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## SunCon remains on a growth trajectory

### ANALYST REPORTS

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KUALA LUMPUR: Sunway Construction Group Bhd  (SunCon) stands to benefit from infrastructure project rollouts, a vibrant advanced technology facilities (ATF) sector and synergistic benefits with its parent company, said analysts in their reviews of the construction firm's prospects.

In 1QFY24, SunCon recorded a 16.5% year-on-year (y-o-y) rise in net profit to RM32.4mil on the back of revenue rising 15.8% y-o-y to RM604.8mil.

Revenue for the construction segment rose 15.9% y-o-y to RM543.6mil in the recent quarter due to higher billings from the newer projects.

In a results review, Hong Leong Investment Bank (HLIB) Research said the company's tenderbook has diminished sequentially to RM9.4bil, but this was almost wholly attributable to the expiry of two Mass Rapid Transit 3 tenders.

"We believe that the company still has about four tenders in the advance technology facilities (ATF) space and would be in advantageous position to benefit from expansion of existing key clients," it said.

HLIB added that both SunCon's early contractor involvement (A&B) engagements are progressing well and have yielded work orders totaling RM53.4mil on a rolling basis.

It noted the company has also been invited to potentially participate in ATF projects in India and Indonesia, where it would collaborate with local partners with stakes of 50% or more.

The company also intends to participate in upcoming infrastructure projects like the Penang Light Rail Transit and Johor Autonomous Rapid Transit while the runway for internal projects is healthy.

"Beyond the short term, SunCon's strong leverage on the 'Johor theme' not only through its parent-co projects but also external projects should translate to more opportunities moving forward as development momentum in the state picks-up."

HLIB maintained "buy" on SunCon and raised its target price to RM3.75 from RM3.20.

RHB Research in its report, reiterated "buy" on SunCon and raised its target price to RM3.81 from RM3.34, after adjusting its forecasts to reflect SunCon's position to secure more data centre jobs in Johor and Selangor.

"Our estimates have yet to impute the Song Hau 2 power plant project which may boost its orderbook by about RM6bil and raise FY24-26F earnings by 8-17% if the project commences from 1H24, and financial close is obtained," it said.

Meanwhile, Kenanga Research likes SunCon for the strong job prospects of the sector as a whole, and imminent roll-out of key public infrastructure projects.

It also said SunCon has strong earnings visibility underpinned by a RM6.3bil outstanding order book and recurring jobs from its parent and sister companies as well as extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works,

However, Kenanga said the stock is fairly valued after the strong run-up in share price, leading to a ratings downgrade to "market perform" from "outperform".

The research firm maintained its target price at RM3.16.

MIDF Research also takes the view that SunCon's year-to-date share price increase of 72.7% fairly values the group's prospects for now.

It remained "neutral" on the share with a higher target price of RM3.09 from RM2.86 previously after rolling forward its valuation year.

TA Securities Research, in its update, kept "buy" on SunCon with a new target price of RM3.79, on a higher target price-earnings ratio of 22x 2025 earnings per share.