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Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 9 July 2024
KLSE Comp @ 1,611.0

12M hi/lo RM4.35/1.66

12M price target RM4.65
±% potential +8%

Shares in issue 1,292.9m
Free float (est.) 45.6%

Market cap US\$1.2bn

3M ADV US\$2.8m

Foreign s'holding 1.0%

Major shareholders

Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

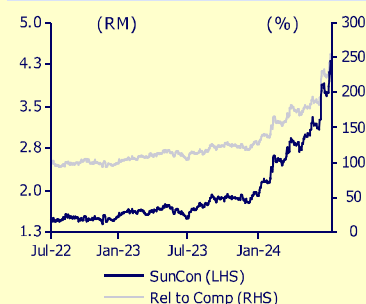
Blended ESG Score (%)*

Overall 66.6
Country average 56.9
GEM sector average 61.0

*Click to visit company page on cls.com for details

Stock performance (%)

	1M	3M	12M
Absolute	30.3	50.3	160.6
Relative	30.9	45.6	122.9
Abs (US\$)	29.8	51.6	155.3



Source: Bloomberg

Making hay while the sun shines

Reassessing benefit for still-elevated data centre pipeline potential

The purpose of this note is (1) to reverse earnings on Song Hau 2 that we had included, following the termination of the power plant and (2) to more closely examine SunCon's data centre opportunities against the macro backdrop as outlined in *Asean datacentres (AI of the storm: Heavens to rain opportunities on developers)*. To incorporate a high award phase, we switch to a two-stage valuation model, resulting in a TP uplift of RM4.10 to RM4.65, maintaining our O-PF rating.

A period of elevated job opportunity from data centres for the sector

Per DC Byte, Malaysia's data centre pipeline includes 766MW of committed supply and 2,016MW of early stage supply (ie, yet to secure all requirements). Assuming an average of c.RM25m per MW to build, these outlines RM20bn-RM70bn of total jobs for local and foreign contractors albeit likely over several years, sizeable uplift to the value of construction work nationwide which hovers at c.RM130bn annually.

Given the pipeline, we estimate SunCon attains close to a 10% market share

SunCon already has a number of data centre jobs under its belt (Fig. 1). We estimate 53% of its outstanding RM7.9bn order book is in data centre; within these, some are early contract involvement (ECI) works that may blossom into full contracts if work is satisfactory. From the above mentioned supply of c.2.8GW, we estimate SunCon will clinches c.10% of the pipeline. This assumes an additional RM1.3bn in FY24 and RM2.5bn on average in 2025 and 2026 for data centre work.

Removed Song Hau 2 from our earnings subsequent to termination letter

In *SunCon - O-PF (At the eleventh hour)*, Toyo Ventures (N-R) had, against our expectation, submitted for financial close on Song Hau 2. We factored in these earnings. In hindsight, this was imprudent as Toyo was later served with a termination letter. Thus, while Toyo is said to be seeking recourse, and the deadline for notice to proceed for SunCon had been extended till year-end, we reverse earnings from this area, leading to earnings cut.

Using a two-stage valuation model to capture the higher growth phase

Given a large pipeline of early stage works, we believe the high award and earnings growth phase should last till 2026 (25% Cagr), before normalising. Thus, we introduce a two-stage valuation model (Fig 2) and arrive at TP of RM4.65, using a target PE of 22x*. While this multiple well exceeds historical norms, it better reflects the market opportunity and faster churn into revenues for data centre jobs; our previous TP of RM4.10 was based on 17x (+1 std. dev. over mean PE). Data centre work also mitigates delays on infrastructure jobs such as MRT3 and lower visibility on internal jobs.

