


Malaysia

ADD (previously HOLD)

Consensus ratings*: Buy 7 Hold 7 Sell 2

Current price: RM5.48
Target price:  RM7.10
Previous target: RM5.50
Up/downside: 29.6%
CGSI / Consensus: 17.4%

Reuters: SCOG.KL
Bloomberg: SCGB MK
Market cap: US\$1,703m

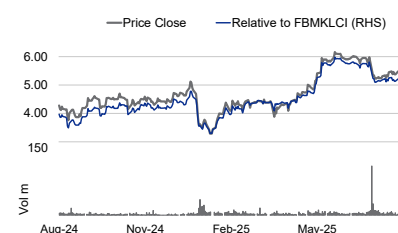
RM7,189m
Average daily turnover: US\$9.23m
RM39.11m

Current shares o/s: 1,325m
Free float: 45.6%

*Source: Bloomberg

Key changes in this note

- Raise FY25F/FY26F/FY27F EPS by 1%/13%/16%.
- Raise GGM-derived TP to RM7.10.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.4	11.4	25.1
Relative (%)	-12.3	10.6	27.5

Major shareholders	% held
Sunway Berhad	54.4

Analyst(s)



CHONG Tjen-San, CFA

T (60) 3 2635 9298

E tjen-san.chong@cgsi.com

Sunway Construction Group Bhd

Key overhang removed; expect higher wins

- MACC clarifies its investigation relates solely to the conduct of an employee.
- We believe there is a shortage of competent DC contractors and Suncon could benefit given its strong track record with tier-1 DC clients.
- We upgrade to Add as we lift FY25-FY27F EPS and our TP to RM7.10.

MACC clarifies investigation pertains solely to employee

Sunway Construction (Suncon) announced to Bursa today that it has received an official written confirmation from Malaysian Anti-Corruption Commission (MACC) clarifying that the scope of MACC's investigation pertains solely to the personal conduct of the individual and it remains an isolated case. This is in relation to the early inquiry into one of its employees ([link](#)) announced on 21 Jul. MACC has further confirmed that SunCon is not subjected to an investigation under any provision of the MACC Act 2009, including Section 17A which involves corporate liability. We see this as a positive catalyst while also removing a key overhang on the stock. Also, given its strong brand equity and parent company, we believe this could pave the way for more external construction wins.

Expect it to capitalise on DC tenders with key overhang removed

In line with our view that data centre (DC) awards are expected to accelerate in 2HCY25F and CY26F ([link](#)), we now expect Suncon to be able to win its fair share of contracts with this key overhang removed. We gather Suncon has 7-8 DC tenders totalling c.RM14bn and of significance are the 5 DC tenders from local developers and Pearl Computing (unlisted) which are slated for award soon. So far among all contractors under our coverage, Suncon appears to be the most entrenched in the DC space with DCs making up 49% of its orderbook of RM7.9bn (as at Jun 25), a tier-1 DC clientele comprising 4 clients and it is among only a few contractors having commissioned a DC locally. Based on Knight Frank Malaysia's DC report in Dec 24, the future supply of IT capacity in Malaysia is 1,313 MW; we believe there is a shortage of competent DC contractors locally to be able to cater for a potential surge in contract flows. This is a key positive and low hanging fruit for Suncon, in our view. Suncon's YTD FY25F wins amount to RM3.5bn and we believe it will likely achieve the higher end of its order win target of RM4.5bn-6bn in FY25F.

