

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

Additional RM1.5b DC Job for JHB1X0

KEY INVESTMENT HIGHLIGHTS

- **SunCon secures additional job scope worth RM1.5b from Yellowwood Properties Sdn Bhd for the JHB1X0 data centre in Sedenak Tech Park**
- **Revised contract amount is now RM3.2b (outstanding works of RM2.95b); works to commence immediately, completion by Feb-26**
- **Outstanding order book stands at RM7.9b, almost half are data centre projects**
- **Maintain NEUTRAL with an unchanged TP of RM3.09**

Additional job scope. Sunway Construction Group Berhad (SunCon) has secured RM1.5b of additional works for the JHB1X0 data centre at the Sedenak Tech Park, bringing the initial contract value of RM1.7b to RM3.2b. SunCon's wholly owned subsidiary Sunway Construction Sdn Bhd and Yellowwood Properties Sdn Bhd entered an amendment deed to the contract yesterday to include the scope and value of works, known as NTP 4.

Project details. The revised contract amount of RM3.2b is a fixed-price lump sum amount, inclusive of taxes. The works are expected to be completed in four phases within 20 months, or by Feb-26. Yellowwood has since issued the NTPs for works to commence immediately. Recall that there was a delay in the project after the completion of NTP1 since last year as Yellowwood requested for additional time for negotiation and finalisation of design specification, which we understand was due to a change in end user.

Surpassed replenishment target. As of yesterday, SunCon has secured RM3.3b of new jobs, which has now surpassed its FY24 replenishment target of RM3.0b, bringing its total outstanding order book to RM7.9b. The outstanding portion from the JHB1X0 data centre itself is RM2.95b. Data centre projects currently comprise RM3.9b or 49.3% of SunCon's outstanding order book. Management is actively bidding for Advanced Technology Facilities (ATF) projects, which comprises data centers, warehouses and semiconductor factories. They are also interested in securing jobs in Penang, namely the Penang LRT and the Penang International Airport expansion.

Earnings estimates. We maintain our earnings estimates for now, with likely upward adjustments in the next job win.

Target price. As such, we are also maintaining our TP for SunCon at **RM3.09** as we peg its FY25F EPS of 14.7 sen to a PER of 21x, which is +0.5SD above its five-year mean.

Maintain NEUTRAL. SunCon's name is entrenched as a major data centre builder in Malaysia, with four jobs in its bag. Its expertise will allow it to ride on the data centre growth in the country with more construction jobs expected in this space. On the larger scale of things, we view that the upcoming pipeline of projects remains healthy for the sector and SunCon is expected to be among the main beneficiaries of the rise in

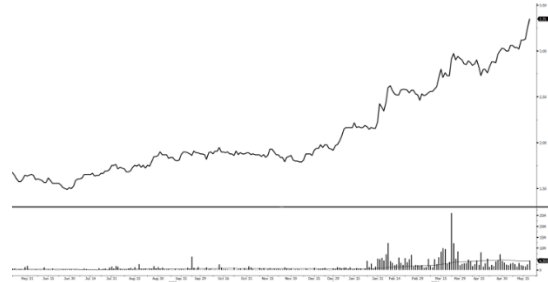
Maintain NEUTRAL

Unchanged Target Price: RM3.09

RETURN STATISTICS

| | |
|-----------------------------------------|------|
| Price @ 10 th June 2024 (RM) | 3.31 |
| Expected share price return (%) | -6.7 |
| Expected dividend yield (%) | +2.3 |
| Expected total return (%) | -4.4 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 21.4 | 15.4 |
| 3 months | 14.7 | 22.7 |
| 12 months | 94.8 | 71.0 |

INVESTMENT STATISTICS


| FYE Dec | 2024F | 2025F | 2026F |
|-------------------|----------|----------|----------|
| Revenue | 2,978.96 | 3,127.90 | 3,284.30 |
| Operating Profit | 217.27 | 239.58 | 262.74 |
| Profit Before Tax | 230.45 | 251.35 | 266.03 |
| Core net profit | 178.74 | 189.36 | 201.68 |
| Core EPS (sen) | 13.9 | 14.7 | 15.6 |
| DPS (sen) | 7.0 | 7.0 | 7.0 |
| Dividend Yield | 2.3% | 2.3% | 2.3% |

KEY STATISTICS

| | |
|----------------------------------|---------------|
| FBM KLCI | 1,614.37 |
| Issue shares (m) | 1292.90 |
| Estimated free float (%) | 20.48 |
| Market Capitalisation (RM'm) | 4,319.35 |
| 52-wk price range | RM1.53-RM3.35 |
| 3-mth average daily volume (m) | 4.09 |
| 3-mth average daily value (RM'm) | 11.53 |
| Top Shareholders (%) | |
| Sunway Holdings Sdn Bhd | 54.56 |
| Sungei Wav Corp Sdn Bhd | 10.08 |
| Employees Provident Fund Board | 6.23 |

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both private and civil construction jobs. Our **NEUTRAL** recommendation is premised on a strong run-up in SunCon's share price by +70.6% year-to-date, which we believe fairly values the group's prospects for now. A major rerating catalyst will be the rollout of the Song Hau 2 Power Plant project in Vietnam. 