Financials

Year to 31 December	22A	23A	24CL	25CL	26CL
Revenue (RMm)	2,155	2,671	2,841	4,108	4,417
Rev forecast change (%)	-	-	(16.1)	(32.3)	(28.2)
Net profit (RMm)	142	147	174	271	286
NP forecast change (%)	-	-	(9.9)	(18.8)	(14.7)
EPS (sen)	11.0	11.3	13.5	21.0	22.1
CL/consensus (13) (EPS%)	-	-	96	105	101
EPS growth (% YoY)	26.4	3.0	19.0	55.1	5.7
PE (x)	39.0	37.9	31.8	20.5	19.4
Dividend yield (%)	1.3	1.4	1.9	2.8	2.9
ROE (%)	19.8	18.8	20.4	28.5	26.7
Net debt/equity (%)	(1.3)	51.1	44.6	48.9	39.8

Source: www.cls.com *Note: This report replaces a previous version and corrects target PE to 22x from 23x.

Financials at a glance

Year to 31 December	2022A	2023A	2024CL	(% YoY)	2025CL	2026CL
Profit & Loss (RMm)						
Revenue	2,155	2,671	2,841	6.4	4,108	4,417
Cogs (ex-D&A)	(1,945)	(2,426)	(2,555)		(3,703)	(3,989)
Gross Profit (ex-D&A)	210	245	286	16.6	405	428
SG&A and other expenses	-	0	-		-	-
Op Ebitda	210	245	286	16.6	405	428
Depreciation/amortisation	(24)	(21)	(50)		(53)	(56)
Op Ebit	187	224	236	5.3	352	372
Net interest inc/(exp)	(4)	(21)	(27)		(27)	(29)
Other non-Op items	2	(14)	13		13	14
Profit before tax	184	189	222	17.5	338	358
Taxation	(45)	(43)	(44)		(68)	(72)
Profit after tax	139	146	177	21.6	271	286
Minority interest	4	1	(3)		0	0
Net profit	142	147	174	19	271	286
Adjusted profit	142	147	174	19	271	286
Cashflow (RMm)						
Operating profit	187	224	236	5.3	352	372
Depreciation/amortisation	24	21	50	136.5	53	56
Working capital changes	(382)	(498)	(50)		(176)	(40)
Other items	(68)	(79)	(83)		(109)	(113)
Net operating cashflow	(240)	(332)	152		121	276
Capital expenditure	(112)	(45)	(70)		(50)	(50)
Free cashflow	(352)	(377)	82		71	226
M&A/Others	29	26	12	(55.5)	14	12
Net investing cashflow	(83)	(18)	(58)		(36)	(38)
Increase in loans	233	420	50	(88.1)	50	-
Dividends	(90)	(71)	(105)		(155)	(162)
Net equity raised/other	0	-	-		0	0
Net financing cashflow	143	349	(55)		(105)	(162)
Incr/(decr) in net cash	(180)	(2)	39		(21)	77
Exch rate movements	(24)	(20)	35		(28)	(75)
Balance sheet (RMm)						
Cash & equivalents	492	470	545	15.8	496	546
Accounts receivable	989	1,596	1,712	7.3	2,476	2,662
Other current assets	157	173	176	1.7	176	176
Fixed assets	372	582	602	3.5	599	647
Investments	223	253	253	0	253	253
Intangible assets	0	0	0		0	0
Other non-current assets	4	9	9	0	9	9
Total assets	2,236	3,083	3,297	6.9	4,010	4,293
Short-term debt	172	438	438	0	438	438
Accounts payable	917	1,243	1,309	5.3	1,897	2,044
Other current liabs	14	21	21	0	21	21
Long-term debt/CBs	309	488	538	10.3	588	588
Provisions/other LT liabs	3	1	24	1,690.5	(17)	(5)
Shareholder funds	737	820	893	8.8	1,008	1,133
Minorities/other equity	84	72	75	4	75	75
Total liabs & equity	2,236	3,083	3,297	6.9	4,010	4,293
Ratio analysis						
Revenue growth (% YoY)	24.6	23.9	6.4		44.6	7.5
Ebitda margin (%)	9.8	9.2	10.1		9.9	9.7
Ebit margin (%)	8.7	8.4	8.3		8.6	8.4
Net profit growth (%)	26.4	3.0	19.0		55.1	5.7
Op cashflow growth (% YoY)	(210.4)	nm	nm		(20.7)	128.3
Capex/sales (%)	5.2	1.7	2.5		1.2	1.1
Net debt/equity (%)	(1.3)	51.1	44.6		48.9	39.8
Net debt/Ebitda (x)	-	1.9	1.5		1.3	1.1
ROE (%)	19.8	18.8	20.4		28.5	26.7
ROIC (%)	38.4	20.6	16.7		22.5	21.5