Upgrade to Add, lift EPS and our TP of RM7.10

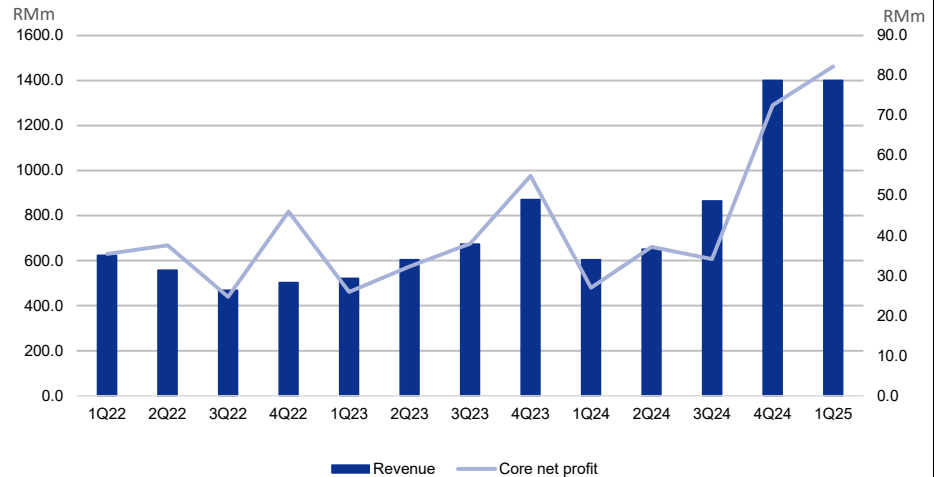
Upgrade to Add with a higher GGM TP of RM7.10 (LTG: 4.5%, COE: 8.4%, ROE: 32.7%), as we raise our FY25F-27F EPS amid higher new order wins of RM5.9bn/RM6bn/RM6bn (vs. RM5.2bn/RM4.8bn/RM4.8bn). At our new TP, the stock will trade at 25x FY26F P/E, a tad below +2 s.d. from 26x (its historical trading range since FY22). We believe this is justified with potentially strong contract win momentum especially in the DC space which will be ROE enhancing given the higher margins and shorter contract duration. Downside risks: slower recognition of existing DC projects and higher costs. Re-rating catalysts: winning a new DC client and award of government infrastructure contracts.

Financial Summary	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue (RMm)	2,671	3,522	5,277	6,061	6,350
Operating EBITDA (RMm)	245.3	279.5	454.6	519.5	556.7
Net Profit (RMm)	170.2	171.3	308.4	367.3	398.9
Core EPS (RM)	0.13	0.13	0.24	0.28	0.30
Core EPS Growth	25.9%	0.7%	77.8%	17.7%	8.6%
FD Core P/E (x)	41.63	41.35	23.26	19.76	18.20
DPS (RM)	0.06	0.08	0.12	0.14	0.15
Dividend Yield	1.09%	1.55%	2.18%	2.59%	2.82%
EV/EBITDA (x)	31.04	24.55	14.38	12.50	11.32
P/FCFE (x)	99.37	10.74	11.92	21.56	18.13
Net Gearing	51.1%	(30.4%)	(64.3%)	(65.6%)	(69.4%)
P/BV (x)	8.64	8.07	7.03	5.97	5.13
ROE	21.9%	20.2%	32.3%	32.7%	30.3%
% Change In Core EPS Estimates			1.3%	13.4%	16.2%
EPS/Consensus EPS (x)			1.00	1.09	1.06

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Key overhang removed paving the way for higher wins

Figure 1: Suncon's quarterly results since 1Q22: 1Q25 was its strongest quarter due to high DC recognition. We expect the strong numbers to continue in the quarters ahead



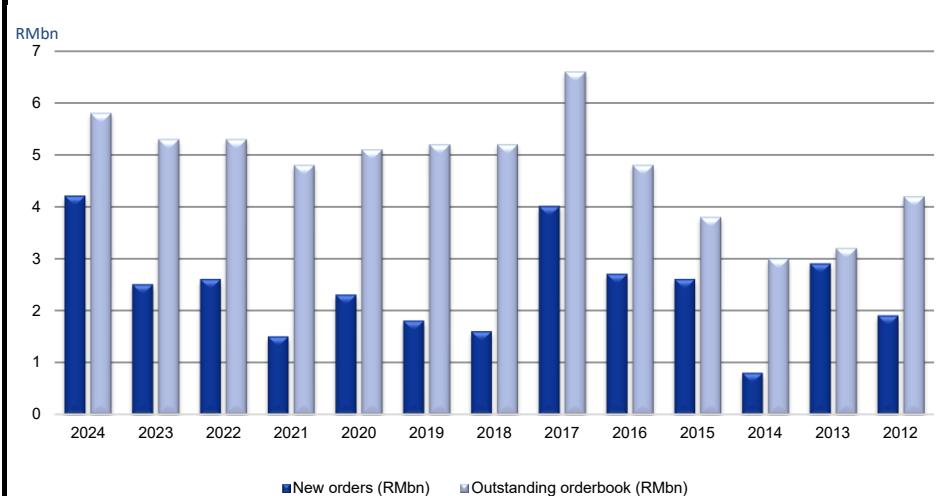
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Forecast revisions

