Results Note | **RM5.73 @ 20 November 2025**

"A convincing beat on higher progress billings and margins"

Share price performance

	1M	3M	12M
Absolute (%)	-3.0	-1.5	27.3
Rel KLCI (%)	-3.9	-3.6	25.5

	BUY	HOLD	SELL
Consensus	9	6	-

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,320.1
Mkt cap (RMm)/(US$m)	7,564.2/1,819.4
Avg daily vol - 6mth (m)	5.5
52-wk range (RM)	3.26-6.58
Est free float	34.3%
Stock Beta	1.08
Net cash/(debt) (RMm)	1,235.75
ROE (2025E)	45.6%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	NA
FBM EMAS (Top 200) ESG Rank	NA

Key Shareholders

Sunway Berhad	64.6
EPF	4.2%
ASN	2.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Sunway Construction (SCGB MK)

BUY (upgrade)
Up/Downside: +16.9%

Price Target: RM6.70
Previous Target (Rating): RM5.90 (HOLD)

Biggest winner of the data centre theme

- **Sunway Construction's (SunCon) core net profit surged 2.6x yoy to RM271m for 9M25, widely beating expectations on higher progress billings and margins**
- **YTD wins stand at c. 78% of target with only a month remaining, but additional works for two major clients and a RM3.4bn expansion in the tender book, despite earlier tender misses, highlights a resilient replenishment pipeline and positions SunCon for another strong year**
- **We upgrade our call to BUY with higher RNAV-based TP of RM6.70 after raising 2025-27E earnings by 5-17% on stronger billings and margins. Target FY26E PER of 24x is elevated, but justified by the structurally higher earnings base**

Strong beat; announces record-high dividend payout

SunCon's 9M25 core earnings jumped 2.6x yoy to RM271m, beating expectations at 85-92% of our and consensus forecasts. The upside came from faster-than-expected progress billings and stronger margins. Revenue doubled yoy to RM4.3bn, driven by a 2x surge in the construction revenue to RM4.2bn. Construction PBT margin hit 8.5%, above both our expectations and SunCon's typical 6-8% guidance, reflecting the higher-margin profile of data centre projects. Sequentially, core earnings were up 2.8x yoy and +0.6% qoq, sustaining an elevated run-rate. The Group declared a hefty 23 sen special dividend this quarter, supported by its sizeable RM1.8bn net cash position. This lifts YTD dividends to a record 41.5 sen. At current levels, we project a 2025E yield of 7.9%.

Likely another record year ahead

YTD new wins stand at RM3.9bn (78% of our RM5bn assumption in 2025E), while order book slipped to RM5.4bn due to the rapid billings. With only a month left, SunCon may fall marginally short of our assumption. The more relevant indicator is that SunCon is undertaking early-contractor works for JHB1X0 Building 2 and Shell 2 for an MNC client, signalling a strong likelihood of securing the full general contractor packages (recall JHB1X0 Building 1 was RM4bn; Shell 1 for MNC was c. RM1.2bn). Therefore, we believe it is only a matter of timing before order book replenishment kicks in. Reinforcing this, the tender book grew to RM18.2bn (vs. RM14.8bn in 2Q25) despite losing 3-4 large tenders, underscoring the depth of replenishment opportunities and setting up another record year.