Source: www.clsa.com

Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evalu@tor proprietary database at clsa.com



Making hay while the sun shines

Figure 1

Data centre and data centre related job wins by SunCon

Project	Client	Duration	Sum RMm
ECI - Package A	Multinational technology company	Aug 24	3
ECI - Package B	Multinational technology company	Aug 24	3
Work order 1B - package A	Multinational technology company	Oct 24	31
Work order 1B - package B	Multinational technology company	Oct 24	23
Project Service Request	Multinational technology company	Apr 27	748
K2 DC container installation and interfacing works	CIMC Modular Building Malaysia Sdn Bhd	Dec 24	99
K2 Data Centre (Johor)	K2 Strategic Infrastructure Malaysia Sdn Bhd	4Q 24	190
Project JHB1X0 - Sedenak Tech Park	Yellowwood Properties Sdn Bhd	1Q 26	3,200
	Subtotal		4,297

Source: CLSA, Company

Data centre pipeline points to a significant uplift to industry work potentials

Assuming RM25m per MW as a rule of thumb for construction opportunities, the 2.8GW of incoming supply (both committed and early stage supplies) brings up to RM70bn of potential if materialised, albeit over several years; these will likely will be shared between local and foreign contractors including the Chinese firms. The advent of data centre construction presents a substantial increase in potential for the construction industry's value of work done annually that hovers around RM130bn, according to the department of statistics. Data centre work is also normally shorter in terms of duration which creates a fast churn to revenue, compared to infrastructure work.

Figure 2

Building blocks for a two-stage growth PE valuation model

			Remark
Risk Free rate	4.2%		CLSA estimate
Market risk premium	6.7%		CLSA estimate
Beta	0.92		Based on Bloomberg, 2-year beta
Required return	10.4%		
	High-growth phase	Stable-growth phase	Remark
Expected growth rate (%)	25%	6%	The 3-year net profit Cagr of 25% is taken to be the growth rate. This is higher than the 22% per Bloomberg consensus. The 6% stable phase growth reflects SunCon's core PATMI Cagr between 2019 and 2023
Payout ratio (%)	53%	56%	A 53% payout ratio is similar to FY23 levels, with gradual increase to 56%
Required rate of return (%)	10.4%	10.4%	As the focus of business is not expected to fundamentally change, we retain required return
High-growth phase (years)	3	Year 4 and beyond	Given fast-track greenlining approval of 12 months, and typical construction of two years, we expect a three-year horizon for high growth in awards/build-out
Target PE (x)	22		Target PE formula is positively correlated to payout ratio, growth rate, and the length of high-growth phase, and negatively correlated to the required rate of return

Source: CLSA

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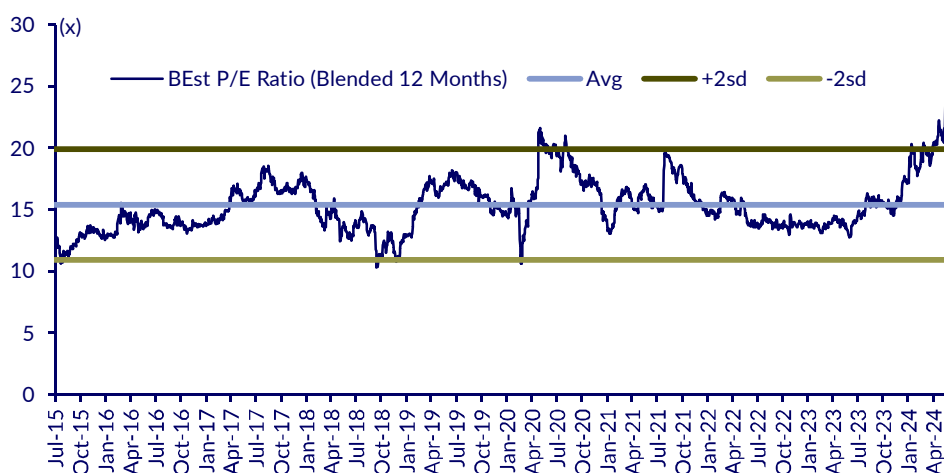