	Previous FY25F	Previous FY26F	Previous FY27F	Revised FY25F	Revised FY26F	Revised FY27F	% change FY25F	% change FY26F	% change FY27F
Revenue (RMm)	5,213.2	5,360.6	5,424.9	5,277.2	6,060.6	6,349.9	1.2%	13.1%	17.1%
EBITDA (RMm)	449.5	462.2	484.2	454.6	519.5	556.7	1.1%	12.4%	15.0%
Net profit (RMm)	304.5	323.8	343.5	308.4	367.3	398.9	1.3%	13.4%	16.2%
EPS (Sen)	23.3	24.4	25.9	23.6	27.7	30.1	1.3%	13.4%	16.2%

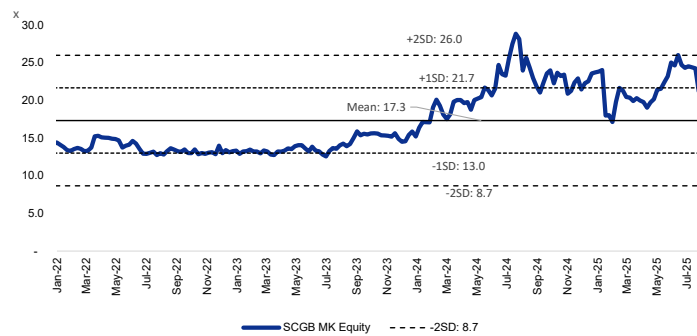
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Historical new order wins in FY12-24



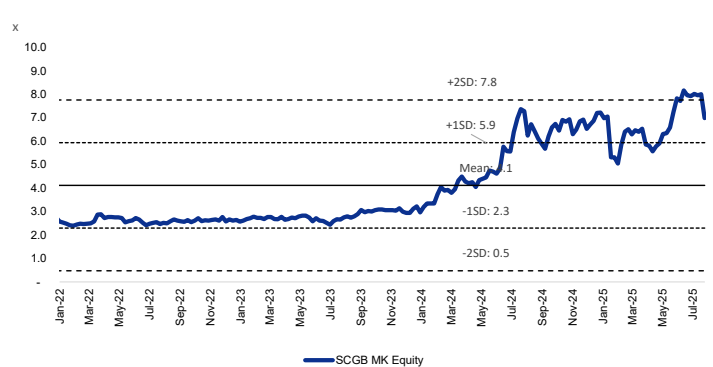
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: Suncon's P/E trading band since FY22



SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: Suncon's P/BV trading band since FY22



SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 6: Peer comparisons (as at 18 Aug 2025)

