

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY\*

# Sunway Construction Group Berhad

**TP: RM1.73** (-9.4%)

*Secures Two New Jobs Totalling RM785.4mn*

Last Traded: RM1.91

**Sell (ESG: ★★★★★)**

Chan Mun Chun

Tel: +603-2167 9731

mcchan@ta.com.my

www.taonline.com.my

## Secures 2 New Orders Worth RM785.4mn

SUNCON, together with Kajima (Malaysia) Sdn Bhd, on a 50:50 JV, has secured a RM595.4mn contract from Daiso Malaysia Group Sdn Bhd for the proposed design and construction of Daiso Global Distribution Center Warehouse located at Pulau Indah, Selangor. Based on the JV structure, the effective order book amount for SUNCON is around RM297.7mn.

The project will take 34.5 months to complete and is expected to be completed by 2Q2026.

Meanwhile, SUNCON has also accepted a letter of intent from K2 Strategic Infrastructure Malaysia Sdn Bhd for the proposed development of a data centre on a site located in Johor, Malaysia.

This marks the group's second successful bid for a data centre project. Recap, the group secured its maiden data centre job worth RMI.7bn at Sedenak Tech Park in Johor at the end of last year.

The project will take 14 months to complete and is expected to be completed by 4Q2024.

## Our View

These two contracts will bring SUNCON's year-to-date job win to RM2.2bn. Assuming a PBT margin of 7.0%, we estimate these two contracts to generate total net earnings of RM26.3mn throughout the construction period.

Following the job win, SUNCON's total outstanding order book stands at around RM6.2bn, equivalent to 2.9x FY22 revenue.

## Impact

Maintain FY23 to FY25 earnings forecasts as the job win is within our FY23 order book replenishment assumption of RM2.5bn.

## Valuation

No change to our target price of **RM1.73**, based on unchanged 14x CY24 earnings. Maintain a **Sell** call on the stock on valuation grounds.

## Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1,289.4
Market Cap (RMmn)	2469.4
52-wk Hi/Lo (RM)	1.98/1.41
12-mth Avg Daily Vol ('000 shrs)	484.9
Estimated Free Float (%)	13.4
Beta	0.7

## Major Shareholders (%)

Sunholdings	- 54.6
Sungei Way Corp Sdn Bhd	- 10.1
Employee Provident Fund	- 9.8
Amanah Saham Nasional Bhd	- 6.4

## Forecast Revision

	FY23	FY24
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	134.1	159.7
Consensus	140.8	160.2
TA's / Consensus (%)	95.2	99.7
Previous Rating	Sell (Maintained)	
Consensus Target Price	2.01	

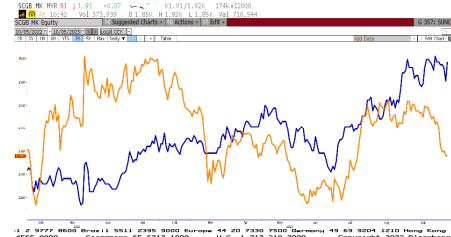
## Financial Indicators

	FY23	FY24
Net Debt / Equity (%)	(1.3)	(17.3)
CFPS (sen)	13.2	8.1
Price / CFPS (x)	14.5	23.6
ROA (%)	5.6	5.9
NTA/Share (sen)	59.3	63.6
Price/NTA (x)	3.2	3.0

## Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	(0.5)	(2.7)
3 mth	17.2	1.8
6 mth	13.0	(1.0)
12 mth	22.4	(0.3)

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



Source: Bloomberg

## Earnings Summary

### Profit & Loss (RMmn)

YE Dec 31	2021	2022	2023F	2024F	2025F
Revenue	1,729.2	2,155.2	2,272.0	2,720.0	2,780.0
EBITDA	166.8	210.3	187.9	215.5	242.0
Dep. & amortisation	(27.4)	(23.8)	(26.9)	(23.1)	(25.8)
Net finance cost	0.4	4.2	(8.7)	(9.7)	(9.7)
PBT	152.2	184.1	169.7	202.1	225.9
Taxation	(41.5)	(45.3)	(35.6)	(42.4)	(47.4)
MI	(1.8)	3.6	0.0	0.0	0.0
Net profit	112.6	135.2	134.1	159.7	178.5
Core net profit	145.5	147.1	134.1	159.7	178.5
GDPS (sen)	5.3	5.3	8.0	8.0	8.0
Div Yield (%)	2.7	2.7	4.2	4.2	4.2

