



AmInvestment Bank

# SUNWAY CONSTRUCTION

(SCGB MK EQUITY, SCOG.KL)

22 Aug 2025

*Strong Earnings Momentum, Data Centre Proxy.*

## Company Report

## BUY

(Maintained)

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*Rationale for report: Company Result*

Price RM5.82  
Fair Value RM6.70  
52-week High/Low RM6.27/RM3.26

### Key Changes

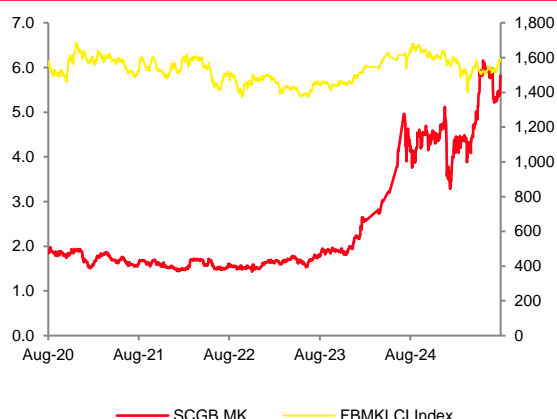
Fair value ⇄  
EPS ⇄

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	3,521.7	5,335.7	6,489.4	7,705.9
Core net profit (RM mil)	207.1	321.2	390.8	471.0
FD Core EPS (sen)	16.1	24.9	30.3	36.5
FD Core EPS growth (%)	41.3	55.0	21.7	20.5
Consensus Net Profit (RM mil)	-	302.7	329.9	364.9
DPS (sen)	8.5	19.9	24.2	29.2
PE (x)	36.2	23.4	19.2	15.9
EV/EBITDA (x)	4.4	3.1	2.5	2.0
Div yield (%)	1.4	3.4	4.1	4.9
ROE (%)	24.4	35.3	39.8	44.1
Net Gearing (%)	nm	nm	nm	nm

### Stock and Financial Data

Shares Outstanding (million)	258.6
Market Cap (RMmil)	1,504.9
Book Value (RM/Share)	0.68
P/BV (x)	8.5
ROE (%)	24.4
Net Gearing (%)	-
Major Shareholders	Sunway Holdings Sdn Bhd (54.1%) Sungei Way Corp Sdn Bhd (10.0%) EPF (4.2%)
Free Float	26.6
Avg Daily Value (RMmil)	40.6

Price performance	3mth	6mth	12mth
Absolute (%)	19.3	41.3	40.2
Relative (%)	16.3	40.3	45.1



### Investment Highlights

*We maintain our call on Sunway Construction Group Bhd (SCGB) at BUY with TP of RM6.70. SCGB's 1HFY25 core net profit of RM176.3mil was within ours but above consensus expectations. Strong earnings growth was mainly driven by accelerated progress in the newer projects especially data centre projects. We like the group as the best proxy to the data centre theme, with additional upside from warehousing and semiconductor facilities as well as internal jobs from the parent company, Sunway Berhad. Our TP of RM6.70 is pegged to an unchanged 1-year forward PER of 22x, which is equivalent to +2SD to its 10-year average.*

- **BUY on SCGB at TP of RM6.70.** Our TP of RM6.70 is based on FY26 PER of 22x, or +2SD to its 10-year average of 13.8x, which we believe is fair given the group's visible orderbook prospect and support from the parent Sunway Berhad.
- **Earnings beat consensus.** 1HFY25 core net profit more than doubled YoY to RM176.3mil, which was within ours but above consensus expectations at 54.9% and 58.2% of respective full year estimates. Strong earnings growth was mainly driven by accelerated progress in the newer projects especially data centre projects. The group declared 7.3sen DPS, bringing YTD DPS to 12.3sen (1HFY24 : 3.5sen). That represents 100% payout ratio.
- **On track to meet its orderbook replenishment target.** The group's current orderbook stands at RM6.7bil. YTD, SCGB has already secured RM3.8bil worth of works (53% data centre, 39% in-house, Singapore precast 8%), which is on track to achieve the guided orderbook replenishment of RM4.5-6bil for FY25. We gather that the group has an active tenderbook of close to RM14.8bil comprising mainly data centres, warehousing and semiconductor facilities.
- **Strong foothold in advanced technology facilities construction space.** To date, Suncon has delivered more than 100MW of data centre capacity and is currently working on five ongoing projects for four major multinational clients. Separately, Malaysian Anti-Corruption Commission has confirmed that SCGB is not under investigation in relation to a recent employee misconduct case.