Upgrade to BUY with higher TP of RM6.70

Post-beat, we lift 2025-27E earnings by 5-17% on faster progress billings and higher margin assumptions. We also raise sustainable construction profit in our RNAV to RM350m (from RM300m). Accordingly, we upgrade our call to BUY with a higher TP of RM6.70, implying 24.1x FY26E PER – just under +2SD above the 10-year mean level. Valuation is elevated, but we believe this is justified, given SunCon's position as the clearest winner of this data-centre boom, evidenced in its doubled earnings base. Key downside risks: execution; macro.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,671.2	3,521.7	5,520.8	5,609.0	5,740.8
EBITDA (RMm)	252.4	259.1	517.3	538.5	562.3
Pretax profit (RMm)	188.6	273.0	469.4	485.2	511.9
Net profit (RMm)	145.1	186.9	346.6	358.6	378.9
EPS (sen)	11.3	14.5	26.9	27.8	29.4
PER (x)	50.9	39.5	21.3	20.6	19.5
Core net profit (RMm)	152.2	166.5	346.6	358.6	378.9
Core EPS (sen)	11.8	12.9	26.9	27.8	29.4
Core EPS growth (%)	5.9	9.4	108.1	3.5	5.7
Core PER (x)	48.5	44.4	21.3	20.6	19.5
Net DPS (sen)	6.0	8.0	45.0	27.0	29.0
Dividend Yield (%)	1.0	1.4	7.9	4.7	5.1
EV/EBITDA	30.9	28.0	15.0	14.1	13.9
Chg in EPS (%)			+17.4	+5.4	+10.5
Affin/Consensus (x)			1.1	1.0	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	YoY % chg	Comment
Revenue	**865.3**	**1,476.9**	**1,445.2**	**(2.1)**	**67.0**	**2,121.4**	**4,322.6**	**103.8**	9M25: Higher construction (+112% yoy) revenue as progress billings for DC projects accelerate, but lower pre-cast concrete (-11% yoy) revenue.
Op costs	(808.3)	(1,348.6)	(1,335.0)	(1.0)	65.2	(1,951.2)	(3,964.6)	102.6	
EBITDA	**57.1**	**128.3**	**110.2**	**(14.1)**	**93.2**	**170.1**	**358.1**	**116.7**	
EBITDA margin (%)	*6.6*	*8.7*	*7.6*	*(1.1 ppt)*	*1.0 ppt*	*8.0*	*8.3*	*0.5 ppt*	
Depn and amort	(4.5)	(3.5)	(3.7)	4.2	(17.7)	(13.6)	(10.8)	(20.6)	
EBIT	**52.6**	**124.7**	**106.5**	**(14.6)**	**102.6**	**156.6**	**347.3**	**128.6**	
EBIT margin (%)	*6.1*	*8.4*	*7.4*	*(1.1 ppt)*	*1.3 ppt*	*7.4*	*8.0*	*0.9 ppt*	
Interest income	22.4	18.0	39.6	120.3	77.0	42.4	71.8	69.3	Higher returns on cash in tandem with higher cash balance.
Interest expense	(16.6)	(12.8)	(13.6)	6.8	(18.0)	(50.6)	(39.3)	(22.4)	
Associates	0.0	2.9	5.4	90.2	n.m	0.0	10.6	n.m	
Forex gain (losses)	(1.2)	(0.3)	(2.1)	579.1	70.5	0.6	(2.2)	(447.6)	
Exceptional items	13.4	(9.9)	(8.8)	(10.8)	(165.6)	13.3	(25.3)	(289.8)	
Pretax profit	**70.5**	**122.6**	**127.1**	**3.6**	**80.2**	**162.4**	**362.9**	**123.5**	Higher PBT mainly due to higher revenue and high-margin DC jobs.
Tax	(21.9)	(28.4)	(30.7)	8.1	40.1	(43.3)	(86.5)	100.1	
Tax rate (%)	*31.0*	*23.7*	*25.2*	*1.5 ppt*	*(5.8 ppt)*	*26.6*	*24.6*	*(2.8 ppt)*	
Minority interests	(2.2)	(10.3)	(12.6)	21.9	479.6	(1.4)	(33.0)	2,280.0	
Net profit	**46.5**	**83.9**	**83.8**	**(0.1)**	**80.3**	**117.7**	**243.4**	**106.7**	Above expectations.
EPS (sen)	3.6	6.5	6.4	(1.4)	77.2	9.1	18.7	105.0	
Core net profit	**34.2**	**94.1**	**94.6**	**0.6**	**176.5**	**103.8**	**271.0**	**161.2**	Above expectations. Exclude one-off items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	YoY % chg
Construction	831.8	1,433.5	1,387.4	(3.2)	66.8	1,973.0	4,190.8	112.4
Precast concrete	33.5	43.4	57.8	33.0	72.4	148.4	131.8	(11.2)
Total	**865.3**	**1,476.9**	**1,445.2**	**(2.1)**	**67.0**	**2,121.4**	**4,322.6**	**103.8**

Source: Affin Hwang, Company

Fig 3: Segmental PBT breakdown

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	YoY % chg
Construction	68.5	121.4	123.0	1.3	79.5	153.3	356.4	132.5
Precast concrete	2.0	1.2	4.0	230.9	101.0	9.1	6.5	(28.8)
Total	**70.5**	**122.6**	**127.1**	**3.6**	**80.2**	**162.4**	**362.9**	**123.5**

