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Bullish Outlook On SunCon As DC Play Kicks In

By **Business Today Editorial** - February 21, 2025



RHB Investment Bank Bhd (RHB Research) and MIDF Amanah Investment Bank Bhd (MIDF Research) have both maintained their **BUY** calls on Sunway Construction Group Bhd (SunCon), citing strong earnings growth driven by data centre (DC) projects and a robust order book. RHB Research raised its target price to RM5.63, while MIDF Research kept its target at RM4.46, highlighting SunCon's strategic focus on Advanced Technology Facilities (ATF) and its steady financial performance.

RHB Research noted that SunCon's FY24 core earnings rose 13% year-on-year (YoY) to RM171 million, surpassing its forecast by 5% due to faster-than-expected progress in DC projects. Earnings are projected to grow 48% in FY25 as more DC jobs enter their most work-intensive phases. The construction segment recorded a 102% YoY increase in profit before tax (PBT) for fourth quarter of fiscal year 2024 (4QFY24), with a higher PBT margin of 8%, compared to 6.7% a year ago. The improvement was mainly attributed to accelerated work on DC projects and the Johor Bahru-Singapore Rapid Transit System (RTS) Link, which had reached 73% completion by the end of 4QFY24.

MIDF Research also highlighted SunCon's strong financial performance, with FY24 core net profit rising 25% YoY to RM179.9 million. Revenue grew 31.8% to RM3.52 billion, mainly driven by the company's involvement in DC projects and infrastructure works. SunCon continues to strengthen its position in the ATF sector, with five ongoing DC developments and an expanding pipeline of new projects. Its financial standing has also improved, transitioning to a net cash-positive position while achieving an average return on equity (ROE) of 20% and a return on capital employed (ROCE) of 24% as of December 2024.

The construction segment remained the primary revenue driver, with a 72.3% YoY increase in revenue to RM1.35 billion in 4QFY24, leading to a 102.3% jump in PBT to RM107.2 million. Analysts expect profit margins to remain stable, supported by lower steel bar prices, stable cement costs, and minimal impact from diesel rationalisation.

SunCon's outstanding order book stood at RM5.8 billion as of December 2024, with 55% attributed to DC projects. The company secured RM4.2 billion in new contracts and is actively tendering for RM14.6 billion worth of projects, mainly DC-related. Key prospects include Segment 2 of the Penang Light Rail Transit, new medical centres by Sunway Bhd, and an expansion of Sunway's Ipoh Mall. There is also potential for involvement in Sunway's RM2.6 billion mixed-use development at Bukit Chagar, Johor Bahru.

While revenue from the precast segment declined 45.8% YoY in 4QFY24, analysts remain optimistic, particularly due to demand from Singapore's Housing and Development Board (HDB) projects, which account for over 90% of SunCon's precast sales. The company is also expanding its precast business with two DC-related projects.

Both RHB Research and MIDF Research see SunCon as well-positioned for continued growth, backed by a solid order book and rising demand for DC infrastructure. Key risks include lower-than-expected job wins and possible project delays.