TP upgrade as a result of adopting a two-stage valuation

Given our view of a higher growth phase in the next two to three years in data centre prospects, we think it is more appropriate to use a two-stage valuation to better reflect an above-norm earnings growth in the near term coupled with a more stabilised growth rate (of 6% that reflects core earnings Cagr 2019-2023). The target PE we have arrived at is 22x. This is more generous than previous 17x (1 std. dev. above its five-year mean), which results our target price upgrade from RM4.10 to RM4.65

Figure 3

SunCon PE (Bloomberg)



Source: CLSA, Company

Figure 4

SunCon Valuation (revised)

PE method of valuation	Current
Earnings (25CL) RMm	270.7
Multiple applied (x)	22
(a) Total for construction + precast (RMm)	5,956
(b) Solar*	64
(c) Total	6,020
Number of shares (unit million)	1,293
Value per share/TP (RM)	4.65

Source: CLSA

Figure 5

SunCon valuation (old)	
PE method of valuation	Current
Malaysia construction	
Earnings (25CL) RMm	256.3
Multiple applied (x)	17
(a) Total for construction + precast (RMm)	4,357
Vietnam construction	
Multiple applied (x)	11
(b) Vietnam construction	847
(c) Solar*	64
(d) Total	5,268
Number of shares (unit million)	1,293
Value per share/TP (RM), rounded	4.10

Source: CLSA * Based on 8% WACC over 21 years

Figure 6

Summary of changes						
		2022	2023	24CL	25CL	26CL
Revenue (RMm)	Revised	2,155	2,671	2,841	4,108	4,417
	Previous	2,155	2,671	3,385	6,066	6,150
	Change	0.0%	0.0%	(16.1%)	(32.3%)	(28.2%)
Net profit (RMm)	Revised	135	145	174	271	286
	Previous	142	147	194	333	336
	Change	(4.8%)	(1.3%)	(10.1%)	(18.7%)	(14.8%)

Source: CLSA

The revision in revenue and earnings is due to removal of the Song Hau 2 power plant previously incorporated

Investment thesis

Benefits from internal jobs, especially strategic ones, by the Sunway Group of Companies, should drive near-term results.

Catalysts

Being able to monetise its future highway proceeds. Successful volume growth in Singapore's Integrated digital industrialised building system plant.

Valuation details

Our target price is derived from 22.0x 25CL earnings, which is 3 std. dev. over its long-term mean PE valuation. This multiple is derived on a two-stage model to take into account fast growth phase, which is set to be driven by data centres. We set an above-sector average PE, given the company's flow of internal jobs and strong balance sheet. We also include solar segment valuations based on 21-year concession and a WACC of 7%.

Investment risks

The main concern is construction risk. On the precast segment, another risk is margin recovery timing, currently in the doldrums due to competition. Upside risks to our negative rating include better-than-expected results from its Vietnam power plant joe and success in MRT3 main packages better than our expectation.

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Revenue	1,553	1,729	2,155	2,671	2,841	4,108	4,417
Cogs (ex-D&A)	(1,429)	(1,566)	(1,945)	(2,426)	(2,555)	(3,703)	(3,989)
Gross Profit (ex-D&A)	124	164	210	245	286	405	428
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	124	164	210	245	286	405	428
Depreciation/amortisation	(33)	(27)	(24)	(21)	(50)	(53)	(56)
Op Ebit	91	136	187	224	236	352	372
Interest income	17	16	14	26	12	14	12
Interest expense	(7)	(5)	(18)	(48)	(39)	(41)	(41)
Net interest inc/(exp)	10	11	(4)	(21)	(27)	(27)	(29)
Associates/investments	0	5	2	(14)	13	13	14
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	101	152	184	189	222	338	358
Taxation	(28)	(41)	(45)	(43)	(44)	(68)	(72)
Profit after tax	73	111	139	146	177	271	286
Preference dividends	-	-	-	-	-	-	-
Profit for period	73	111	139	146	177	271	286
Minority interest	(1)	2	4	1	(3)	0	0
Net profit	73	113	142	147	174	271	286
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	73	113	142	147	174	271	286
Dividends	(52)	(68)	(71)	(78)	(103)	(155)	(162)
Retained profit	21	45	71	69	71	116	125
Adjusted profit	73	113	142	147	174	271	286
EPS (sen)	5.6	8.7	11.0	11.3	13.5	21.0	22.1
Adj EPS [pre excep] (sen)	5.6	8.7	11.0	11.3	13.5	21.0	22.1
Core EPS (sen)	5.6	8.7	11.0	11.3	13.5	21.0	22.1
DPS (sen)	4.0	5.3	5.5	6.0	8.0	12.0	12.5