FINANCIAL SUMMARY

| Income Statement (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
|-------------------------|------------|------------|------------|------------|------------|
| Revenue | 2,155.23 | 2,364.70 | 2,978.96 | 3,127.90 | 3,284.30 |
| Net operating expenses | (1,963.75) | (2,182.91) | (2,655.54) | (2,749.01) | (2,873.76) |
| Operating profit | 148.41 | 169.97 | 217.27 | 378.89 | 410.54 |
| Profit before tax | 184.06 | 193.79 | 230.45 | 251.35 | 262.74 |
| Net profit | 135.18 | 140.80 | 178.74 | 189.36 | 201.68 |
| Core net profit | 134.44 | 140.80 | 178.74 | 189.36 | 201.68 |
| Core EPS (sen) | 10.5 | 10.9 | 13.9 | 14.7 | 15.6 |
| DPS (sen) | 5.5 | 6.0 | 7.0 | 7.0 | 7.0 |

| Balance Sheet (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Fixed assets | 107.6 | 118.4 | 124.3 | 130.6 | 124.1 |
| Other investments and assets | 491.1 | 498.0 | 511.9 | 518.9 | 532.0 |
| Non-current assets | 598.7 | 616.3 | 636.2 | 649.6 | 656.1 |
| Cash | 491.6 | 468.2 | 522.1 | 548.3 | 520.8 |
| Trade debtors | 988.7 | 1,123.5 | 1,231.3 | 1,304.2 | 1,369.4 |
| Current assets | 1,637.4 | 1,730.1 | 1,905.9 | 2,013.5 | 2,051.3 |
| Trade creditors | 916.8 | 1,121.6 | 1,193.8 | 1,277.4 | 1,335.4 |
| Short-term debt | 172.2 | 161.6 | 197.5 | 197.6 | 217.3 |
| Current liabilities | 1,103.3 | 1,296.9 | 1,407.9 | 1,491.6 | 1,569.4 |
| Long-term debt | 308.5 | 203.6 | 207.6 | 150.6 | 118.3 |
| Non-current liabilities | 311.9 | 489.1 | 212.8 | 155.4 | 122.1 |
| Share capital | 258.6 | 258.6 | 258.6 | 258.6 | 258.6 |
| Retained earnings | 515.9 | 579.3 | 662.8 | 757.4 | 757.4 |
| Equity | 737.1 | 837.9 | 921.4 | 1,016.0 | 1,016.0 |

| Cash Flow (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| PBT | 184.1 | 193.8 | 211.5 | 232.3 | 262.7 |
| Depreciation & amortisation | 23.8 | 26.1 | 27.4 | 28.8 | 27.4 |
| Changes in working capital | -382.1 | 100.8 | -64.8 | -23.9 | -16.7 |
| Operating cash flow | -215.0 | 414.9 | 206.6 | 297.7 | 286.1 |
| Capital expenditure | -1.9 | -25.0 | -25.0 | -25.0 | -30.0 |
| Investing cash flow | 423.7 | -308.0 | -123.2 | 184.8 | 189.8 |
| Debt raised/(repaid) | 233.4 | 107.6 | 193.7 | -145.4 | -145.4 |
| Dividends paid | -90.3 | -77.4 | -77.4 | -77.4 | -77.4 |
| Financing cash flow | 142.7 | 30.2 | 116.3 | -222.8 | -222.8 |
| Net cash flow | 351.4 | 137.1 | 199.7 | 259.8 | 253.1 |
| Beginning cash flow | 60.6 | 407.7 | 544.8 | 744.4 | 1004.2 |
| Ending cash flow | 407.7 | 544.8 | 744.4 | 1004.2 | 1257.3 |

| Profitability Margins | 2022A | 2023A | 2024E | 2025F | 2026F |
|-------------------------|-------|-------|-------|-------|-------|
| Operating profit margin | 6.9% | 7.2% | 7.3% | 7.7% | 8.0% |
| PBT margin | 8.5% | 8.2% | 7.7% | 8.0% | 8.1% |
| PAT margin | 6.3% | 6.0% | 6.0% | 6.1% | 6.1% |
| Core PAT margin | 5.8% | 6.0% | 6.0% | 6.1% | 6.1% |

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------|
| BUY | Total return is expected to be >10% over the next 12 months. |
| TRADING BUY | Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -10% and +10% over the next 12 months. |
| SELL | Total return is expected to be <-10% over the next 12 months. |
| TRADING SELL | Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

SECTOR RECOMMENDATIONS

| | |
|----------|------------------------------------------------------------------------------------|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

| | |
|-----|----------------------------------------------------------------------------------------------|
| ☆☆☆ | Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆ | Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆ | Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| | Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology