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## SunCon to post better earnings growth in 4QFY2024 on lower material costs, improved margins — MIDF

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KUALA LUMPUR (Feb 7): Sunway Construction Group Bhd's (KL:**SUNCON** **ASK** **EDGE**) is expected to deliver stronger core earnings in its upcoming fourth quarterly results, along with a one sen dividend, said MIDF Research.

The research firm anticipated SunCon to report on Feb 20, a core net profit at RM54.6 million to RM63.6 million (versus RM49.8 million in 4QFY2023), excluding unexpected fluctuations in cost structure and one-time items.

The core net profit forecast is derived from an anticipated revenue range of RM708.6 million to RM857.7 million for 4QFY2024, compared to RM871.5 million in the same quarter last year and RM865.3 million in the previous quarter.

The research house noted that the core net profit and revenue are expected to contribute over 95% to FY2024's earnings estimate.

It also expects the group to declare a dividend payout of one sen per share in 4QFY2024, bringing the total dividend per share (DPS) to seven sen for FY2024.

"We estimate enhanced core earnings on both an annual and quarterly basis, attributable to declining raw material input costs (steel and cement), supplemented by bottom-line margin improvements," it said in a research report on Friday, maintaining its "buy" call on the stock, with an unchanged target price of RM4.46.

The valuation is based on a price-earnings ratio of 24 times, applied to the estimated FY2025 earnings per share of 18.6 sen.

MIDF cited SunCon's robust execution capabilities, coupled with key projects driving momentum, a solid order book, and declining raw material costs, as factors that would help sustain earnings growth.

The monthly average price of steel bars declined for the second consecutive month, dropping 4.66% in December 2024 to RM2,443.25 per metric tonne. However, the monthly average price of cement has held steady at RM380 per metric tonne since July 2023. The house expects the decline or stabilisation of these two key input costs to enhance margins.

The JHB1X0 Data Centre project is identified as a key driver of significant revenue and profit for SunCon in 4QFY2024, with progress billings contributing to the quarter's results. Despite concerns over artificial intelligence (AI) chip export restrictions, SunCon's management has reported no adverse feedback, with clients maintaining confidence in their plans, and no delays are expected for secured contracts, said the house.

As of September 2024, SunCon's total outstanding order book stood at RM7.07 billion, comprising RM3.97 billion in contract value secured in FY2024, enabling the company to meet its FY2024 replenishment target of RM4.0 billion to RM5.0 billion. While it may not reflect immediately in its 4QFY2024 revenue, the company's diversified portfolio and phased progress across contracts, position it for sustenance of its financial performance into FY2025, the research house added.

At the time of writing on Friday, shares of Suncon were up six sen or 1.5% at RM3.97, giving the group a market capitalisation of RM5132.8 million. The counter is down 15% so far this year.