Profit & loss ratios

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Growth (%)							
Revenue growth (% YoY)	(12.2)	11.4	24.6	23.9	6.4	44.6	7.5
Ebitda growth (% YoY)	(31.6)	32.0	28.5	16.7	16.6	41.7	5.7
Ebit growth (% YoY)	(35.8)	50.5	36.9	20.2	5.3	49.2	5.6
Net profit growth (%)	(43.7)	54.7	26.4	3.0	19.0	55.1	5.7
EPS growth (% YoY)	(43.7)	54.7	26.4	3.0	19.0	55.1	5.7
Adj EPS growth (% YoY)	(43.7)	54.7	26.4	3.0	19.0	55.1	5.7
DPS growth (% YoY)	(42.9)	31.3	4.8	9.1	33.3	50.0	4.2
Core EPS growth (% YoY)	(43.7)	54.7	26.4	3.0	19.0	55.1	5.7
Margins (%)							
Gross margin (%)	8.0	9.5	9.8	9.2	10.1	9.9	9.7
Ebitda margin (%)	8.0	9.5	9.8	9.2	10.1	9.9	9.7
Ebit margin (%)	5.8	7.9	8.7	8.4	8.3	8.6	8.4
Net profit margin (%)	4.7	6.5	6.6	5.5	6.1	6.6	6.5
Core profit margin	4.7	6.5	6.6	5.5	6.1	6.6	6.5
Op cashflow margin	4.7	12.6	(11.1)	(12.4)	5.4	2.9	6.2
Returns (%)							
ROE (%)	11.6	16.9	19.8	18.8	20.4	28.5	26.7
ROA (%)	3.4	5.3	6.9	6.5	5.9	7.7	7.2
ROIC (%)	24.6	49.8	38.4	20.6	16.7	22.5	21.5
ROCE (%)	35.0	48.8	34.9	20.8	17.2	23.4	22.6
Other key ratios (%)							
Effective tax rate (%)	27.5	27.3	24.6	22.7	20.0	20.0	20.0
Ebitda/net int exp (x)	-	-	50.7	11.4	10.5	14.8	15.0
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	71.0	60.3	49.9	52.9	59.2	57.3	56.4

Source: www.clsa.com



Great



Solid



Meh

Balance sheet (RMm)

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Cash & equivalents	640	696	492	470	545	496	546
Accounts receivable	1,048	850	989	1,596	1,712	2,476	2,662
Inventories	34	46	53	46	46	46	46
Other current assets	20	20	104	127	130	130	130
Current assets	1,742	1,612	1,637	2,239	2,433	3,148	3,384
Fixed assets	104	125	372	582	602	599	647
Investments	49	127	223	253	253	253	253
Goodwill	4	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	7	1	4	9	9	9	9
Total assets	1,906	1,864	2,236	3,083	3,297	4,010	4,293
Short term loans/OD	234	93	172	438	438	438	438
Accounts payable	955	891	917	1,243	1,309	1,897	2,044
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	4	7	7	19	19	19	19
Other current liabs	2	1	8	2	2	2	2
Current liabilities	1,195	992	1,103	1,702	1,768	2,356	2,503
Long-term debt/leases/other	67	145	309	488	538	588	588
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	6	10	3	1	24	(17)	(5)
Total liabilities	1,267	1,147	1,415	2,191	2,330	2,927	3,086
Share capital	259	259	259	259	259	259	259
Retained earnings	410	471	516	590	662	778	903
Reserves/others	(31)	(30)	(37)	(28)	(28)	(28)	(28)
Shareholder funds	637	699	737	820	893	1,008	1,133
Minorities/other equity	2	18	84	72	75	75	75
Total equity	639	717	821	892	967	1,083	1,208
Total liabs & equity	1,906	1,864	2,236	3,083	3,297	4,010	4,293
Total debt	301	238	481	926	976	1,026	1,026
Net debt	(339)	(458)	(11)	456	431	530	480
Adjusted EV	5,171	4,991	5,408	5,832	5,811	5,909	5,860
BVPS (sen)	49.3	54.1	57.0	63.5	69.1	78.0	87.7

