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## Sunway Construction Group Berhad

**TP: RM4.46 (+34.6%)**
*Soaring to New Heights*

Last Traded: RM3.31

**Buy (ESG: ★★★★★)**

Raymond Ng Ing Yeow

Tel: +603-2167 9601

raymondng@ta.com.my

www.taonline.com.my

### Wins New Order Worth RM1.5bn

Yesterday, SUNCON made an announcement regarding the formalisation of an Amendment Deed with Yellowwood Properties. As a recap, SUNCON secured a substantial RM1.7bn contract (known as project JHBIX0) on 31 December 2022, to construct a data centre within Sedenak Tech Park, Johor for Yellowwood Properties. The contract's execution was structured into three phases (Notice to Proceed: NTP 1 to 3), with the initial phase commencing upon contract signing.

Key terms of the Amendment Deed include:

- 1) As of 10 June 2024, NTP 1 has been completed. Should Yellowwood Properties require SUNCON to carry out the remaining works for NTP 2, NTP 3, and NTP 4 (NTPs), Yellowwood Properties shall instruct SUNCON to commence the respective NTP works no later than 30 June 2024.
- 2) With the inclusion of NTP 4, the total contract amount has been revised to approximately RM3.2bn.
- 3) The NTP works are expected to be completed in four phases within 20 months from the issuance date of the NTPs.

### Our View

We are upbeat about the new job win, which will nearly double the JHBIX0 project value from RM1.7bn to RM3.2bn. This expansion will significantly enhance the company's presence in the growing data centre market and boost its future earnings visibility.

With its tenth job secured, SUNCON has achieved a YTD total of RM3.3bn in new orders, exceeding our initial orderbook replenishment assumptions of RM3.0bn for the year. According to management, the group's total outstanding order book now stands at RM7.9bn, equivalent to 3x FY23 revenue.

Assuming a 2-year historical PBT margin of 7.8%, we anticipate that this new contract win of RM1.5bn will contribute a net profit of RM89mn throughout the construction period.

### Impact

Our FY24/25/26 earnings forecasts are adjusted higher by 2.8%/15.3%/15.8%, respectively, after revising our FY24 new job replenishment assumptions from RM3.0bn to RM4.0bn.

### Valuation

Following the earnings revision, we arrive at a new TP of **RM4.46** based on an unchanged target PER 22x CY25 EPS. Maintain **Buy** call on the stock.

### Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1,289.4
Market Cap (RMmn)	4267.8
52-wk Hi/Lo (RM)	3.42/1.53
12-mth Avg Daily Vol ('000 shrs)	1773.8
Estimated Free Float (%)	20.2
Beta	0.9

### Major Shareholders (%)

Sunholdings	- 54.6
Sungei Way Corp Sdn Bhd	- 10.1
Employee Provident Fund	- 6.5
Amanah Saham Nasional Bhd	- 3.3

### Forecast Revision

	FY24	FY25
Forecast Revision (%)	2.8	15.3
Net profit (RMmn)	195.3	254.7
Consensus	180.2	218.6
TA's / Consensus (%)	108.4	116.5
Previous Rating	Buy (Maintained)	
Consensus Target Price	3.33	

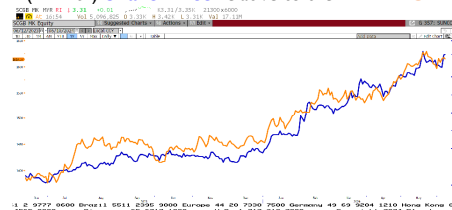
### Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	61.5	55.1
CFPS (sen)	(8.8)	(0.8)
Price / CFPS (x)	(37.4)	(415.8)
ROA (%)	5.7	6.3
NTA/Share (sen)	72.2	82.1
Price/NTA (x)	4.6	4.0

### Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	8.9	0.9
3 mth	27.8	4.5
6 mth	80.9	11.6
12 mth	101.8	17.3

