

21 November, 2025

Sunway Construction (SCGB MK)

Above

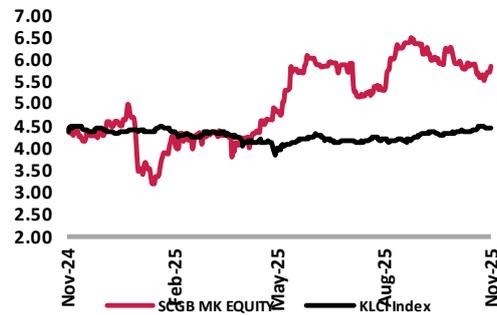
BUY

Share Price RM5.73
Target Price RM6.86 +19.7%

Solid 3Q Delivery Driven by Margin Expansion

- Above Expectations.** SunCon 3QFY25 core profit rose to RM94.5mn (+0.5% QoQ, +1% YoY), bringing 9MFY25 core earnings to RM271.0mn, already well above FY24’s full-year profit. The outperformance is driven by accelerated progress across multiple hyperscale data-centre (DC) projects and sustained momentum in Sunway in-house developments. Results came in ahead of expectations, accounting for 85.0% of both our and consensus FY25 forecasts, driven by stronger-than-anticipated progress on key DC packages and a further uplift in group-wide margins.
- Dividend surprises continue on the upside.** The group declared a third interim dividend of 6.25 sen, lifting YTD FY25 dividends to 41.5 sen, including the newly announced 23 sen special dividend—already more than 100% of YTD PATMI. This markedly exceeds our expectations and SunCon’s historical payout ratio of ~59%, underpinned by its healthy net-cash position and strong operating cash flow. This reinforces management’s commitment to returning excess cash to shareholders, particularly during periods of elevated DC-driven earnings growth.
- In-house projects and DCs dominate order book.** As at September 2025, SunCon’s outstanding order book stood at RM5.44bn (vs. RM6.72bn in June 2025), reflecting high progress billing from fast-moving DC projects. YTD wins total RM3.93bn, representing 65% of its FY25 replenishment target of RM4.5–6.0bn. The mix remains favourable, with DCs accounting for 37%, in-house Sunway projects 41%, Singapore precast 16%, and the remainder from India, building and infrastructure works. The group’s tender pipeline stays robust at >RM18bn, including >550MW of ATF/DC tenders, Penang LRT (CMC2), upcoming TODs, renewable energy jobs, and healthcare/commercial projects from Sunway Berhad. SunCon has now delivered 144MW of DC capacity, has 110MW under construction, and maintains strong repeat-client momentum with eight ongoing DC projects.
- Construction segment continues to drive earnings, with margins improving.** The construction division delivered another strong quarter with PBT of RM123.1mn (+80% YoY, +1% QoQ), lifting margins to 8.9%, the highest in recent quarters. This was primarily driven by accelerated progress across multiple hyperscale DC projects in the Klang Valley and Johor, alongside steady contributions from Sunway’s in-house developments. Precast performance improved meaningfully, with PBT rising to RM4.0mn (vs. RM1.2mn in 2QFY25), supported by peak-stage deliveries and lower interest costs following the full settlement of borrowings.
- Earnings revision.** We revise our FY25F–FY27F earnings upward by 4% to 14.9% to reflect stronger progress recognition from hyperscale DC projects and firmer margin assumptions across the construction segment. Following the upward revisions, our **TP is raised to RM6.86** (from RM6.61), derived by pegging FY26F EPS of 28.6 sen to a 24x P/E—equivalent to +0.5SD above its 10-year historical mean. We maintain our BUY recommendation.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	6.6	14.6	46.1
vs FBM KLCI	2.0	10.1	45.7

Stock Data	
ESG Rating	Good
Mkt Cap (RM mn)	7762.2
Adjusted Beta	1.1
Free float (%)	80.5
Issued shares (mn)	1320.1
52w H/L (RM)	6.58 / 3.26
3m avg daily volume	3,805,881

Major Shareholders (%)	
Sunway Holdings Sdn	11.3
ASNB	4.2
Generasi Setia	4.1

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Table 1: Results Review

Sunway Construction FYE 31 Dec (RMmn)	Quarterly			Change		Cumulative		YTD Chg	BIMB	9M/F25
	3Q24	2Q25	3Q25	QoQ	YoY	9M24	9M25			
Revenue	865.3	1,476.9	1,445.2	-2.1%	67.0%	2,121.4	4,322.6	103.8%		
EBIT	64.8	114.6	95.7	-16.5%	47.6%	170.6	319.7	87.5%		
Other income	14.9	4.0	39.6	894.7%	165.4%	31.0	14.8	-52.5%		
Finance Income	22.4	18.0	39.6	120.3%	77.0%	42.4	71.8	69.3%		
Finance Cost	(16.6)	(12.8)	(13.6)	6.8%	-18.0%	(50.6)	(39.3)	-22.4%		
Associates & JV	0.0	2.9	5.4	90.2%	nm	0.0	10.6	nm		
Exceptional gain/(loss)	(13.4)	10.1	10.7	6.2%	-179.9%	2.0	27.4	1293.1%		
Pretax Profit	70.5	122.6	127.1	3.6%	80.2%	162.4	362.9	123.5%		
Taxation	(21.9)	(28.4)	(30.7)	8.1%	40.1%	(43.3)	(86.5)	100.1%		
Net Profit	46.5	83.9	83.8	-0.1%	80.3%	120.5	243.4	102.0%		
Core net profit	34.2	94.0	94.5	0.5%	176.1%	103.4	270.8	161.9%	319.9	85.0%
				Chg (ppts)				Chg (ppts)		
EBIT margin	7.5%	7.8%	6.6%	(1.1)	(0.9)	8.0%	7.4%	(0.6)		
Pretax margin	8.2%	8.3%	8.8%	0.5	0.6	7.7%	8.4%	0.7		
Core net margin	4.0%	6.4%	6.5%	0.2	2.6	4.9%	6.3%	1.4		
Effective tax rate	-31.0%	-23.1%	-24.1%	(1.0)	6.9	-26.6%	-23.8%	2.8		

Source: Company, BIMB Securities

Table 2: Earnings Forecasts

FYE 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Turnover	2672.2	4322.6	5808.5	5919.0	6570.0
Pre-tax profit	188.6	362.9	487.9	491.3	525.6
Core net profit	151.2	270.8	365.9	368.5	394.2
Core EPS (sen)	11.7	21.0	28.4	28.6	30.6
Core EPS growth (%)	5.2	79.1	35.1	0.7	7.0
PER (x)	13.1	27.3	20.2	20.1	18.7
DPS (sen)	6.0	8.5	41.5	20.0	20.0
Div. Yield (%)	1.0	1.5	7.2	3.5	3.5
P/B (x)	9.0	8.4	5.7	5.3	4.8
Net gearing (x)	0.6	Net Cash	Net Cash	0.2	0.2
Key Ratios (%)					
ROE	18.6	36.6	31.2	29.4	29.1
Pretax margin	7.1	8.8	8.4	8.3	8.0
Core net margin	5.4	6.6	6.3	6.2	6.0

Source: Company, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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