Balance sheet ratios

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Key ratios							
Current ratio (x)	1.5	1.6	1.5	1.3	1.4	1.3	1.4
Growth in total assets (% YoY)	0.1	(2.2)	20.0	37.9	6.9	21.6	7.1
Growth in capital employed (% YoY)	37.0	(13.6)	212.9	66.4	3.8	15.3	4.7
Net debt to operating cashflow (x)	-	-	-	(1.4)	2.8	4.4	1.7
Gross debt to operating cashflow (x)	4.2	1.1	(2.0)	(2.8)	6.4	8.5	3.7
Gross debt to Ebitda (x)	2.4	1.5	2.3	3.8	3.4	2.5	2.4
Net debt/Ebitda (x)	-	-	-	1.9	1.5	1.3	1.1
Gearing							
Net debt/equity (%)	(53.1)	(63.9)	(1.3)	51.1	44.6	48.9	39.8
Gross debt/equity (%)	47.1	33.2	58.6	103.8	100.9	94.7	85.0
Interest cover (x)	15.6	33.2	11.1	5.2	6.4	8.9	9.4
Debt cover (x)	0.2	0.9	(0.5)	(0.4)	0.2	0.1	0.3
Net cash per share (sen)	26.2	35.4	0.8	(35.3)	(33.4)	(41.0)	(37.2)
Working capital analysis							
Inventory days	7.6	9.4	9.3	7.5	6.6	4.6	4.2
Debtor days	219.4	200.4	155.7	176.6	212.5	186.1	212.3
Creditor days	235.1	215.3	169.7	162.4	182.3	158.0	180.3
Working capital/Sales (%)	9.1	1.0	10.0	18.9	19.7	17.9	17.5
Capital employed analysis							
Sales/Capital employed (%)	518.5	668.0	266.1	198.2	203.1	254.7	261.7
EV/Capital employed (%)	1,727.0	1,928.2	667.7	432.7	415.4	366.4	347.2
Working capital/Capital employed (%)	47.2	6.4	26.5	37.5	39.9	45.5	45.8
Fixed capital/Capital employed (%)	34.7	48.2	45.9	43.2	43.0	37.2	38.3
Other ratios (%)							
PB (x)	8.7	7.9	7.5	6.8	6.2	5.5	4.9
EV/Ebitda (x)	41.7	30.5	25.7	23.8	20.3	14.6	13.7
EV/OCF (x)	71.5	22.9	(22.5)	(17.6)	38.2	48.9	21.2
EV/FCF (x)	71.5	27.3	(15.4)	(15.5)	70.6	83.5	26.0
EV/Sales (x)	3.3	2.9	2.5	2.2	2.0	1.4	1.3
Capex/depreciation (%)	0.0	127.0	470.6	213.3	140.9	94.9	89.8

