

Malaysia

HOLD (no change)

Consensus ratings*: Buy 7 Hold 7 Sell 2

Current price: RM5.49
Target price: RM5.50
Previous target: RM5.90
Up/downside: 0.2%
CGSI / Consensus: -10.1%

Reuters: SCOG.KL
Bloomberg: SCGB MK
Market cap: US\$1,695m

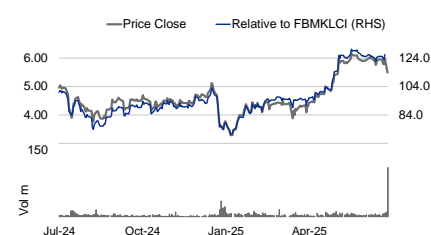
RM7,194m
Average daily turnover: US\$5.71m
RM33.13m

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

*Source: Bloomberg

Key changes in this note

- ▶ Cutting FY25F/26F/27F EPS by 4%/5%/4% assuming lower new order win assumptions.
- ▶ TP lowered to RM5.50 based on GGM after the cut in EPS.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.7	26.5	9.4
Relative (%)	-9.2	24.7	16.2

Major shareholders	% held
Sunway Berhad	54.4

Analyst(s)



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Sunway Construction Group Bhd

Issues holding statement on MACC inquiry

- Suncon said in a holding statement today that the MACC is making inquiries into one of its employees. Suncon is not a subject of the inquiry, it added.
- While we think Suncon has strong internal processes and governance, we do not discount the possibility that this probe could impact its future tenderbook.
- Reiterate Hold with a lower GGM-based TP of RM5.50 as we cut our EPS.

Issues holding statement on MACC inquiry on employee

Sunway Construction (Suncon) today issued a holding statement on a Malaysian Anti-Corruption Commission (MACC) inquiry into a Suncon employee in relation to their engagement with certain subcontractors. Suncon said this was an "isolated investigation", did not have implications on senior management, and was not representative of how Suncon secured its contracts. Suncon also said that as this inquiry falls solely under the MACC's jurisdiction, it has refrained and will continue to refrain from further comment, placing its trust on the agency to conduct an impartial investigation.

The case may be isolated but future tenderbook could be at risk

While we take comfort that Suncon itself is not a subject of inquiry, nor have losses been suffered by Suncon's clients, we do not discount some reputational damage until the case is concluded. This may impact some of Suncon's ongoing tenders, especially in the data centre (DC) space, of which we understand there are 7-8 totaling RM14bn. In our view, this situation could help some of the larger contractors, such as Gamuda and IJM, who are vying for the same DC jobs. Even so, given its strong brand equity and parentage, we think Suncon will be able to recover from this event without impacting its new order wins materially over the longer term. Suncon's YTD FY25F wins amount to RM3.5bn and orderbook is at RM7.9bn (as at Jun 25) with DCs making up 49%. We believe its current new order win target for FY25F of RM4.5bn-6bn is intact but may not surprise on the upside to justify a meaningful rerating.