Company	Bloomberg TickerS	Rec. (lcl curr)	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US\$ m)	Core P/E (x) CY25F	Core P/E (x) CY26F	PEG (x)	P/BV (x) CY25F	P/BV (x) CY26F	Recurring ROE (%) CY25F	Recurring ROE (%) CY26F	Dividend Yield (%) CY25F	Dividend Yield (%) CY26F
Gamuda	GAM MK	Add	5.70	7.30	7,825	28.3	21.6	0.95	2.72	2.47	9.6%	11.9%	1.8%	1.8%
IJM Corp Bhd	IJM MK	Add	2.96	3.61	2,457	19.4	15.1	0.44	0.98	0.94	5.0%	6.3%	2.0%	2.0%
WCT Holdings	WCTHG MK	Add	0.88	1.28	325	22.4	18.5	-0.47	0.35	0.35	1.5%	1.9%	0.0%	0.0%
Sunway Construction Group Bhd	SCGB MK	Add	5.48	7.10	1,703	23.3	19.8	0.46	7.03	5.97	31.4%	32.7%	2.2%	2.6%
Muhibbah Engineering	MUHI MK	Add	0.56	1.10	96	6.1	5.9	-1.31	0.29	0.28	4.9%	4.8%	4.9%	5.1%
HSS Engineers	HSS MK	Add	0.65	1.38	78	7.7	5.5	0.12	1.09	0.95	14.5%	18.6%	4.3%	6.0%
YTL Corporation	YTL MK	Add	2.71	2.60	7,337	14.9	14.7	6.02	1.75	1.77	11.4%	12.0%	1.8%	1.8%
Malayan Cement Bhd	LMC MK	Add	5.40	7.10	1,733	11.1	10.8	0.99	1.03	0.96	9.4%	9.2%	2.2%	2.6%
Sunway Bhd	SWB MK	Add	4.74	5.80	6,989	25.3	24.3	5.76	1.86	1.77	7.5%	7.5%	1.8%	2.0%
Econpile Holdings Bhd	ECON MK	Add	0.41	0.46	136	46.6	17.0	na	1.55	1.46	3.3%	8.8%	0.6%	1.9%
Kumpulan Kitaccon Bhd	KITACON MK	Add	0.75	1.43	88	6.7	5.6	0.34	1.01	0.87	15.7%	16.9%	4.4%	5.3%
Construction sector						19.2	14.4	1.33	1.79	1.62	10.4%	11.9%	2.4%	2.8%

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS



ESG in a nutshell

We deem Suncon's ESG practices as some of the most progressive in the local construction industry. In 2022, SunCon reviewed its Sustainability Framework to better align its strategic approach to ESG with industry best practices as well as to adopt more stringent reporting disclosures. Suncon is bidding for more ESG-based projects such as renewable energy and green building projects; this is positive for its ESG journey, in our view. Two large-scale solar (LSS) projects it bagged in FY21-22 marked the beginning of this foray.

Keep your eye on

The group is looking to expand further in the solar energy space; it is currently an engineering, procurement, construction and commissioning (EPCC) contractor for two LSS projects. Besides this, there is growing demand for more sustainable or ESG-based projects in Malaysia, such as thermal energy storage (TES), district cooling systems (DCS), energy efficient or "smart" buildings, solar farms and solar panels. It was one of 22 most recent winners of the Corporate Green Power Programme (CGPP) announced by the Energy Commission (EC) on 7 Aug 2023.

Implications

There was a delay in the rollout of renewable (RE) projects in Malaysia, especially LSS farms, due to the high prices of solar panels but prices have since abated. Suncon may look to bid for more RE projects in the future where it was present in some LSS projects in the past.

ESG highlights

There was a delay in the rollout of renewable RE projects in Malaysia, especially LSS farms, due to the high prices of solar panels but prices have since abated. The Energy Commission (EC) announced new measures to maintain the viability of projects identified under the fourth round of LSS awards (LSS4), such as the extension of the duration of Power Purchase Agreements (PPA) by four years from 21 years to 25 years. While Suncon is just an EPCC contractor, this is still positive for the company, in our view.

On 20 Jul 2022, SunCon commenced construction of a DCS at the mixed development in South Quay Square, Sunway City Kuala Lumpur, in collaboration with ENGIE South East Asia.

Implications

We consider Suncon's ESG efforts to be progressive and among the best among the local contractors. SunCon is working towards achieving 30% women representation on its board, according to its FY24 annual report.

Trends

SunCon may be looking to participate in Malaysia's voluntary carbon market (VCM) as a buyer of carbon credits to offset emissions. It may also potentially generate carbon credits through its carbon negative projects, according to its FY23 and FY24 annual reports.

The construction industry's increased focus on climate change and sustainability provides more opportunities for green building design and construction. SunCon's continued progress in and focus on green and sustainable infrastructure development could boost its access to green bonds and sustainable financing, in our view.

Suncon is rated AA for ESG by MSCI and was recently included in the FBM 70 Index.

