

HLIB Research

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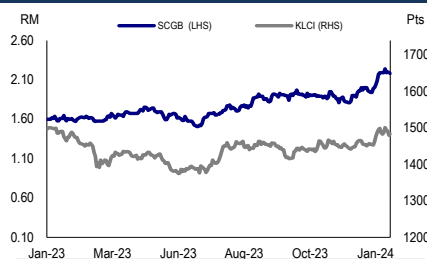
BUY (Maintain)

Target Price: RM3.20
Previously: RM2.95
Current Price: RM2.73

Capital upside	17.2%
Dividend yield	2.2%
Expected total return	19.4%

Sector coverage: Construction

Company description: SunCon is involved in construction and precast products.

Share price


Historical return (%)	1M	3M	12M
Absolute	4.6	38.6	70.6
Relative	5.3	32.7	61.0

Stock information

Bloomberg ticker	SCGB MK
Bursa code	5263
Issued shares (m)	1,293
Market capitalisation (RM m)	3,530
3-mth average volume ('000)	634
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	NA

Major shareholders

Sunway Holdings Sdn Bhd	54.6%
EPF	6.8%

Earnings summary

FYE (Dec)	FY23	FY24f	FY25f
PATMI - core (RM m)	150.4	172.5	218.0
EPS - core (sen)	11.6	13.3	16.9
P/E (x)	23.5	20.5	16.2

Sunway Construction Group

Piling on the wins

SunCon announced the clinching of a data centre contract worth RM747.8m, bringing total contract wins YTD to RM1.6bn. Its orderbook of RM6.9bn (2.6x cover) is now an all-time high tally. Converting on both its ongoing ECI packages could see wins surpassing our RM3.4bn assumption. Job pipeline remains strong with existing tenders in the advance tech facilities space, warehouses/factories, precast and infrastructure while internal projects will augment its work orders. **Maintain BUY with higher TP of RM3.20.** SunCon is a proxy to coming infrastructure project rollouts, vibrant advanced technology facilities sector and a growing parent-co empire.

NEWSBREAK

SunCon announced that it has entered into a Project Services Request in relation to the construction and completion of a data centre located in Selangor worth RM747.8m. The counterparty is a multinational technology corporation headquartered in the US. Works will begin in May-24, divided into four phases and the final phase expected to be completed by 2Q27.

HLIB'S VIEW

All-time high tally... This latest contract win coupled with multiple contracts secured in Feb-24 (see Fig.1) brings FY24 YTD secured contracts to RM1.6bn, boosting SunCon's unbilled orderbook to an all-time high of RM6.9bn (2.6x cover) – surpassing its previous high-water mark of RM6.8bn achieved in FY17. Note that this data centre contract is not related to Early Contractor Involvement (ECI) Packages A & B the company secured in Feb-24. While both ECI packages were only worth a total RM6.8m, a successful conversion of the subsequent EPC contract could bring its contracts wins beyond our RM3.4bn assumption for FY24. The ECI phase is expected to complete in Aug-24. For context, a consultancy contract for a RM1.7bn data centre (EPC value) is worth RM8.8m and not to mention, the ECI phase normally involves a smaller scope (vs consultancy).

...and still hungry. While job wins have been impressive to date, we gather that SunCon still has multiple tenders in the advance technology facilities space. We reckon the company's end to end in-house construction capabilities and track record in specialty M&E and cooling segment will continue to serve them well in this space. Separately, we gather that prospects on its RM6.3bn VN contract continues to be positively biased and there remains potential contract awards from internal projects, warehouses/factories as well as precast. Infrastructure project rollouts will also add to its pipeline.

Forecast. While wins were within replenishment assumptions, given the nature of data centre contracts, we increase FY25f forecasts by +8.6%. No change to FY24f forecasts.

Maintain BUY, TP: RM3.20. Maintain BUY with higher TP of RM3.20. TP is derived by pegging FY25 EPS to 19.0x P/E multiple based on 5 year average P/E multiple. SunCon is a proxy to coming infrastructure project rollouts, vibrant advanced technology facilities sector and a growing parent-co empire. Further traction into the advance technology facilities space could be a rerating catalyst amidst a scarcity of quality exposure into this growth area.

Figure #1 Contract wins in 2024 YTD

Projects	Client	RM m
Sunway Ipoh Mall	Sunway Lost World Water Park Sdn Bhd	721.0
Early Contractor Involvement (ECI) Services - Package A	Multinational Technology Company	3.4
Early Contractor Involvement (ECI) Services - Package B	Multinational Technology Company	3.4
Ulu Pandan C1 & C2	CES Engineering & Construction Pte Ltd	103.4
Construction & completion of data centre in Selangor	Multinational Technology Company	747.8
Total		1,579.0

SunCon

Figure #2 Financial forecast

FYE Dec (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	1,729.2	2,155.2	2,671.2	2,722.1	3,241.7
EBITDA	199.6	219.0	250.6	280.6	334.0
EBIT	172.2	195.2	229.6	251.5	303.6
PBT	185.0	192.8	194.0	226.3	286.1
PAT	143.5	147.4	151.2	176.9	223.5
PATMI – Core	145.3	143.9	150.4	172.5	218.0
PATMI – Reported	112.6	135.2	145.1	172.5	218.0
Core EPS (sen)	11.2	11.1	11.6	13.3	16.9
P/E (x)	24.3	24.5	23.5	20.5	16.2
EV/EBITDA (x)	18.0	16.5	14.4	12.8	10.8
DPS (sen)	5.3	5.5	6.0	6.0	6.5
Yield (%)	1.9%	2.0%	2.2%	2.2%	2.4%
BVPS (RM/share)	0.5	0.6	0.6	0.7	0.8
P/B (x)	5.0	4.8	4.4	3.8	3.4
ROE (%)	22%	20%	18%	20%	22%
Net Gearing (%)	19%	CASH	51%	CASH	CASH

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.