Maintain Hold with lower TP of RM5.50 as we cut EPS

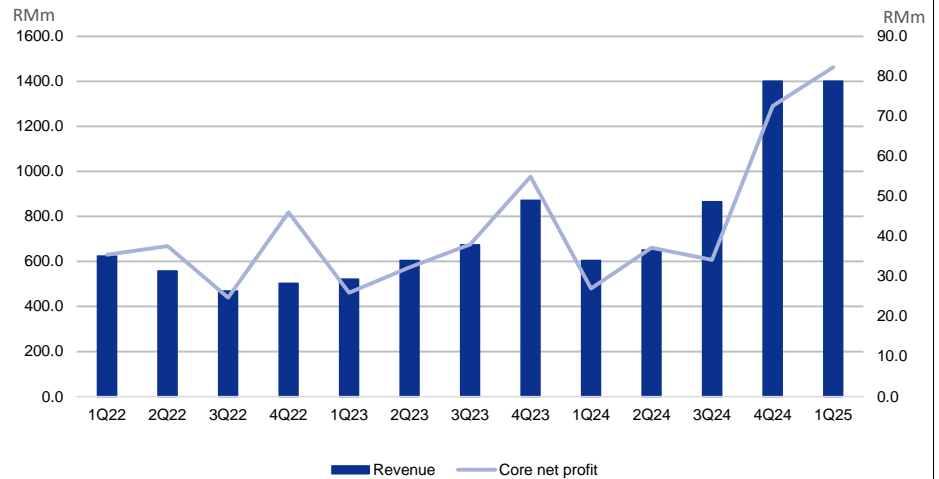
Valuation at 22x FY26F P/E is not compelling at a premium to the sector average of 14x, with the MACC inquiry likely to be a share price overhang until it concludes. In our view, investors were ascribing a premium for its ROE-enhancing DC exposure. However, unless it manages to win more DC jobs, we do not see any meaningful earnings growth beyond FY25F. To be prudent, we lower our FY25F/26F/27F EPS by 4%/5%/4% to factor in lower new order wins of RM5.3bn/4.8bn/4.8bn (vs. RM5.5bn/5bn/5.1bn previously) while we also factor the additional share issuance from its ESOS. Consequently, our GGM-derived TP is lowered to RM5.50 (LTG: 4.5%, COE: 8.4%, ROE: 32%). Downside risks: slower recognition of existing DC projects and higher cost environment. Upside risks: 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	5,213	5,361	5,425
Operating EBITDA (RMm)	245.3	279.5	449.5	462.2	484.2
Net Profit (RMm)	170.2	171.3	304.5	323.8	343.5
Core EPS (RM)	0.13	0.13	0.23	0.24	0.26
Core EPS Growth	25.9%	0.7%	75.6%	5.1%	6.1%
FD Core P/E (x)	41.70	41.43	23.60	22.46	21.18
DPS (RM)	0.06	0.08	0.12	0.13	0.13
Dividend Yield	1.09%	1.54%	2.14%	2.28%	2.42%
EV/EBITDA (x)	31.09	24.60	14.59	14.20	13.25
P/FCFE (x)	99.55	10.75	12.10	27.57	21.88
Net Gearing	51.1%	(30.4%)	(63.9%)	(62.4%)	(65.2%)
P/BV (x)	8.65	8.09	7.06	6.10	5.33
ROE	21.9%	20.2%	31.9%	29.1%	26.9%
% Change In Core EPS Estimates			(3.61%)	(5.08%)	(4.42%)
EPS/Consensus EPS (x)			0.99	0.95	0.91

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Issues holding statement on MACC inquiry

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.



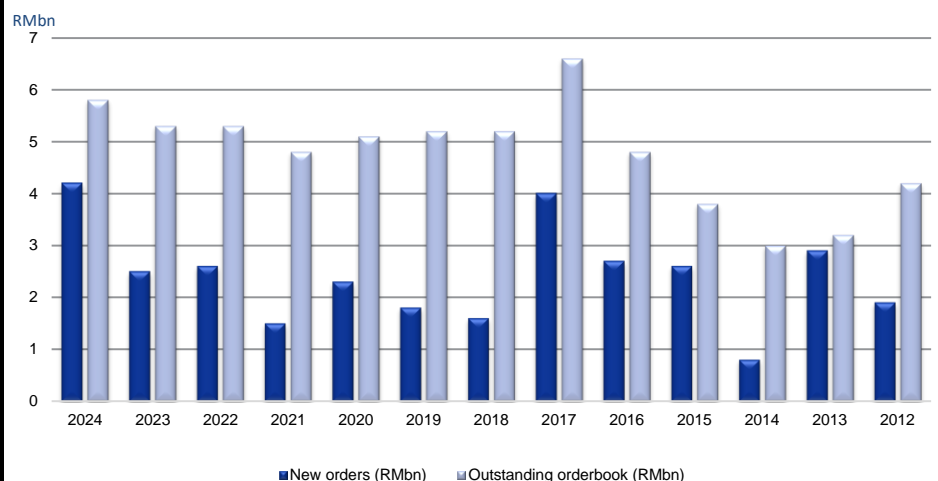
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Changes in FY25F-27F EPS

