

Sunway Construction (SCGB MK)

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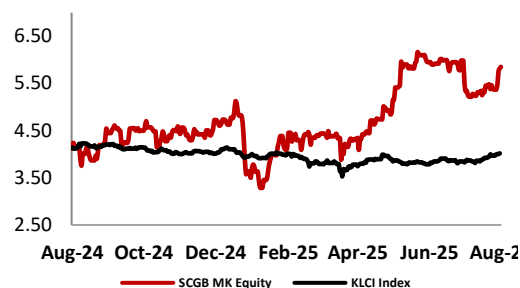
BUY

Share Price RM5.85
Target Price RM6.61 +13.0%

Hyperscale DC Progress Lifts Earnings

- **Maintain Buy with an unchanged TP of RM6.61.** SUNCON recorded a stronger 2QFY25 core profit of RM94.0mn (+14.2% QoQ, +153.1% YoY). This brings its 9MFY25 core profit to RM176.3mn (+147.4% YoY) driven by accelerated progress across multiple hyperscale data centre (DC) projects. Overall, the result came above expectations making up 58.1% of both our and consensus estimates, respectively. The exceptional performance was largely driven by faster-than-anticipated progress at the JHB1X0 data center project in Sedenak Tech Park.
- **Dividend surprises on the upside.** The group declared a second interim DPS of 7.25 sen, lifting YTD payout to 12.25 sen—already surpassing FY24's 8.5 sen. This exceeded our expectations, with the payout ratio spiking to 100%, well above the historical average of ~62%, underpinned by the group's strong net cash position.
- **In-house projects and DCs dominate order book.** As at the end of June 2025, SunCon's outstanding order book stood at RM6.72bn (1QFY25: RM6.6bn), providing solid earnings visibility. YTD, the group has secured RM3.81bn in new wins, representing 63% of its FY25 replenishment target of RM4.5–6.0bn. Key awards include the RM1.16bn general contractor package for two US-based hyperscale DCs, the RM393mn K2 DC project in Johor, and the RM1.5bn RTS transit-oriented development (TOD) in Bukit Chagar. In terms of composition, the order book is dominated by DCs (45%) and Sunway in-house projects (37%), with the balance contributed by Singapore precast (13%), India (3%) and infrastructure/piling (1%). The group's tender pipeline remains robust at RM14.8bn, spanning over 760MW of potential DC capacity alongside upcoming mega-infrastructure opportunities such as MRT3, Penang LRT, Penang International Airport expansion, as well as renewable energy projects.
- **Construction segment drives profit growth.** The construction segment continued to drive SunCon's performance, with pretax profit surged 158.8% YoY to RM121.4mn, representing an 8.4% QoQ increase. This strong growth was primarily driven by accelerated progress on Yellowwood Properties Sdn Bhd's JHB1X0 DC project at Sedenak Tech Park, which is well on track for completion by 1QFY26. As of 2QFY25, we estimate the project has reached 84.8% completion, with RM580mn remaining contract value (out of RM3.8bn). However, this stellar construction performance was partially offset by weaker results in the Precast segment, where pretax profit contracted sharply by 63.1% YoY to RM1.2mn, essentially flat compared to 1QFY25.
- **Earnings revision.** We revise our FY25F earnings upward by 5.4% to reflect faster progress billing assumptions for the JHB1X0 DC project, while keeping our FY26F and FY27F forecasts unchanged. Our TP remains unchanged at RM6.61, derived by pegging FY26F EPS of 27.5 sen to 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)	7,675.4
Adjusted Beta	1.1
Free float (%)	0.3
Issued shares (mn)	1,312.0
52w H/L (RM)	6.27 / 3.26
3m avg daily volume	7,337,282

Major Shareholders (%)