## EXHIBIT 1: 2QFY25 EARNINGS SUMMARY

FYE Dec (RM mil)	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1H FY24	1H FY25	YoY (%)
<b>Revenue</b>	<b>651.2</b>	<b>1,400.5</b>	<b>1,476.9</b>	<b>5.5</b>	<b>126.8</b>	<b>1,256.0</b>	<b>2,877.4</b>	<b>129.1</b>
EBIT	52.7	109.5	114.6	4.6	117.6	105.7	224.1	111.9
<b>PBT</b>	<b>50.2</b>	<b>113.2</b>	<b>122.6</b>	<b>8.3</b>	<b>144.2</b>	<b>91.9</b>	<b>235.8</b>	<b>156.7</b>
Tax	(12.4)	(27.5)	(28.4)	3.2	128.2	(21.4)	(55.9)	nm
Minority Interest	(1.1)	10.0	10.3	3.3	nm	(0.8)	20.3	nm
PATAMI	38.9	75.7	83.9	10.8	115.8	71.3	159.6	123.9
<b>Core Net Profit</b>	<b>37.2</b>	<b>82.2</b>	<b>94.1</b>	<b>14.4</b>	<b>153.1</b>	<b>64.5</b>	<b>176.3</b>	<b>173.5</b>
Core EPS (sen)	3.0	5.9	6.5	10.7	115.2	5.5	12.3	123.4
DPS (sen)	3.5	5.0	7.3	45.0	107.1	3.5	12.3	250.0
Payout ratio (%)	116	85	112			63	100	
<b>Margins (%)</b>								
EBIT margin (%)	8.1	7.8	7.8	(0.1ppt)	(0.3ppt)	8.4	7.8	(0.6ppt)
Pretax margin (%)	7.7	8.1	8.3	0.2ppt	0.6ppt	7.3	8.2	0.9ppt
Effective tax rate (%)	24.8	24.3	23.1	(1.1ppt)	(1.6ppt)	23.3	23.7	0.4ppt
Net profit margin (%)	6.0	5.4	5.7	0.3ppt	(0.3ppt)	5.7	5.5	(0.1ppt)
<b>Segmental Revenue</b>								
Construction	597.6	1,369.9	1,433.5	4.6	139.9	1,141.2	2,803.4	145.7
Precast	53.6	30.6	43.4	41.9	(19.0)	114.9	74.0	(35.5)
<b>Segmental Net Income</b>								
Construction	36.8	74.7	82.8	10.9	125.4	66.9	157.5	135.6
Precast	2.1	1.0	1.1	1.8	(50.2)	4.4	2.1	(52.7)
<b>Segmental Net Income Margin (%)</b>								
Construction	6.2	5.5	5.8	0.3ppt	(0.4ppt)	5.9	5.6	(0.2ppt)
Precast	3.9	2.5	2.4	(0.9ppt)	(1.5ppt)	3.8	2.8	(1.0ppt)

Source: Company, AmlInvestment Bank Bhd

### Company profile

Established in 1981, Sunway Construction Group Bhd (SCGB) is a pure play construction company with turnkey capabilities. SCGB has a strong track record in buildings and public infrastructure works e.g. Kuala Lumpur Convention Centre, South Klang Valley Expressway, MRT Line 1 & 2. Additionally, the Company is involved in the manufacture and supply of precast concrete products with three manufacturing plants: Senai and Iskandar, Johor and Pulau Ponggol Barat, Singapore. As part of Sunway Bhd (via a 55% equity stake), SCGB serves as the construction arm to the Group.

### Investment thesis and catalysts

**Proxy to data centre growth in Malaysia.** According to Mordor Intelligence, Malaysia Data Centre Construction Market is set for explosive growth, with an estimated market size of USD2.8bil in 2024 and is projected to reach USD6.6bil by 2030, reflecting a 5 year CAGR of 15.03%. We believe SCGB is the main beneficiary of booming DC demand premised on strong brand identity and execution track record.

**Orderbook support from Parent.** SCGB has been involved in constructing Sunway Berhad's key developments, thanks to its parent diversified portfolio which includes townships, hospitals and commercial buildings. This provides a steady pipeline of construction projects for SCGB. As of May 2025, internal projects accounted c.34% of total orderbook.

### Valuation methodology

Our TP of RM6.70 is based on 22x FY26 PER, which is at +2SD to it 10 year average.

### Risk factors

Key downside risks to our call:-

- i) Delay in project rollouts;
- ii) Rising building material costs; and
- iii) Project cost overrun.

