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## SunCon Eyeing 4 More Data Centre Projects

By **Editor** - November 1, 2024



This week Sunway Construction Bhd (SunCon) announced it had accepted an additional variation order (VO) of RM265 million from the Yondr data centre in Sedenak Tech Park, Johor. This has increased the total contract value for this data centre project to RM3.5b and also raised its YTD contract win to RM3.9b and current outstanding order book to RM7.8b. Kenanga said it has learnt that there are four more data centre jobs in the pipeline and keeps its estimates, MP rating and TP of RM4.71 unchanged.

On Wednesday, SunCon announced that it has accepted a VO worth RM265m as additional tenant improvement works from Yellowwood Properties Sdn Bhd for the latter's JHBIXO data centre project in Sedenak Tech Park. This boosted the total contract value of SunCon's JHBIXO to RM3.5b from RM3.2b. To cap, SUNCON was awarded an RM1.7b contract to build JHBIXO in Dec 2022. Subsequently, an additional NTP<sub>4</sub> work worths RM1.5b was awarded in June this year, followed by an RM82m VO in Sept, before this RM265m VO. The scheduled completion for this data centre project remains unchanged – by Feb 2026. The house said it views this announcement positively as it increased SunCon's YTD job wins to RM3.9b, close to management's target of RM4b-RM5b and the assumption of RM4.5b in FY24.

Kenanga said it understands that SunCon has tendered for four data centre projects currently with a potential additional VO from its K2 data centre project. Typically, data centre building jobs can fetch an EBIT margin that is at the higher end of the range of 5% to 8% for building jobs. The house assumes an EBIT margin of 7.5% for the additional work. Its outstanding order book stands at RM7.8b currently.

Forecasts for SunCon are maintained with an unchanged job win assumption of RM4.5b and RM4b for FY24F and FY25F, respectively. As for valuations, the house keeps its TP of RM4.71, based on 22x FY25F PER, which is in-line with valuation for big cap construction companies. The TP also includes a 5% premium to reflect a 4-star ESG rating.

Kenanga said it likes SunCon for: (i) strong job prospects of the sector as a whole with the roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM7.8b outstanding order book and recurring jobs from parent and sister companies, and (iii) its extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works.

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