

Malaysia

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ADD (no change)

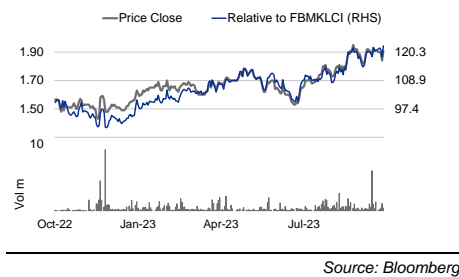
Consensus ratings*: Buy 10 Hold 2 Sell 1

Current price:	RM1.91
Target price:	RM2.14
Previous target:	RM2.14
Up/downside:	11.9%
CGS-CIMB / Consensus:	6.4%
Reuters:	SCOG.KL
Bloomberg:	SCGB MK
Market cap:	US\$520.9m
	RM2,463m
Average daily turnover:	US\$0.24m
	RM1.10m
Current shares o/s	1,293m
Free float:	28.9%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (RMm)	141.0	167.5	195.2
Core EPS (RM)	0.11	0.13	0.15
Core EPS Growth	(1.6%)	18.8%	16.5%
FD Core P/E (x)	17.51	14.75	12.65
Recurring ROE	18.3%	19.7%	20.8%
P/BV (x)	3.06	2.77	2.50
DPS (RM)	0.055	0.065	0.075
Dividend Yield	2.88%	3.39%	3.95%



Price performance	1M	3M	12M
Absolute (%)	-0.5	17.2	22.4
Relative (%)	2.2	15.4	22.8

Major shareholders	% held
Sunway Berhad	54.4
EPF	9.4
Amanah Saham	7.3

Analyst(s)

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Sunway Construction Group Bhd

New contract wins pave the way for potential additional RM6bn works

- Suncon clinches three contract wins worth RM532m, bringing YTD-5 Oct 23 new wins to RM2.2bn, exceeding its FY23F guidance of RM2bn.
- We see potential for RM6bn additional new orders from Song Hau 2 Vietnam power plant by Dec 23.
- Reiterate an Add rating, with an unchanged RM2.14 TP.

Clinches three contract wins worth RM532m

- Sunway Construction Group (Suncon) today announced three contract wins worth a total of c.RM532m.
- These are:
 - Kajima Suncon JV (50:50) from Daiso Malaysia Group, for the proposed design and construction of Daiso Global Distribution Center warehouse at Pulau Indah, Port Klang, for RM594.4m (Suncon's share: RM297m), for a period of 34.5 months with completion date slated for 2QCY26F;
 - Data centre project in Johor worth RM190m, from K2 Strategic Infrastructure Malaysia, for a period of 14 months, with the final phase to be completed by 4QCY24F; and
 - Preliminary contract for Song Hau 2 Vietnam power plant extending the notice to proceed (NTP) period, which would provide Suncon with limited access to the site to carry out phases 1 and 2 for works not exceeding US\$9.5m (c.RM45). This forms part of the works before obtaining the NTP from the owner.

YTD wins exceed guidance, with potential for RM6bn new wins

- With these contract wins, Suncon's YTD wins amount to RM2.2bn, which exceeds its RM2bn new order wins target for FY23F and brings its outstanding order book to RM6.4bn.
- This is largely within our FY23F new order win forecast of RM2.2bn (including precast). More importantly, we believe the limited access works of US\$9.5m for the Song Hau 2 Vietnam power plant paves the way for an additional RM6bn worth of works for this project. This is assuming its JV company Sunway-PECC2 Consortium clinches the full US\$2.4bn Vietnam power plant project, where its 55% stake would be worth RM6bn. We expect this to be announced by Nov/Dec 23.

Successful inroads into the industrial and data centre space

- We are positive on these wins as we believe it proves that Suncon has been successful in making inroads into the industrial warehouse, data centre and semiconductor factory space, and less reliant on traditional building projects. In FY22, Suncon clinched a RM1.7bn industrial project to build a data centre in Sedenak Tech Park, Johor, which was its largest project clinched that year.

Reiterate Add, TP of RM2.14

- We reiterate our Add rating and SOP-based TP of RM2.14, equivalent to 16.5x FY24F P/E (0.5 s.d. below its mean since 2015). We like Suncon for its strong execution track record, ready pipeline from Sunway Bhd (SWB, Add, CP: RM1.90), balance sheet strength, and market-leading ROEs of 18-20% and decent dividend yields of 3-4% for FY23F-FY24F. Key catalysts include higher new contract wins and improvement in margins, while key downside risks include delays in contract awards and higher raw material costs.