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Operating profit	91	136	187	224	236	352	372
Operating adjustments	12	0	0	0	0	0	0
Depreciation/amortisation	33	27	24	21	50	53	56
Working capital changes	(29)	83	(382)	(498)	(50)	(176)	(40)
Interest paid / other financial expenses	(6)	(4)	(18)	(48)	(39)	(41)	(41)
Tax paid	(29)	(29)	(51)	(32)	(44)	(68)	(72)
Other non-cash operating items	0	4	0	0	0	0	0
Net operating cashflow	72	218	(240)	(332)	152	121	276
Capital expenditure	0	(35)	(112)	(45)	(70)	(50)	(50)
Free cashflow	72	183	(352)	(377)	82	71	226
Acq/inv/disposals	-	(53)	-	-	-	-	-
Int, invt & associate div	17	34	29	26	12	14	12
Net investing cashflow	17	(54)	(83)	(18)	(58)	(36)	(38)
Increase in loans	(85)	(71)	233	420	50	50	-
Dividends	(62)	(52)	(90)	(71)	(105)	(155)	(162)
Net equity raised/others	-	-	0	-	-	0	0
Net financing cashflow	(147)	(122)	143	349	(55)	(105)	(162)
Incr/(decr) in net cash	(58)	42	(180)	(2)	39	(21)	77
Exch rate movements	4	14	(24)	(20)	35	(28)	(75)
Opening cash	693	640	696	492	470	545	545
Closing cash	640	696	492	470	545	496	546
OCF PS (sen)	5.6	16.8	(18.6)	(25.7)	11.8	9.3	21.3
FCF PS (sen)	5.6	14.2	(27.2)	(29.2)	6.4	5.5	17.5

Cashflow ratio analysis

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Growth (%)							
Op cashflow growth (% YoY)	(54.3)	201.1	(210.4)	nm	nm	(20.7)	128.3
FCF growth (% YoY)	(52.9)	152.9	(292.5)	-	-	(13.9)	218.8
Capex growth (%)	(100.0)	-	221.1	(59.9)	56.2	(28.6)	0.0
Other key ratios (%)							
Capex/sales (%)	0.0	2.0	5.2	1.7	2.5	1.2	1.1
Capex/op cashflow (%)	0.0	16.0	(46.5)	(13.5)	46.0	41.4	18.1
Operating cashflow payout ratio (%)	71.5	31.2	-	-	67.9	128.4	58.6
Cashflow payout ratio (%)	71.5	31.2	-	-	67.9	128.4	58.6
Free cashflow payout ratio (%)	71.5	37.1	-	-	125.7	219.0	71.5

DuPont analysis

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Ebit margin (%)	5.8	7.9	8.7	8.4	8.3	8.6	8.4
Asset turnover (x)	0.8	0.9	1.1	1.0	0.9	1.1	1.1
Interest burden (x)	1.1	1.1	1.0	0.8	0.9	1.0	1.0
Tax burden (x)	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	3.4	5.3	6.9	6.5	5.9	7.7	7.2
Leverage (x)	3.0	2.8	2.7	3.1	3.4	3.6	3.6
ROE (%)	11.6	16.9	19.8	18.8	20.4	28.5	26.7

EVA® analysis

Year to 31 December	2020A	2021A	2022A	2023A	2024CL	2025CL	2026CL
Ebit adj for tax	66	99	141	173	189	282	298
Average invested capital	266	199	366	843	1,133	1,256	1,386
ROIC (%)	24.6	49.8	38.4	20.6	16.7	22.5	21.5
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	3.6	3.6	3.8	3.9	4.0	4.0	4.0
Weighted average cost of capital (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
EVA/IC (%)	13.7	38.9	27.5	9.7	5.8	11.6	10.6
EVA (RMm)	37	77	101	81	66	145	147