	Previous FY25F	Previous FY26F	Previous FY27F	Revised FY25F	Revised FY26F	Revised FY27F	% change FY25F	% change FY26F	% change FY27F
Revenue (RMm)	5,337.2	5,574.6	5,709.9	5,213.2	5,360.6	5,424.9	-2.3%	-3.8%	-5.0%
EBITDA (RMm)	459.4	474.0	493.1	449.5	462.2	484.2	-2.2%	-2.5%	-1.8%
Net profit (RMm)	312.0	333.0	350.7	304.5	323.8	343.5	-2.4%	-2.7%	-2.1%
EPS (Sen)	24.1	25.8	27.1	23.3	24.4	25.9	-3.6%	-5.1%	-4.4%

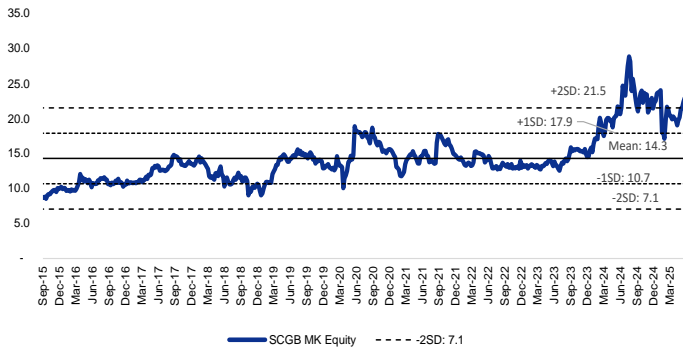
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Historical new order wins for FY12-24



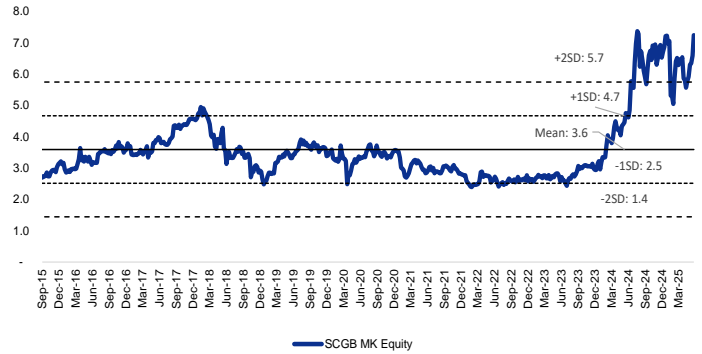
SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: Suncon's P/E trading band (10 year)



SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 5: Suncon's P/BV trading band (10 year)



SOURCES: CGSI RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 6: Peer comparisons (as at 21 July 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	5.26	6.00	7,157	25.0	18.9	0.76	2.37	2.16	9.6%	12.0%	1.9%	1.9%
IJM Corp Bhd	IJM MK	Add	2.89	3.61	2,387	18.9	14.8	0.43	0.96	0.92	5.0%	6.3%	2.0%	2.0%
WCT Holdings	WCTHG MK	Add	0.79	1.28	290	20.1	16.6	-0.42	0.32	0.31	1.5%	1.9%	0.0%	0.0%
Sunway Construction Group Bhd	SCGB MK	Hold	5.49	5.50	1,695	23.6	22.5	0.58	7.06	6.10	31.1%	29.1%	2.1%	2.3%
Muhibbah Engineering	MUHI MK	Add	0.62	1.10	106	6.7	6.5	-1.45	0.32	0.31	4.9%	4.8%	4.5%	4.6%
HSS Engineers	HSS MK	Add	0.52	1.50	62	5.2	4.2	0.08	0.86	0.75	17.4%	19.2%	6.3%	7.9%
YTL Corporation	YTL MK	Add	2.43	2.60	6,531	13.4	13.2	5.40	1.57	1.58	11.4%	12.0%	2.1%	2.1%
Malayan Cement Bhd	LMC MK	Add	5.17	7.10	1,649	10.6	10.3	0.95	0.99	0.92	9.4%	9.2%	2.3%	2.7%
Sunway Bhd	SWB MK	Add	4.89	5.80	7,174	26.1	25.1	5.94	1.92	1.83	7.5%	7.5%	1.7%	1.9%
Econpile Holdings Bhd	ECON MK	Add	0.42	0.46	140	48.3	17.7	na	1.60	1.51	3.3%	8.8%	0.6%	1.8%
Kumpulan Kitaco 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						18.6	14.1	1.26	1.73	1.57	10.6%	11.6%	2.5%	3.0%