Figure 1: Peer comparison (share price as at 5 Oct 2023)

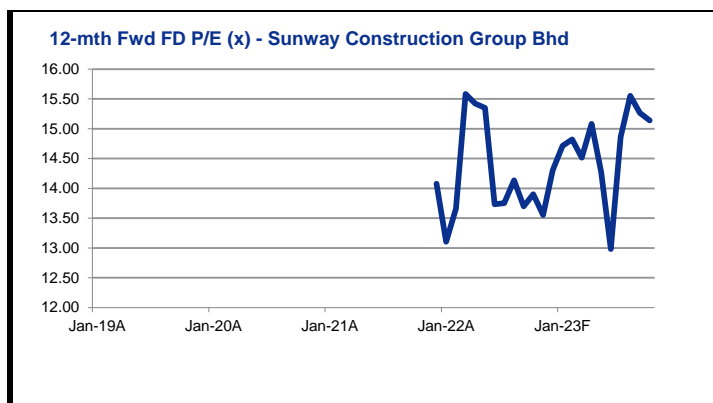
Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY23F	CY24F	CY25F		CY23F	CY24F		
Gamuda	GAM MK	Add	4.47	5.65	2,550	13.1	11.8	10.4	4.8%	1.07	1.01	8.5%	7.6%
IJM Corp Bhd	IJM MK	Add	1.83	2.15	1,357	18.2	14.9	13.1	18.7%	0.64	0.62	3.6%	2.0%
WCT Holdings	WCTHG MK	Add	0.55	0.71	163	10.3	8.5	7.6	4.7%	0.19	0.19	1.9%	1.4%
Sunway Construction Group Bhd	SCGB MK	Add	1.91	2.14	521	17.5	14.7	12.7	7.4%	3.06	2.77	18.4%	2.9%
Muhibbah Engineering	MUHI MK	Add	0.71	0.90	109	22.0	10.4	8.2	na	0.39	0.38	1.8%	1.4%
HSS Engineers	HSS MK	Add	0.79	1.21	83	14.7	10.8	9.2	30.7%	1.50	1.36	10.9%	2.0%
YTL Corporation	YTL MK	Add	1.40	1.91	3,247	13.3	11.5	12.0	70.4%	1.05	1.00	8.3%	3.6%
Malayan Cement Bhd	LMC MK	Add	3.57	5.55	989	24.5	18.1	15.0	51.9%	0.78	0.77	3.3%	1.3%
Sunway Bhd	SWB MK	Add	1.95	2.57	2,044	15.3	13.7	13.8	7.7%	0.74	0.70	5.1%	1.9%
Malaysia average						16.2	12.1	10.4	8.9%	1.1	1.0	6.8%	3.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	2,177	2,553	2,943	3,333
Gross Profit	475	474	518	562
Operating EBITDA	221	218	259	301
Depreciation And Amortisation	-24	-23	-28	-33
Operating EBIT	197	195	231	268
Financial Income/(Expense)	-4	-6	-6	-6
Pretax Income/(Loss) from Assoc.	2	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	195	191	226	264
Exceptional Items	-11	0	0	0
Pre-tax Profit	184	191	226	264
Taxation	-45	-50	-59	-69
Exceptional Income - post-tax				
Profit After Tax	139	141	167	195
Minority Interests	-4	0	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	135	141	167	195
Recurring Net Profit	143	141	167	195
Fully Diluted Recurring Net Profit	143	141	167	195

Cash Flow				
(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	221.0	217.7	259.2	300.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(120.5)	(67.4)	(32.4)	(33.0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(16.3)	(17.5)	(19.5)	(21.5)
Other Operating Cashflow	(249.6)	0.0	0.0	0.0
Net Interest (Paid)/Received	(4.2)	(6.3)	(6.3)	(5.9)
Tax Paid	(45.3)	(49.5)	(58.8)	(68.6)
Cashflow From Operations	(215.0)	77.0	142.2	171.8
Capex	(27.1)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	450.8	0.0	0.0	0.0
Cash Flow From Investing	423.7	(50.0)	(50.0)	(50.0)
Debt Raised/(repaid)	242.8	50.0	50.0	50.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(90.3)	(70.5)	(83.7)	(97.6)
Preferred Dividends				
Other Financing Cashflow	31.5	19.2	21.2	23.2
Cash Flow From Financing	184.0	(1.3)	(12.5)	(24.3)
Total Cash Generated	392.8	25.7	79.7	97.5
Free Cashflow To Equity	451.6	77.0	142.2	171.8
Free Cashflow To Firm	226.8	46.2	113.4	145.0