Source: www.clsa.com



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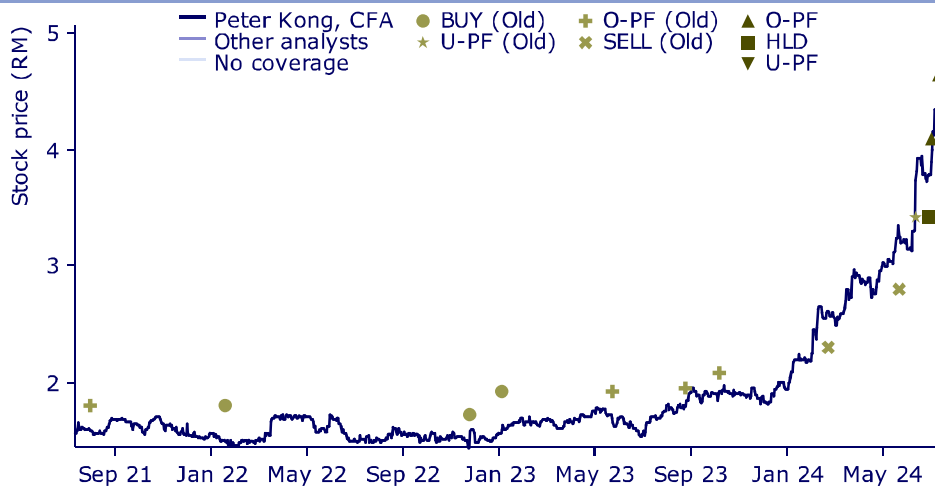
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Note: This report replaces a previous version and corrects target PE on page one to 22x from 23x.

Recommendation history of Sunway Construction Group Bhd SCGB MK



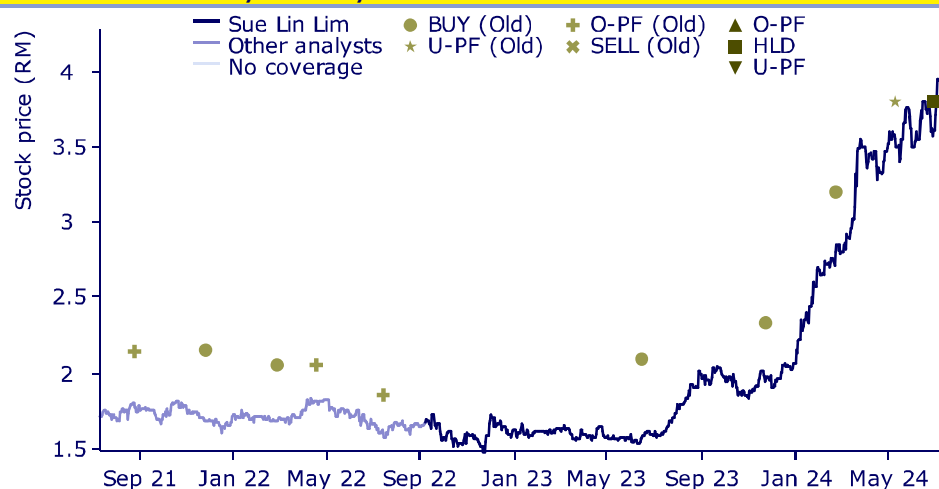
Date	Rec	Target	Date	Rec	Target
LATEST	O-PF	4.65	24 Aug 2023	O-PF	1.95
01 Jul 2024	O-PF	4.10	23 May 2023	O-PF	1.92
28 Jun 2024	HLD	3.42	03 Jan 2023	BUY	1.92
11 Jun 2024	U-PF	3.42	23 Nov 2022	BUY	1.72
21 May 2024	SELL	2.80	17 Jan 2022	BUY	1.80
21 Feb 2024	SELL	2.30	30 Jul 2021	O-PF	1.80
06 Oct 2023	O-PF	2.08			

Note: At 6pm (HKT) on 28 June 2024, we changed our ratings to Outperform (O-PF), Hold (HLD) and Underperform (U-PF). Please see Key to CLSA/CLST investment rankings below for details. Source: CLSA

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Recommendation history of Sunway Bhd SWB MK



Date	Rec	Target	Date	Rec	Target
28 Jun 2024	HLD	3.80	14 Jul 2022	O-PF	1.85
09 May 2024	U-PF	3.80	18 Apr 2022	O-PF	2.05
22 Feb 2024	BUY	3.20	26 Feb 2022	BUY	2.05
23 Nov 2023	BUY	2.33	25 Nov 2021	BUY	2.15
15 Jun 2023	BUY	2.09	25 Aug 2021	O-PF	2.14

Note: At 6pm (HKT) on 28 June 2024, we changed our ratings to Outperform (O-PF), Hold (HLD) and Underperform (U-PF). Please see Key to CLSA/CLST investment rankings below for details. Source: CLSA

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