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SunCon shares at new record high as analysts raise estimates after blowout quarter

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KUALA LUMPUR (Feb 21): Shares in Sunway Construction Group Bhd (SunCon) surged to a new record high on Wednesday, while analysts scrambled to raise earnings forecasts following the builder's better-than-expected results.

SunCon rose as much as 8.7% or 18 sen to RM2.79 a share in early trade, before paring gains to close unchanged at RM2.61. It saw 5.35 million shares traded, over three times its 65-day average volume of 1.56 million shares.

At its last close, SunCon was valued at RM3.37 billion. Year to date, the counter has risen by 34.5%.

Analysts are betting that SunCon will benefit from a slew of large infrastructure projects in the pipeline, as well as opportunities in the data centre space. At least five analysts have raised their target prices (TPs).

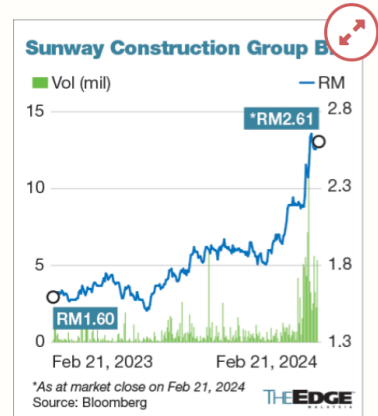
"We believe SunCon is poised to gain substantially from upcoming mega infrastructure projects, and has the potential to seize opportunities in the expanding data centre market and sustainable energy segment," said TA Securities, which lifted its earnings estimate for the financial year ending Dec 31, 2024 (FY2024) by 13.9%, and for FY2025 by 11.2%.

Out of 14 analysts covering the stock, eight have 'buy' ratings, four recommended to 'hold', and two have SunCon on 'sell'. The median TP is RM2.59, according to *Bloomberg*.

SunCon has racked up over 48% gain in less than two months into the year, amid optimism that the government will accelerate the roll-out of big-ticket projects to spur economic growth while the company pursues highly-lucrative contracts to build data centres.

“We believe SunCon is shaping up to be the go-to contractor for data centres”, with two such projects that account for 33% of its total outstanding order book of RM5.3 billion, said CGS International.

The research house raised its earnings-per-share forecasts by 10% for FY2024 and 9% for FY2025, factoring in higher new order wins, which will likely come from more data centre projects, noting data centre projects would boost SunCon's return on equity given higher asset turnover, shorter durations and better margins.



On Tuesday, SunCon reported a 7.93% increase in net profit for the fourth quarter ended Dec 31, 2023 (4QFY2023), thanks to higher progress billings and output at its precast segment.

Net profit for 4QFY2023 was RM49.27 million or 3.82 sen per share, compared with RM45.65 million or 3.54 sen per share a year earlier, the company said in a bourse filing. Revenue for the quarter surged 73.11% year-on-year to RM871.50 million, from RM503.43 million previously.

For FY2024, SunCon said it is aiming for a higher order book of RM2.5 billion to RM3 billion. Its outstanding order book totalled RM5.3 billion, after securing RM2.51 billion in new orders last year.