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS



ESG in a nutshell

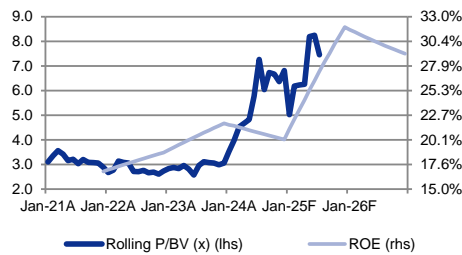
We deem Suncon's ESG practices as some of the most progressive in the local construction industry. In 2022, SunCon reviewed its Sustainability Framework to better align its strategic approach to ESG with industry best practices as well as to adopt more stringent reporting disclosures. Suncon is bidding 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.

<p>Keep your eye on</p> <p>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.</p>	<p>Implications</p> <p>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.</p>
<p>ESG highlights</p> <p>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.</p> <p>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.</p>	<p>Implications</p> <p>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.</p>
<p>Trends</p> <p>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.</p> <p>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.</p> <p>Suncon is rated AA for ESG by MSCI and was recently included in the FBM 70 Index.</p>	<p>Implications</p> <p>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.</p> <p>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.</p>

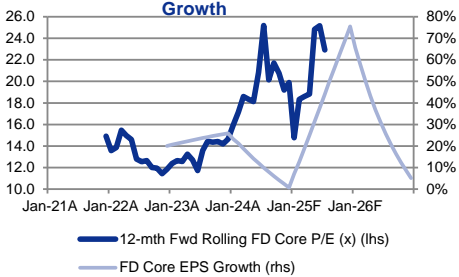
SOURCES: CGSI RESEARCH

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	5,227	5,375	5,439
Gross Profit	588	791	967	984	1,012
Operating EBITDA	245	279	449	462	484
Depreciation And Amortisation	(21)	(17)	(18)	(25)	(30)
Operating EBIT	224	262	432	438	454
Financial Income/(Expense)	(21)	11	4	6	8
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	438	445	464
Exceptional Items	25	(16)	0	0	0
Pre-tax Profit	214	257	438	445	464
Taxation	(43)	(76)	(114)	(116)	(121)
Exceptional Income - post-tax					
Profit After Tax	171	181	324	329	343
Minority Interests	(1)	(10)	(19)	(5)	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	170	171	304	324	343
Recurring Net Profit	170	171	304	324	343
Fully Diluted Recurring Net Profit	170	171	304	324	343
Normalised Net Profit	146	197	324	329	343
Fully Diluted Normalised Profit	145	187	304	324	343

Cash Flow

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	245.3	279.5	449.5	462.2	484.2
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(274.1)	425.8	284.8	(54.9)	(3.6)
(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	4.4	5.5	8.3
Tax Paid	(42.8)	(75.9)	(113.8)	(115.6)	(120.7)
Cashflow From Operations	(285.8)	716.7	593.7	263.8	332.4
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)	(152.2)	(161.9)	(171.7)
Preferred Dividends					
Other Financing Cashflow	(21.6)	1.4	32.9	35.1	37.4
Cash Flow From Financing	352.7	(310.0)	(69.4)	(76.8)	(84.4)
Total Cash Generated	(21.2)	545.3	474.4	137.0	198.1
Free Cashflow To Equity	71.3	660.0	593.7	263.8	332.4
Free Cashflow To Firm	(326.0)	920.5	576.6	248.9	319.8