### Cash Flow (RMmn)

YE Dec 31	2021	2022	2023F	2024F	2025F
<b>PBT</b>	<b>152.2</b>	<b>184.1</b>	<b>169.7</b>	<b>202.1</b>	<b>225.9</b>
Adjustments	29.5	37.6	18.2	13.4	16.1
Changes in WC	83.3	(382.2)	204.7	111.9	82.8
Others	(26.3)	(54.5)	(26.9)	(32.7)	(37.7)
<b>Operational cash flow</b>	<b>238.7</b>	<b>(215.0)</b>	<b>365.7</b>	<b>294.7</b>	<b>287.1</b>
Capex	(34.8)	(27.1)	(20.0)	(25.0)	(30.0)
Others	(139.2)	450.9	(21.7)	(21.7)	(21.7)
<b>Investment cash flow</b>	<b>(174.0)</b>	<b>423.8</b>	<b>(41.7)</b>	<b>(46.7)</b>	<b>(51.7)</b>
Debt raised/(repaid)	(64.8)	239.0	(50.0)	(40.0)	(45.0)
Dividend	(51.6)	(90.3)	(103.4)	(103.4)	(103.4)
Others	(6.0)	(6.0)	0.0	0.0	0.0
<b>Financial cash flow</b>	<b>(122.4)</b>	<b>142.7</b>	<b>(153.4)</b>	<b>(143.4)</b>	<b>(148.4)</b>
Forex effect	0.4	(4.3)	0.0	0.0	0.0
Deposit	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(57.7)</b>	<b>351.4</b>	<b>170.6</b>	<b>104.6</b>	<b>86.9</b>
<b>Beginning cash</b>	<b>117.8</b>	<b>60.6</b>	<b>407.7</b>	<b>578.2</b>	<b>682.8</b>
<b>Ending cash</b>	<b>60.6</b>	<b>407.7</b>	<b>578.2</b>	<b>682.8</b>	<b>769.7</b>
Adjustments	38.2	83.9	0.0	0.0	0.0
<b>Cash</b>	<b>98.8</b>	<b>491.6</b>	<b>578.2</b>	<b>682.8</b>	<b>769.7</b>

YE Dec 31	2021	2022	2023F	2024F	2025F
Order book replenishment	1473.6	2584	2500	2500	2500

### Balance Sheet (RMmn)

YE Dec 31	2021	2022	2023F	2024F	2025F
Fixed assets	124.7	107.5	92.3	86.0	81.9
Others	724.8	491.2	491.3	491.3	491.3
<b>NCA</b>	<b>849.4</b>	<b>598.7</b>	<b>583.6</b>	<b>577.2</b>	<b>573.1</b>
Cash	98.8	491.6	578.2	682.8	769.7
Others	916.0	1,145.7	1,416.3	1,549.2	1,487.0
<b>CA</b>	<b>1,014.8</b>	<b>1,637.4</b>	<b>1,994.6</b>	<b>2,232.0</b>	<b>2,256.8</b>
<b>Total assets</b>	<b>1,864.2</b>	<b>2,236.0</b>	<b>2,578.2</b>	<b>2,809.2</b>	<b>2,829.9</b>
ST borrowings	92.5	172.2	122.2	82.2	37.2
Other liabilities	899.5	931.2	1,293.8	1,508.5	1,499.2
<b>CL</b>	<b>992.0</b>	<b>1,103.3</b>	<b>1,415.9</b>	<b>1,590.7</b>	<b>1,536.4</b>
<b>Shareholders' funds</b>	<b>699.1</b>	<b>737.1</b>	<b>766.7</b>	<b>822.9</b>	<b>897.9</b>
MI	17.6	83.7	83.7	83.7	83.7
LT borrowings	145.4	308.5	308.5	308.5	308.5
Other LT liabilities	10.0	3.4	3.4	3.4	3.4
<b>Total capital</b>	<b>1,864.2</b>	<b>2,236.0</b>	<b>2,578.2</b>	<b>2,809.2</b>	<b>2,829.9</b>

### Ratio

YE Dec 31	2021	2022	2023F	2024F	2025F
EBITDA Margins (%)	9.6	9.8	8.3	7.9	8.7
Core EPS (sen)	11.3	11.4	10.4	12.3	13.8
EPS Growth (%)	99.9	1.1	(9.1)	19.1	11.8
PER (x)	16.9	16.7	18.4	15.5	13.8
GDPS (sen)	5.3	5.3	8.0	8.0	8.0
Div Yield (%)	2.7	2.7	4.2	4.2	4.2
Net cash (RMmn)	(139.1)	10.9	147.5	292.1	424.0
Net gearing (%)	0.2	(0.0)	(0.2)	(0.3)	(0.4)
ROE (%)	21.8	20.5	17.8	20.1	20.7
ROA (%)	7.7	7.2	5.6	5.9	6.3
NTA/share (sen)	54.2	57.2	59.3	63.6	69.5
P/NTA(x)	3.5	3.3	3.2	3.0	2.8

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

### 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.

### Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Friday, October 06, 2023, the analyst, Chan Mun Chun, 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