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Sunway Construction Group Berhad

TP: RM2.76 (+5.7%)
Secures RM721mn of Building Job
Last Traded: RM2.61
HOLD (ESG: ★★★★★)

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Secures New Order Worth RM721mn

SUNCON has secured a RM721.0mn contract from Sunway Lost World Water Park Sdn Bhd, an indirect subsidiary of Sunway Berhad (SUNWAY). The project primarily involves piling, earthworks, sub-structure, and main building works for Sunway Ipoh Mall, a six-floor shopping complex with cinema and parking facilities located in Perak.

The project will take 35 months to complete and is expected to be completed by January 2027.

Our View

With this fourth construction project secured in 2024, SUNCON has accumulated a YTD total of RM831.1mn in contract wins, as illustrated in **Figure I**. Taking these recent wins into account, our estimate indicates that SUNCON's current total outstanding order book is approximately RM6.1bn, equivalent to 2.3x FY23 revenue.

Assuming a PBT margin of 7%, we estimate this project should contribute a net profit of RM38.4mn throughout the construction period.

Impact

Maintain FY24 to FY26 earnings forecasts as the job win is within our FY24 order book replenishment assumption of RM2.8bn.

Valuation

We reiterate our target price of **RM2.76**, based on unchanged PER 18x CY25 EPS. Maintain a **Hold** call on the stock.

Figure I: YTD Job Wins

| Projects (2024 new awards) | Client | Duration | Contract Sum (RM'mil) |
|---|--|----------|-----------------------|
| 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 | 3.4 |
| Early Contractor Involvement (ECI) Services - Package B | Multinational Technology Company | Aug-24 | 3.4 |
| Ulu Pandan C1 & C2 | CES Engineering & Construction Ptd Ltd | Jun-27 | 103.4 |
| Secured in 1Q 2024 | | | 831.1 |

Source: SUNCON

Share Information

| | |
|----------------------------------|-------------|
| Bloomberg Code | SCGB MK |
| Bursa | SUNCON |
| Stock Code | 5263 |
| Listing | Main Market |
| Share Cap (mn) | 1,289.4 |
| Market Cap (RMmn) | 3365.2 |
| 52-wk Hi/Lo (RM) | 2.79/1.53 |
| 12-mth Avg Daily Vol ('000 shrs) | 740.6 |
| Estimated Free Float (%) | 13.5 |
| Beta | 0.8 |

Major Shareholders (%)

| | |
|---------------------------|--------|
| Sunholdings | - 54.6 |
| Sungei Way Corp Sdn Bhd | - 10.1 |
| Employee Provident Fund | - 9.0 |
| Amanah Saham Nasional Bhd | - 6.4 |

Forecast Revision

| | FY24 | FY25 |
|------------------------|-------------------|-------|
| Forecast Revision (%) | 0.0 | 0.0 |
| Net profit (RMmn) | 181.8 | 198.4 |
| Consensus | 175.9 | 200.6 |
| TA's / Consensus (%) | 103.3 | 98.9 |
| Previous Rating | Hold (Maintained) | |
| Consensus Target Price | 2.80 | |

Financial Indicators

| | FY24 | FY25 |
|-----------------------|------|----------|
| Net Debt / Equity (%) | 12.9 | Net Cash |
| CFPS (sen) | 9.1 | 9.1 |
| Price / CFPS (x) | 28.6 | 28.6 |
| ROA (%) | 6.0 | 6.7 |
| NTA/Share (sen) | 69.5 | 76.8 |
| Price/NTA (x) | 3.8 | 3.4 |

Share Performance (%)

| Price Change | SUNCON | FBM KLCI |
|--------------|--------|----------|
| 1 mth | 19.2 | 4.4 |
| 3 mth | 38.1 | 6.1 |
| 6 mth | 45.0 | 7.0 |
| 12 mth | 58.2 | 5.3 |

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Earnings Summary

Profit & Loss (RMmn)

| YE Dec 31 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---------------------|---------|---------|---------|---------|---------|
| Revenue | 2,155.2 | 2,671.2 | 2,920.0 | 3,010.0 | 3,100.0 |
| EBITDA | 210.3 | 245.3 | 245.0 | 268.7 | 292.0 |
| Dep. & amortisation | (23.8) | (21.0) | (24.6) | (27.2) | (25.5) |
| Net finance cost | 4.2 | 21.5 | (9.7) | (9.7) | (9.7) |
| PBT | 184.1 | 188.6 | 230.1 | 251.2 | 276.2 |
| Taxation | (45.3) | (42.8) | (48.3) | (52.8) | (58.0) |
| MI | 3.6 | 0.7 | 0.0 | 0.0 | 0.0 |
| Net profit | 135.2 | 145.1 | 181.8 | 198.4 | 218.2 |
| Core net profit | 147.1 | 169.8 | 181.8 | 198.4 | 218.2 |
| GDPS (sen) | 5.3 | 6.0 | 8.0 | 8.0 | 8.0 |
| Div Yield (%) | 2.0 | 2.3 | 3.1 | 3.1 | 3.1 |