Sunway Holdings	53.7
Sungei Way Corp	9.9
Employees Provident Fund	4.3

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Table 1: Results Review

Sunway Construction FYE 31 Dec (RMmn)	2Q24	Quarterly 1Q25	2Q25	Change QoQ	YoY	Cumulative 1H FY24	1H FY25	YTD Chg	BIMB	6M/F25
Revenue	651.2	1,400.5	1,476.9	5.5%	126.8%	1,256.0	2,877.4	129.1%	5,332.4	54.0%
EBIT	52.7	109.5	114.6	4.6%	117.6%	105.7	224.1	111.9%		
Other income	1.6	4.8	18.0	270.8%	1026.3%	16.1	8.8	-45.2%		
Finance Income	15.3	14.3	18.0	26.0%	17.2%	20.1	32.2	60.6%		
Finance Cost	(17.8)	(12.9)	(12.8)	-0.8%	-28.2%	(34.0)	(25.7)	-24.5%		
Associates & JV	0.0	2.3	2.9	23.6%	nm	0.0	5.2	nm		
Forex gain/(loss)	(0.4)	0.0	0.0	nm	nm	0.0	0.0	nm		
Exceptional gain/(loss)	(1.4)	6.6	10.1	53.0%	nm	0.0	16.7	nm		
Pretax Profit	50.2	113.2	122.6	8.3%	144.2%	91.9	235.8	156.7%		
Taxation	(12.4)	(27.5)	(28.4)	3.2%	128.2%	(21.4)	(55.9)	161.4%		
Net Profit	38.9	75.7	83.9	10.8%	115.8%	71.3	159.6	123.9%		
Core net profit	37.1	82.3	94.0	14.2%	153.1%	71.3	176.3	147.4%	303.6	58.1%
								Chg (ppts)		
EBIT margin	8.1%	7.8%	7.8%	(0.1)	(0.3)	8.4%	7.8%	(0.6)		
Pretax margin	7.7%	8.1%	8.3%	0.2	0.6	7.3%	8.2%	0.9		
Core net margin	5.7%	5.9%	6.4%	0.5	0.7	5.7%	6.1%	0.5		
Effective tax rate	-24.8%	-24.3%	-23.1%	1.1	1.6	-23.3%	-23.7%	(0.4)		

Source: Company, BIMB Securities

Table 2: Segmental Performance

Sunway Construction FYE 31 Dec (RMmn)	2Q24	Quarterly 1Q25	2Q25	Change QoQ	YoY	Cumulative 1H24	1H25	YTD Chg
Revenue								
Construction	597.6	1369.9	1433.5	4.6%	139.9%	1141.2	2803.4	145.7%
Precast	53.6	30.6	43.4	41.9%	-19.0%	74.0	74.0	0.0%
Total Revenue	651.2	1400.5	1476.9	5.5%	126.8%	1215.2	2877.4	136.8%
Pretax profit								
Construction	46.9	112.0	121.4	8.4%	158.8%	84.7	233.4	175.4%
Precast	3.3	1.2	1.2	-2.2%	-63.1%	7.1	2.5	-65.4%
Total Pretax Profit	50.2	113.2	122.6	8.3%	144.3%	91.9	235.8	156.7%
								Chg (ppts)
Pretax margin (%)								
Construction	7.8%	8.2%	8.5%	0.3	0.6	7.4%	8.3%	12.1%
Precast concrete	6.2%	4.1%	2.8%	(1.3)	(3.4)	9.6%	3.3%	-65.4%
Total	7.7%	8.1%	8.3%	0.2	0.6	7.6%	8.2%	8.4%

Source: Company, BIMB Securities

Table 3: Earnings Forecasts

FYE 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Turnover	2672.2	2877.4	5618.1	5919.0	6570.0
Pre-tax profit	188.6	235.8	438.2	473.5	525.6
Core net profit	151.2	176.3	319.9	355.1	394.2
Core EPS (sen)	11.7	13.7	24.8	27.5	30.6
Core EPS growth (%)	5.2	16.6	81.4	11.0	11.0
PER (x)	13.1	42.5	23.4	21.1	19.0
DPS (sen)	6.0	8.5	20.0	20.0	20.0
Div. Yield (%)	1.0	1.5	3.4	3.4	3.4
P/B (x)	9.1	8.5	5.7	5.3	4.8
Net gearing (x)	0.6	Net Cash	Net Cash	0.2	0.2
Key Ratios (%)					
ROE	19	37	31	26	29
Pretax margin	7	9	8	8	8
Core net margin	5	7	6	6	6

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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Printed and published by**BIMB SECURITIES SDN BHD (290163-X)**

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