Balance Sheet				
(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	492	517	597	694
Total Debtors	989	1,322	1,525	1,728
Inventories	53	27	31	35
Total Other Current Assets	104	104	104	104
Total Current Assets	1,637	1,969	2,256	2,561
Fixed Assets	108	135	157	174
Total Investments	223	223	223	223
Intangible Assets	264	264	264	264
Total Other Non-Current Assets	3	3	3	3
Total Non-current Assets	599	626	648	665
Short-term Debt	172	172	172	172
Current Portion of Long-Term Debt				
Total Creditors	917	1,156	1,331	1,505
Other Current Liabilities	14	14	14	14
Total Current Liabilities	1,103	1,342	1,517	1,691
Total Long-term Debt	309	359	409	459
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	309	359	409	459
Total Provisions	3	3	3	3
Total Liabilities	1,415	1,704	1,929	2,153
Shareholders' Equity	737	808	891	989
Minority Interests	84	84	84	84
Total Equity	821	891	975	1,073

Key Ratios				
	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	24.6%	17.8%	15.4%	13.3%
Operating EBITDA Growth	22.6%	(1.5%)	19.1%	16.0%
Operating EBITDA Margin	10.3%	8.6%	8.9%	9.1%
Net Cash Per Share (RM)	0.01	-0.01	0.01	0.05
BVPS (RM)	0.57	0.62	0.69	0.76
Gross Interest Cover	10.94	10.15	10.88	11.53
Effective Tax Rate	24.6%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	61.9%	50.0%	50.0%	50.0%
Accounts Receivables Days	155.7	166.1	177.8	178.8
Inventory Days	10.68	7.06	4.38	4.36
Accounts Payables Days	193.9	182.0	187.7	186.7
ROIC (%)	139%	33%	34%	36%
ROCE (%)	18.6%	15.2%	16.5%	17.5%
Return On Average Assets	7.49%	6.10%	6.32%	6.56%

Key Drivers				
	Dec-22A	Dec-23F	Dec-24F	Dec-25F
New order wins	150.0	974.0	2,180.0	2,180.0
Construction revenue	1,973.6	2,357.3	2,742.9	3,139.4
Precast revenue	181.6	181.5	186.0	180.0
Construction EBIT margins	8.5	7.5	7.7	7.9
Precast EBIT margins	9.9	10.5	10.8	11.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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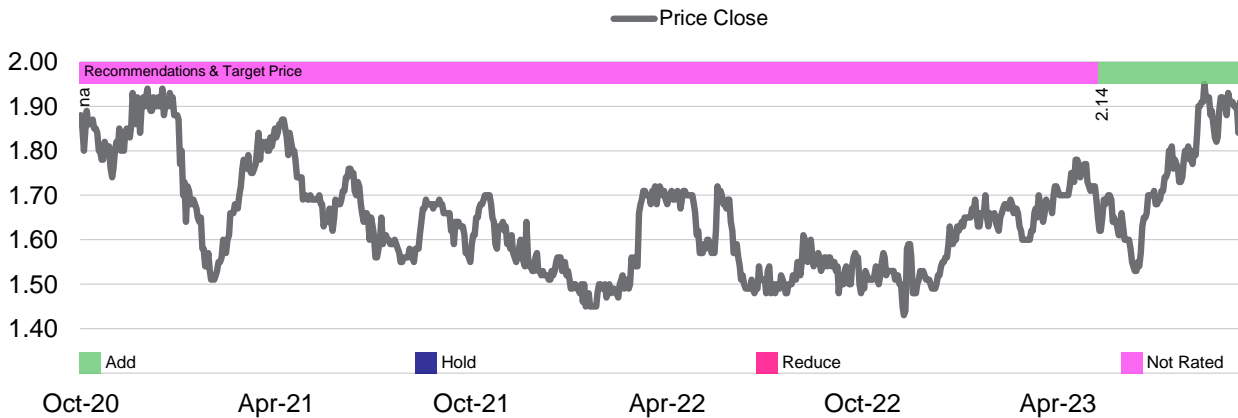
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2023		
632 companies under coverage for quarter ended on 30 June 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.3%	0.9%
Hold	25.8%	0.3%
Reduce	8.9%	0.0%

Spitzer Chart for stock being researched (2 year data)

Sunway Construction Group Bhd (SCGB MK)



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.