### EXHIBIT 2: VALUATIONS

Target PE (x)	22x
FY26 EPS	0.30
ESG premium	3%
12-month target price	6.70

Source: AmlInvestment Bank

## EXHIBIT 3: ESG SCORECARD

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Water usage	% of water sourced from surface	20%	*	*	*		Reduced potable water demand by 11.3% in FY24 to 264,628 m3.
2	Minimise waste generation	Recycled waste	20%	*	*	*	*	26% of waste diverted from landfill. Improved from 19.9% in 2023.
3	Scope 1 Emissions	tCO2e emitted	20%	*	*			Huge increase in Scope 1 emissions to 12,283 tonnes vs 2023.
4	Scope 2 Emissions	tCO2e emitted	20%	*	*	*		Scope 2 emissions remained stable. The level was 37.5% lower than 2020 levels after offset.
5	Biodiversity Loss	Environment incidents with severe environmental damage	20%	*	*	*	*	Zero incident
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*		
	<b>Social assessment</b>							
1	Health, safety & well-being	Number of fatalities & injuries	25%	*	*	*		0 fatalities & injuries in 2024
2	Women in workforce	% of total workforce	25%	*	*	*	*	16.5% of workforce from 15.4% in FY23
3	Investment in employee training	RM	25%	*	*	*	*	RM1.0mil in FY24 vs RM0.78mil in FY23 with more employees participating in training and higher average training hours per employee.
4	CSR programmes	RM	25%	*	*	*	*	The amount contributed to societal causes rose to RM2.86mil in FY24 vs RM2.63mil in FY23.
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*	*	
	<b>Governance assessment</b>							
1	Board age diversity	% under 60 years old	25%	*	*	*		22%
2	Board women representation	% of total board directors	25%	*	*	*	*	33%
3	Independent board directors	% of total board directors	25%	*	*	*	*	67% independent non-executive directors.
4	Remuneration to directors	% of total staff costs	25%	*	*	*	*	RM7.2mil - 3.6% of 2024 staff costs
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*	*	
	<b>Combined Score by respective Segments</b>							
	Environmental score		30%	*	*	*		
	Social score		30%	*	*	*	*	
	Governance score		40%	*	*	*	*	
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*	*	

Source: Company, AmInvestment Bank

EXHIBIT 4: PB BAND CHART

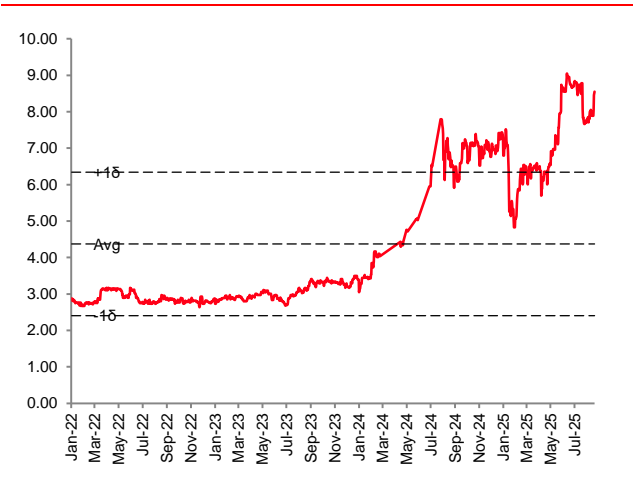
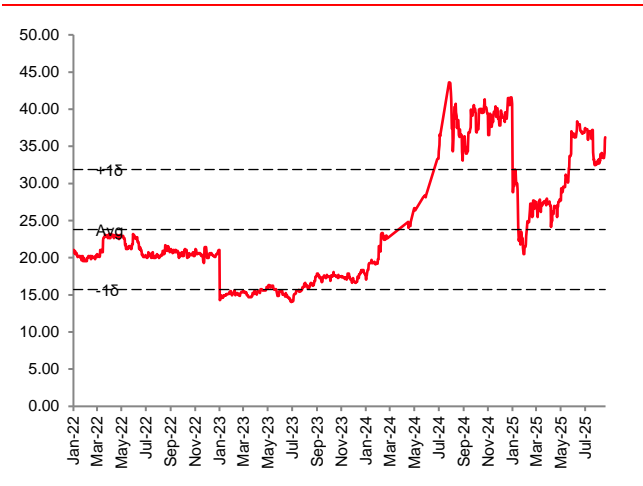


