 billion for the full year of 2024.

“The additional scope of works for the Sedenak contract means that the end client has finalised a reputable offtaker to warrant the aggressive expansion,” CGS said. Earnings recognition for the contract is expected to accelerate in the second half of 2024 and would anchor earnings over the next two years, it added.

Currently, SunCon's total outstanding order book stands at RM7.9 billion, including new projects secured so far this year totalling RM3.3 billion and the additional NTP works of RM1.5 billion.