

# Buoyed by optimism on data centre jobs

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## Sunway Construction Group Bhd

Sunway Construction Group Bhd (KL:SUNCON ASK **EDGE**) is a familiar name at The Edge Billion Ringgit Club (BRC) Awards. For the sixth consecutive year, the group has secured the BRC award for highest return on equity (ROE) over three years in the construction sector.

Yet, there is more reason to celebrate in 2024, as SunCon not only maintained its BRC winning streak for ROE but also added another accolade by clinching the The Edge BRC award for highest returns to shareholders over the past three years in the construction sector.

SunCon's shareholders already have much to celebrate, with the company's share price surging in reflection of confidence in its job prospects and involvement in data centres that are attracting significant domestic and foreign investments.

In the review period for The Edge BRC awards, SunCon's adjusted share price climbed significantly from RM1.62 on March 31, 2021, to RM2.92 on March 31, 2024. This works out to an impressive compound annual growth rate (CAGR) of 21.6% over three years — beating its peers.



In January this year, SunCon bagged a RM1.7 billion contract to provide general contractor services for a data centre construction project in Sedenak Tech Park (STeP), Johor. Then, in March, it won a data centre contract worth RM747.8 million from a US-based multinational technology firm.

With SunCon seen as a beneficiary of Malaysia's data centre boom, its share price surged even more strongly after the 2024 BRC awards evaluation cut-off date, reaching as high as RM5.18 intra-day in mid-July and closing at a fresh high of RM5.09 on July 18.

Since then, however, the stock price has given up some of those gains but, at the time of writing, it was still easily double the RM2 levels that it started the year at.

SunCon has delivered decent earnings to help fuel optimism in its prospects. Its net profit grew every year from RM72.8 million in FY2020 to RM112.6 million in FY2021, RM135.2 million in FY2022 and RM145.1 million in FY2023. This reflects a risk-weighted three-year profit after tax CAGR of 19.4% over The Edge BRC awards evaluation period.

While its ROE had fallen from as high as 24.8% in FY2021 to 5.4% in FY2022 and 5.6% in FY2023, its adjusted weighted ROE over three years continued to average at a high-single-digit level of 9.4% — beating sectoral peers.

## Sunway Construction Group



SunCon has consistently paid dividends for shareholders since its listing in 2015. It paid dividends of six sen per share in FY2023, representing a 53% payout. This was an improvement from a dividend of 5.5 sen per share in FY2022 and 5.25 sen per share in FY2021.

For the first half ended June 30, 2024 (1H2024), its net profit grew 17% year on year to RM71.3 million from RM60.8 million on the back of 11.5% y-o-y growth in revenue to RM1.26 billion, from RM1.13 billion.

Commenting on its prospects in notes accompanying its 1H2024 earnings release, SunCon says it is “optimistic of registering positive growth” for FY2024 based on its existing order book, which stood at RM7.4 billion after securing RM3.47 million new orders up to June 30 this year. It had secured RM1.7 billion new orders as at end-March 2024.

SunCon further raised its target job replenishment for 2024 to a range of RM4 billion to RM5 billion, having breached its previous target job replenishment of RM2.5 billion to RM3 billion.

Among other things, SunCon says it is working on five data centre projects for four multinational clients and continues to proactively pursue more opportunities in the data centre sphere.

“In addition, SunCon is actively participating in various tenders within the warehousing and semiconductor manufacturing domains. SunCon also anticipates a promising outlook for the construction sector, supported by upcoming public sector projects, including the Penang LRT and the Penang International Airport expansion. Apart from opportunities in both the private and public sectors, SunCon continues to pursue in-house pipeline projects from its immediate holding company, Sunway Bhd, particularly those involving special-purpose buildings,” it elaborates, noting that it remains actively involved in the construction of advanced technology facilities (ATF).

“On the international front, SunCon obtained a Commercial Operation Date for the Meensurutti-Chidambaram Highway project on Feb 15, 2024, and signed a settlement agreement for the Thorapalli Agraharam-Jittandahalli Highway project on Aug 7, 2024. SunCon is also exploring potential projects in the ATF sector in Asean countries in collaboration with local joint-venture partners.”

SunCon notes that there may also be jobs for its precast segment, with the Singapore government’s Housing and Development Board (HDB) on track to launch 100,000 flats. from 2021 to 2025.