Implications

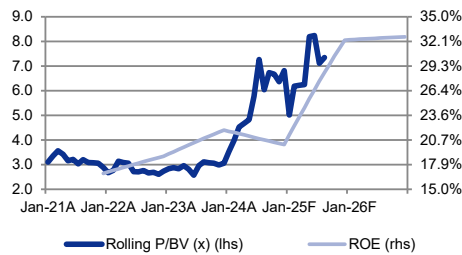
While it is early days, we think Suncon will continue to tick more boxes for ESG where it can also leverage on its parent company Sunway Berhad to achieve this.

All Sunway Berhad's ESG initiatives are aligned with five global megatrends i.e. rapid urbanisation, social change, technological breakthroughs, resource scarcity, and shifting economic power. These trends will become more central in 2025F. Sunway Berhad also targets that, by 2030F, it would have achieved green building certification for all Sunway-owned and/or managed townships and buildings completed from 2025F onwards. This will bode well for Suncon, in our view.

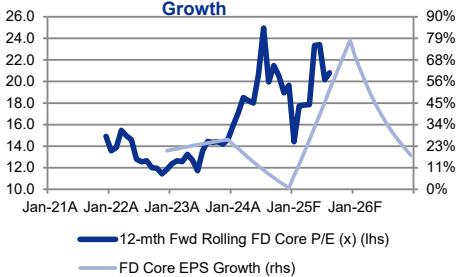
SOURCES: CGSI RESEARCH

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Net Revenues	2,698	3,573	5,291	6,075	6,364
Gross Profit	588	791	972	1,042	1,084
Operating EBITDA	245	279	455	520	557
Depreciation And Amortisation	(21)	(17)	(18)	(25)	(30)
Operating EBIT	224	262	437	495	527
Financial Income/(Expense)	(21)	11	5	7	11
Pretax Income/(Loss) from Assoc.	(14)	0	2	2	2
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	189	273	443	504	539
Exceptional Items	25	(16)	0	0	0
Pre-tax Profit	214	257	443	504	539
Taxation	(43)	(76)	(115)	(131)	(140)
Exceptional Income - post-tax					
Profit After Tax	171	181	328	373	399
Minority Interests	(1)	(10)	(19)	(5)	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	170	171	308	367	399
Recurring Net Profit	170	171	308	367	399
Fully Diluted Recurring Net Profit	170	171	308	367	399

Cash Flow

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	245.3	279.5	454.6	519.5	556.7
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(274.1)	425.8	288.7	(25.5)	9.0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(62.1)	(64.9)	(31.2)	(33.4)	(35.7)
Other Operating Cashflow	(130.6)	141.7	0.0	0.0	0.0
Net Interest (Paid)/Received	(21.5)	10.5	4.5	7.0	10.7
Tax Paid	(42.8)	(75.9)	(115.2)	(130.9)	(140.2)
Cashflow From Operations	(285.8)	716.7	601.5	336.7	400.5
Capex	(17.7)	(9.2)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(70.4)	147.8	0.0	0.0	0.0
Cash Flow From Investing	(88.1)	138.6	(50.0)	(50.0)	(50.0)
Debt Raised/(repaid)	445.2	(195.3)	50.0	50.0	50.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(70.9)	(116.0)	(154.2)	(183.7)	(199.5)
Preferred Dividends					
Other Financing Cashflow	(21.6)	1.4	32.9	35.1	37.4
Cash Flow From Financing	352.7	(310.0)	(71.3)	(98.5)	(112.1)
Total Cash Generated	(21.2)	545.3	480.2	188.2	238.4
Free Cashflow To Equity	71.3	660.0	601.5	336.7	400.5
Free Cashflow To Firm	(326.0)	920.5	584.4	321.8	387.9