EXHIBIT 5: PE BAND CHART



## EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2,671.2	3,521.7	5,335.7	6,489.4	7,705.9
EBITDA	245.3	279.4	460.4	561.1	676.9
Depreciation/Amortisation	(21.0)	(17.3)	(14.3)	(14.8)	(15.4)
Operating income (EBIT)	224.3	262.2	446.1	546.3	661.5
Other income & associates	(14.1)	0.3	5.3	3.2	-
Net interest	(21.5)	10.5	(6.5)	(8.1)	(9.0)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>188.6</b>	<b>273.0</b>	<b>444.9</b>	<b>541.4</b>	<b>652.5</b>
Taxation	(42.8)	(75.9)	(123.8)	(150.6)	(181.5)
Minorities/pref dividends	0.7	10.1	-	-	-
<b>Net profit</b>	<b>146.6</b>	<b>207.1</b>	<b>321.2</b>	<b>390.8</b>	<b>471.0</b>
Core net profit	146.6	207.1	321.2	390.8	471.0
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	98.0	85.1	83.5	81.3	78.5
Intangible assets	-	-	-	-	-
Other long-term assets	745.6	636.7	636.7	636.7	636.7
<b>Total non-current assets</b>	<b>843.6</b>	<b>721.8</b>	<b>720.2</b>	<b>718.0</b>	<b>715.2</b>
Cash & equivalent	470.4	1,015.8	1,042.1	1,328.4	1,620.2
Stock	46.4	43.3	59.2	72.0	85.4
Trade debtors	1,241.3	1,501.5	2,792.5	3,396.3	4,032.9
Other current assets	481.0	313.9	313.9	313.9	313.9
<b>Total current assets</b>	<b>2,239.2</b>	<b>2,874.4</b>	<b>4,207.7</b>	<b>5,110.6</b>	<b>6,052.5</b>
Trade creditors	921.1	1,564.0	2,618.7	3,184.2	3,775.0
Short-term borrowings	438.2	730.6	943.3	1,200.4	1,454.4
Other current liabilities	342.5	362.0	362.0	362.0	362.0
<b>Total current liabilities</b>	<b>1,701.8</b>	<b>2,656.6</b>	<b>3,924.0</b>	<b>4,746.6</b>	<b>5,591.4</b>
Long-term borrowings	487.7	-	-	-	-
Other long-term liabilities	1.3	1.2	1.2	1.2	1.2
<b>Total long-term liabilities</b>	<b>489.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Shareholders' funds</b>	<b>820.2</b>	<b>877.9</b>	<b>942.1</b>	<b>1,020.3</b>	<b>1,114.5</b>
Minority interests	71.8	60.6	60.6	60.6	60.6
BV/share (RM)	0.64	0.68	0.73	0.79	0.86
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	188.6	273.0	444.9	541.4	652.5
Depreciation/Amortisation	21.0	17.3	14.3	14.8	15.4
Net change in working capital	-	-	-	-	-
Others	(509.0)	426.2	(376.0)	(201.7)	(240.8)
<b>Cash flow from operations</b>	<b>(299.4)</b>	<b>716.4</b>	<b>83.1</b>	<b>354.6</b>	<b>427.1</b>
Capital expenditure	(18.9)	(9.4)	(12.6)	(12.6)	(12.6)
Net investments & sale of fixed assets	2.0	12.7	-	-	-
Others	253.4	(581.3)	(83.1)	(354.6)	(427.1)
<b>Cash flow from investing</b>	<b>(62.9)</b>	<b>138.4</b>	<b>(12.6)</b>	<b>(12.6)</b>	<b>(12.6)</b>
Debt raised/(repaid)	426.9	(163.6)	212.7	257.0	254.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(71.6)	(116.0)	(256.9)	(312.6)	(376.8)
Others	(17.9)	(23.7)	-	-	-
<b>Cash flow from financing</b>	<b>337.4</b>	<b>(303.4)</b>	<b>(44.2)</b>	<b>(55.6)</b>	<b>(122.7)</b>
<b>Net cash flow</b>	<b>(24.8)</b>	<b>551.5</b>	<b>26.3</b>	<b>286.4</b>	<b>291.8</b>
<b>Net cash/(debt) b/f</b>	<b>407.7</b>	<b>384.0</b>	<b>936.3</b>	<b>962.6</b>	<b>1,249.0</b>
<b>Net cash/(debt) c/f</b>	<b>470.4</b>	<b>1,015.8</b>	<b>1,042.1</b>	<b>1,328.4</b>	<b>1,620.2</b>
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	23.9	31.8	51.5	21.6	18.7
EBITDA growth (%)	16.7	13.9	64.8	21.9	20.6
Pretax margin (%)	7.1	7.8	8.3	8.3	8.5
Net profit margin (%)	5.5	5.9	6.0	6.0	6.1
Interest cover (x)	10.4	nm	68.5	67.4	73.3
Effective tax rate (%)	22.7	27.8	27.8	27.8	27.8
Dividend payout (%)	52.8	37.3	80.0	80.0	80.0
Debtors turnover (days)	131	142	147	174	176
Stock turnover (days)	7	5	4	4	4
Creditors turnover (days)	112	129	143	163	165

Source: Company, AmlInvestment Bank Bhd estimates

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