### (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Figure I: YTD Job Wins

Projects (2024 New Awards)	Client	Exp. Completion Date	Contract Sum (RM'mn)
Sunway Ipoh Mall	Sunway Lost World Water Park Sdn Bhd	Jan-27	721.0
Early Contractor Involvement (ECI) Services – Package A	Multinational technology company	Aug-24	34.0
Early Contractor Involvement (ECI) Services – Package B	Multinational technology company	Aug-24	26.0
Ulu Pandan C1 & C2	CES Engineering & Construction Pte Ltd	Jun-27	103.0
Construction of Data Centre building	Multinational Technology Company	Apr-27	748.0
Bedok N2C23 – Watertanks	Precast Concrete Pte Ltd	Sept-25	3.0
LPS term contract batch 14	Housing and Development Board	Sept-25	82.0
101 Neythal Road Redevelopment	Founda Global Engineering Pte Ltd	Aug-25	6.0
SMC4 Phase 3 - Fit out works	Sunway Medical Centre Sdn Bhd	Jun-26	80.0
JHBIX0 - Revised NTP works	Yellowwood Properties Sdn Bhd	Feb-26	1,500
<b>Total</b>			<b>3,304.0</b>

Source: SUNCON

### Earnings Summary

#### Profit & Loss (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Revenue	2,155.2	2,671.2	3,165.5	4,081.5	4,450.7
EBITDA	210.3	245.5	304.8	387.2	421.7
Dep. & amortisation	(23.8)	(21.0)	(22.6)	(23.8)	(25.0)
Net finance cost	(4.2)	(21.7)	(23.9)	(26.6)	(24.7)
PBT	184.1	188.6	258.2	336.8	372.0
Taxation	(45.3)	(42.8)	(62.0)	(80.8)	(89.3)
MI	(3.6)	(0.7)	(0.9)	(1.2)	(1.3)
Net profit	135.2	145.1	195.3	254.7	281.4
Core net profit	147.1	176.8	195.3	254.7	281.4
GDPS (sen)	5.5	6.0	7.0	10.0	10.0
Div Yield (%)	1.7%	1.8%	2.1%	3.0%	3.0%

#### Cash Flow (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
<b>PBT</b>	<b>184.1</b>	<b>188.6</b>	<b>258.2</b>	<b>336.8</b>	<b>372.0</b>
Adjustments	27.9	42.7	46.5	50.4	49.6
Changes in WC	(382.2)	(516.7)	(222.3)	(140.5)	(56.6)
Others	0.5	28.8	(0.9)	(1.2)	(1.3)
<b>Operational cash flow</b>	<b>(215.0)</b>	<b>(299.4)</b>	<b>19.6</b>	<b>164.6</b>	<b>274.4</b>
Capex	(27.1)	(18.9)	(20.0)	(20.0)	(20.0)
Others	(146.9)	442.7	(42.9)	0.0	0.0
<b>Investment cash flow</b>	<b>(174.0)</b>	<b>423.8</b>	<b>(62.9)</b>	<b>(20.0)</b>	<b>(20.0)</b>
Debt raised/(repaid)	236.5	420.9	0.0	0.0	0.0
Dividend	(90.3)	(70.9)	(89.8)	(128.2)	(128.2)
Others	(3.6)	(12.5)	(23.9)	(26.6)	(24.7)
<b>Financial cash flow</b>	<b>142.7</b>	<b>337.4</b>	<b>(113.7)</b>	<b>(154.9)</b>	<b>(152.9)</b>
Forex effect	(4.3)	1.1	0.0	0.0	0.0
Deposit	(83.9)	(86.4)	(86.4)	(86.4)	(86.4)
<b>Net cash flow</b>	<b>351.4</b>	<b>(24.8)</b>	<b>(114.1)</b>	<b>(10.3)</b>	<b>101.5</b>
<b>Beginning cash</b>	<b>60.6</b>	<b>407.7</b>	<b>384.0</b>	<b>269.9</b>	<b>259.6</b>
<b>Ending cash</b>	<b>407.7</b>	<b>384.0</b>	<b>269.9</b>	<b>259.6</b>	<b>361.1</b>
Adjustments	0.0	0.0	(0.0)	0.0	0.0
<b>Cash</b>	<b>407.7</b>	<b>384.0</b>	<b>269.9</b>	<b>259.6</b>	<b>361.1</b>