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Cash And Equivalents	470	1,016	1,496	1,684	1,923
Total Debtors	1,596	1,843	2,602	2,989	3,131
Inventories	46	43	66	76	80
Total Other Current Assets	127	20	20	20	20
Total Current Assets	2,239	2,922	4,185	4,769	5,154
Fixed Assets	99	85	117	143	163
Total Investments	253	225	225	225	225
Intangible Assets	483	342	342	342	342
Total Other Non-Current Assets	9	22	22	22	22
Total Non-current Assets	844	674	706	731	751
Short-term Debt	438	731	731	731	731
Current Portion of Long-Term Debt					
Total Creditors	1,243	1,913	2,984	3,355	3,510
Other Current Liabilities	21	13	13	13	13
Total Current Liabilities	1,702	2,657	3,728	4,098	4,254
Total Long-term Debt	488	0	50	100	150
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	488	0	50	100	150
Total Provisions	1	1	1	1	1
Total Liabilities	2,191	2,658	3,779	4,200	4,405
Shareholders' Equity	820	878	1,032	1,216	1,415
Minority Interests	72	61	80	85	85
Total Equity	892	939	1,112	1,301	1,500

Key Ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue Growth	23.9%	31.8%	49.8%	14.8%	4.8%
Operating EBITDA Growth	11.0%	13.9%	62.7%	14.3%	7.2%
Operating EBITDA Margin	9.18%	7.94%	8.61%	8.57%	8.77%
Net Cash Per Share (RM)	(0.35)	0.22	0.54	0.64	0.79
BVPS (RM)	0.63	0.68	0.78	0.92	1.07
Gross Interest Cover	4.68	4.02	13.28	14.09	14.09
Effective Tax Rate	20.0%	29.5%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	53.3%	58.6%	50.0%	50.0%	50.0%
Accounts Receivables Days	176.6	178.7	153.7	168.4	175.9
Inventory Days	8.64	5.90	4.63	5.17	5.39
Accounts Payables Days	186.8	207.6	206.9	229.9	237.3
ROIC (%)	38%	24%	102%	286%	235%
ROCE (%)	16.0%	19.4%	26.6%	26.7%	25.5%
Return On Average Assets	6.29%	5.59%	7.62%	7.04%	6.81%

Key Drivers

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
New order wins	2,500.0	4,100.0	2,900.0	6,000.0	6,000.0
Construction revenue	2,381.0	3,326.9	4,970.2	5,643.6	5,889.9
Precast revenue	290.2	194.8	307.0	417.0	460.0
Construction EBIT margins	7.5	7.2	8.2	8.0	8.2
Precast EBIT margins	15.5	11.5	10.0	10.0	10.0

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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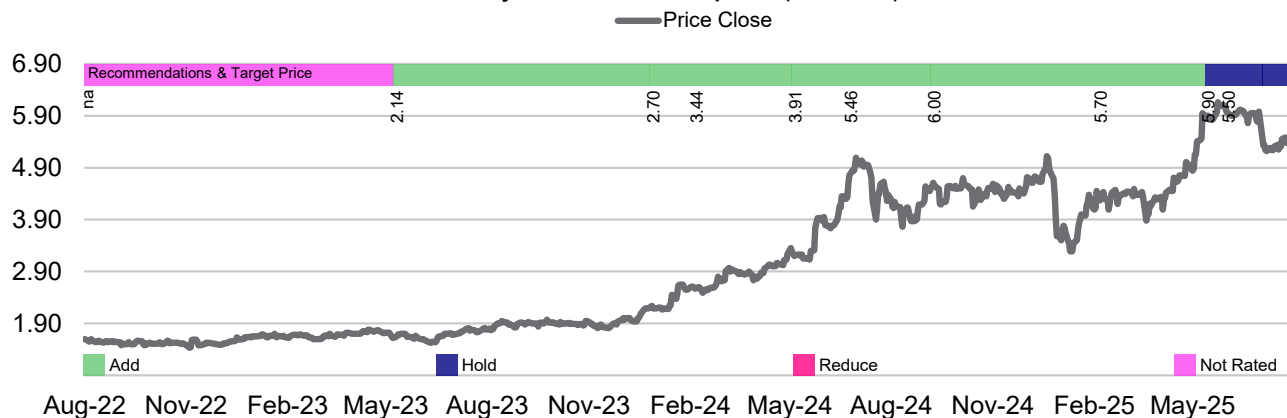
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2025		
561 companies under coverage for quarter ended on 30 June 2025		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.6%	1.1%
Hold	20.5%	0.5%
Reduce	8.9%	0.5%

Spitzer Chart for stock being researched (2 year data)

Sunway Construction Group Bhd (SCGB MK)



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.