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

FYE 31 Dec (%)	3Q24	2Q25	3Q25	QoQ ppt chg	YoY ppt chg	9M24	9M25	YoY ppt chg
Construction	8.2	8.5	8.9	0.4	0.6	7.8	8.5	0.7
Precast concrete	6.0	2.8	7.0	4.2	1.0	6.1	4.9	(1.2)
Total	**8.2**	**8.3**	**8.8**	**0.5**	**0.6**	**7.7**	**8.4**	**0.7**

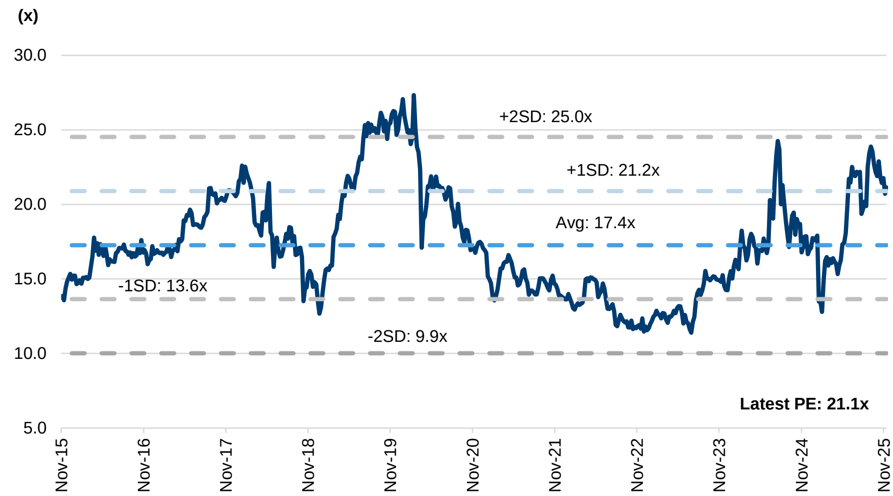
Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segments	Stake (%)	New RNAV (RMm)	Old RNAV (RMm)	Change (%)
Construction @ PER 20x sustainable earnings of RM350m	100	7,000	6,000	17
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640	640	0
Investment in Singapore IPPH JV @ book value	50	47	47	0
Book value of Indian highways	60	101	64	58
Net cash/(debt)		835	242	NA
RNAV		**8,623**	**6,993**	**23**
No. of shares (m)		1,290	1,289	0
RNAV/share (RM)		**6.70**	**5.90**	**14**
Target price		**6.70**	**5.90**	**14**

Source: Affin Hwang, Company

Fig 6: 12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 7: New contract wins YTD

PROJECTS (2025 NEW AWARDS)	CLIENT	COMPLETION DATE	CONTRACT SUM (RM'MIL)
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	167
BEDOK N8C14	LS CONSTRUCTION PTE LTD	DEC-26	73
K2 BUILDING 4	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-26	393
RTS TRANSIT ORIENTED DEVELOPMENT PROJECT (RTS TOD)	SUNWAY INTEGRATED PROPERTIES SDN BHD	NOV-27	1,500
ECI & ENABLING WORKS - SHELL 1 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	50
ECI & ENABLING WORKS - SHELL 1 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	31
SECURED IN 1Q 2025			2,214
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	71
GENERAL CONTRACTOR WORKS - SHELL 1 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	FEB-27	579
GENERAL CONTRACTOR WORKS - SHELL 1 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	FEB-27	576
K2 BUILDING 4 - VO	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-26	65
JURONG WEST N1C34	LIM WEN HENG CONSTRUCTION PTE LTD	JUN-28	25
KALLANG WHAMPOA C76	LS CONSTRUCTION PTE LTD	APR-28	39
LPS TERM CONTRACT BATCH 16	HOUSING AND DEVELOPMENT BOARD	JAN-28	87
SITE EARLY WORKS - SHELL 2 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	JAN-26	44
SITE EARLY WORKS - SHELL 2 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	JAN-26	45
PROJECT CJ	LIAN BENG CONSTRUCTION (1988) PTE LTD	AUG-27	61
SECURED IN 2Q 2025			1,592
SUNWAY SQUARE - SHELL ADVANCE WORKS	SUNWAY SOUTH QUAY SDN BHD	OCT-25	1
PROJECT CQ	SANCHOON BUILDERS PTE LTD	AUG-28	91
JHB1X0 - B2 PILING	YELLOWWOOD PROPERTIES SDN BHD	FEB-27	25
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	4
SECURED IN 3Q 2025			121
TOTAL AS AT NOVEMBER 2025			3,927

Source: Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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