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	1,490	1,627	1,825
Total Debtors	1,596	1,843	2,571	2,644	2,675
Inventories	46	43	66	67	68
Total Other Current Assets	127	20	20	20	20
Total Current Assets	2,239	2,922	4,147	4,358	4,589
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	2,948	2,967	2,996
Other Current Liabilities	21	13	13	13	13
Total Current Liabilities	1,702	2,657	3,691	3,711	3,740
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	3,743	3,812	3,891
Shareholders' Equity	820	878	1,030	1,192	1,364
Minority Interests	72	61	80	85	85
Total Equity	892	939	1,110	1,277	1,449

Key Ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Revenue Growth	23.9%	31.8%	48.0%	2.8%	1.2%
Operating EBITDA Growth	11.0%	13.9%	60.8%	2.8%	4.8%
Operating EBITDA Margin	9.18%	7.94%	8.62%	8.62%	8.93%
Net Cash Per Share (RM)	(0.35)	0.22	0.54	0.60	0.71
BVPS (RM)	0.63	0.68	0.78	0.90	1.03
Gross Interest Cover	4.68	4.02	13.13	12.46	12.15
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	154.5	177.5	178.9
Inventory Days	8.64	5.90	4.66	5.53	5.59
Accounts Payables Days	186.8	207.6	208.2	245.9	245.8
ROIC (%)	38%	24%	100%	247%	176%
ROCE (%)	16.0%	19.4%	26.3%	23.9%	22.5%
Return On Average Assets	6.29%	5.59%	7.56%	6.51%	6.43%

Key Drivers

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
New order wins	2,500.0	4,100.0	2,100.0	4,800.0	4,800.0
Construction revenue	2,381.0	3,326.9	4,906.2	4,943.6	4,964.9
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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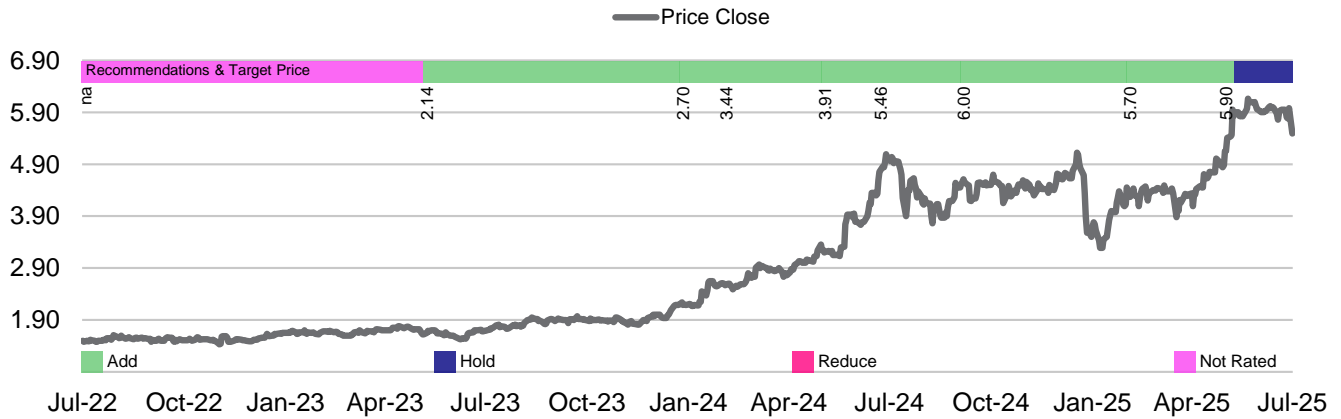
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2025		
561 companies under coverage for quarter ended on 30 June 2025		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.6%	1.1%
Hold	20.5%	0.5%
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.

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- 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.

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- 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.

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