YE Dec 31	2022	2023	2024F	2025F	2026F
Order book replenishment	2584	2500	4,000	3,000	3,000

#### Balance Sheet (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Fixed assets	223.1	253.1	253.1	253.1	253.1
Others	375.6	590.5	587.9	584.1	579.1
<b>NCA</b>	<b>598.7</b>	<b>843.6</b>	<b>841.0</b>	<b>837.2</b>	<b>832.2</b>
Cash and cash equivalent	407.7	384.0	269.9	259.6	361.1
Others	1,229.7	1,855.2	2,618.7	3,261.2	3,520.1
<b>CA</b>	<b>1,637.4</b>	<b>2,239.2</b>	<b>2,888.6</b>	<b>3,520.8</b>	<b>3,881.3</b>
<b>Total assets</b>	<b>2,236.0</b>	<b>3,082.8</b>	<b>3,729.6</b>	<b>4,358.0</b>	<b>4,713.5</b>
ST borrowings	172.2	438.2	438.2	438.2	438.2
Other liabilities	931.2	1,263.6	1,804.8	2,306.7	2,509.0
<b>CL</b>	<b>1,103.3</b>	<b>1,701.8</b>	<b>2,243.0</b>	<b>2,745.0</b>	<b>2,947.3</b>
<b>Shareholders' funds</b>	<b>737.1</b>	<b>820.2</b>	<b>925.7</b>	<b>1,052.2</b>	<b>1,205.4</b>
MI	83.7	71.8	71.8	71.8	71.8
LT borrowings	308.5	487.7	487.7	487.7	487.7
Other LT liabilities	3.4	1.3	1.3	1.3	1.3
<b>Total capital</b>	<b>2,236.0</b>	<b>3,082.8</b>	<b>3,729.6</b>	<b>4,358.0</b>	<b>4,713.5</b>

#### Ratio

YE Dec 31	2022	2023	2024F	2025F	2026F
EBITDA Margins (%)	9.8	9.2	9.6	9.5	9.5
Core EPS (sen)	11.5	13.8	15.2	19.9	21.9
EPS Growth (%)	1.6	20.2	10.5	30.4	10.5
PER (x)	28.9	24.0	21.7	16.7	15.1
GDPS (sen)	5.5	6.0	7.0	10.0	10.0
Div Yield (%)	1.7	1.8	2.1	3.0	3.0
Net cash (RMmn)	10.9	(455.6)	(569.7)	(579.9)	(478.4)
Net gearing (%)	(1.5)	55.5	61.5	55.1	39.7
ROE (%)	18.8	18.6	22.4	25.8	24.9
ROA (%)	6.6	5.5	5.7	6.3	6.2
NTA/share (sen)	57.5	64.0	72.2	82.1	94.0
P/NTA(x)	5.8	5.2	4.6	4.0	3.5

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### Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated**: The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★★	★★★★	★★★★★	★★★★
<b>Remark</b>	Environmental management system in place with ISO 14001:2015 certification. SUNCON will embark on the environmental supply chain assessment in 2021 and complete it by 2023.	Adopted e-bidding. CSR events include Build A Home which focuses on the welfare of the Orang Asli community.	Established anti-bribery and whistleblower policies. 20.0%-woman representation on the board. Transparent in its sustainability report and has won several ESG and IR awards.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.  
★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.  
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.  
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.  
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Tuesday, June 11, 2024, the analyst, Raymond Ng Ing Yeow, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)  
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
www.ta.com.my