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Positive Growth For SunCon Despite Mixed Views From Research Houses

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Sunway Construction Group Bhd (SunCon) has received contrasting recommendations from analysts, with MIDF Amanah Investment Bank (MIDF Research) maintaining a **NEUTRAL** stance with a target price of RM4.46 while RHB Research reiterated a **BUY** call with a higher target price of RM5.50, citing a 24% upside.

Both reports highlighted the group's robust performance in 3QFY24 and its promising outlook, which was driven by ongoing data centre (DC) projects.

MIDF Research reported that SunCon achieved a core net profit of RM44.1 million in 3QFY24, marking a 26.7% year-on-year (YoY) growth. This brought its 9MFY24 core earnings to RM115.2 million, an increase of 22.4% YoY, driven by stronger progress billings in its construction segment.

However, the precast segment was underperformed, with revenue plunging 59.6% YoY to RM33.5 million and profit before tax declining 69.2% YoY to RM2 million. MIDF Research viewed the results as within expectations and maintained a Neutral outlook, noting that SunCon's current valuation reflects its strong performance.

RHB Research, in contrast, emphasised SunCon's ability to capitalise on DC projects, which now account for 54.5% of its RM7.1 billion outstanding order book. The group has already secured RM4 billion in new jobs this year, with ongoing tenders worth RM10.6 billion.

RHB Research remains optimistic about SunCon's earnings trajectory, forecasting a 53% growth in FY25, underpinned by accelerated progress in DC jobs like the RM1.7 billion JHB1X0 project in Johor.

SunCon's trading valuation at 23 times FY25 price-to-earnings ratio, a premium compared to the Bursa Malaysia Construction Index's 10-year mean of 13 times, is justified according to RHB Research.

This is attributed to its superior return on equity and a robust pipeline of high-margin industrial jobs. RHB Research also highlighted the potential upside of securing semiconductor-related contracts and infrastructure projects such as the Penang International Airport expansion.

Looking ahead, SunCon is well-positioned to benefit from long-term opportunities tied to the Johor-Singapore Special Economic Zone, as well as the broader growth of its parent company, Sunway Bhd. Risks to its outlook include project delays and volatility in material costs.

With a steady order book, DC expertise and promising growth in the industrial sector, SunCon remains a notable player in Malaysia's construction industry, albeit with differing levels of enthusiasm from analysts.