Cash Flow (RMmn)

| YE Dec 31 | 2022 | 2023 | 2024F | 2025F | 2026F |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| PBT | 184.1 | 188.6 | 230.1 | 251.2 | 276.2 |
| Adjustments | 37.6 | 42.5 | 14.9 | 17.5 | 15.8 |
| Changes in WC | (382.2) | (384.5) | 723.4 | 92.5 | 12.5 |
| Others | (54.5) | (64.3) | (38.6) | (43.1) | (48.3) |
| Operational cash flow | (215.0) | (217.7) | 929.8 | 318.1 | 256.2 |
| Capex | (27.1) | (20.0) | (25.0) | (30.0) | (30.0) |
| Others | 450.9 | (21.7) | (21.7) | (21.7) | (21.7) |
| Investment cash flow | 423.8 | (41.7) | (46.7) | (51.7) | (51.7) |
| Debt raised/(repaid) | 239.0 | (50.0) | (40.0) | (45.0) | (45.0) |
| Dividend | (90.3) | (77.4) | (103.4) | (103.4) | (103.4) |
| Others | (6.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial cash flow | 142.7 | (127.4) | (143.4) | (148.4) | (148.4) |
| Forex effect | (4.3) | 0.0 | 0.0 | 0.0 | 0.0 |
| Deposit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net cash flow | 351.4 | (386.7) | 739.7 | 118.0 | 56.1 |
| Beginning cash | 60.6 | 407.7 | 20.9 | 760.6 | 878.6 |
| Ending cash | 407.7 | 20.9 | 760.6 | 878.6 | 934.7 |
| Adjustments | 83.9 | 449.5 | 0.0 | 0.0 | 0.0 |
| Cash | 491.6 | 470.4 | 760.6 | 878.6 | 934.7 |

| YE Dec 31 | 2022 | 2023 | 2024F | 2025F | 2026F |
|--------------------------|------|------|-------|-------|-------|
| Order book replenishment | 2584 | 2500 | 2800 | 2800 | 3000 |

Balance Sheet (RMmn)

| YE Dec 31 | 2022 | 2023 | 2024F | 2025F | 2026F |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Fixed assets | 107.5 | 98.6 | 90.6 | 85.1 | 81.3 |
| Others | 491.2 | 745.1 | 745.3 | 745.3 | 745.3 |
| NCA | 598.7 | 843.6 | 835.9 | 830.4 | 826.6 |
| Cash | 491.6 | 470.4 | 760.6 | 878.6 | 934.7 |
| Others | 1,145.7 | 1,768.8 | 1,681.9 | 1,621.3 | 1,680.8 |
| CA | 1,637.4 | 2,239.2 | 2,442.5 | 2,499.9 | 2,615.5 |
| Total assets | 2,236.0 | 3,082.8 | 3,278.4 | 3,330.3 | 3,442.0 |
| ST borrowings | 172.2 | 438.2 | 398.2 | 353.2 | 308.2 |
| Other liabilities | 931.2 | 1,263.6 | 1,421.0 | 1,423.0 | 1,464.9 |
| CL | 1,103.3 | 1,701.8 | 1,819.3 | 1,776.2 | 1,773.1 |
| Shareholders' funds | 737.1 | 820.2 | 898.5 | 993.5 | 1,108.3 |
| 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 | 1.1 | 1.1 | 1.1 | 1.1 |
| Total capital | 2,236.0 | 3,082.6 | 3,278.4 | 3,330.3 | 3,442.0 |

Ratio

| YE Dec 31 | 2022 | 2023 | 2024F | 2025F | 2026F |
|--------------------|-------|---------|---------|-------|--------|
| EBITDA Margins (%) | 9.8 | 9.2 | 8.4 | 8.9 | 9.4 |
| Core EPS (sen) | 11.4 | 13.2 | 14.1 | 15.3 | 16.9 |
| EPS Growth (%) | 1.1 | 15.4 | 6.8 | 9.2 | 10.0 |
| PER (x) | 22.9 | 19.8 | 18.6 | 17.0 | 15.5 |
| GDPS (sen) | 5.3 | 6.0 | 8.0 | 8.0 | 8.0 |
| Div Yield (%) | 2.0 | 2.3 | 3.1 | 3.1 | 3.1 |
| Net cash (RMmn) | 10.9 | (455.6) | (125.3) | 37.6 | 138.7 |
| Net gearing (%) | (1.3) | 51.1 | 12.9 | (3.5) | (11.8) |
| ROE (%) | 20.5 | 21.8 | 21.2 | 21.0 | 20.8 |
| ROA (%) | 7.2 | 6.4 | 5.7 | 6.0 | 6.4 |
| NTA/share (sen) | 57.2 | 63.6 | 69.5 | 76.8 | 85.7 |
| P/NTA(x) | 4.6 | 4.1 | 3.8 | 3.4 | 3.0 |

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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 |
|----------------|--|--|---|---------|
| Scoring | ★★★★ | ★★★★ | ★★★★★ | ★★★★ |
| Remark | 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 Thursday, February 22, 2024, the analyst, Raymond Ng Ing Yeow, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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