

## Malaysia

March 5, 2025 - 4:49 PM

**ADD** (no change)

Consensus ratings\*: Buy 14 Hold 1 Sell 2

|                         |            |
|-------------------------|------------|
| Current price:          | RM4.09     |
| Target price:           | RM5.70     |
| Previous target:        | RM5.70     |
| Up/downside:            | 39.4%      |
| CGSI / Consensus:       | 19.2%      |
| Reuters:                | SCOG.KL    |
| Bloomberg:              | SCGB MK    |
| Market cap:             | US\$1,181m |
|                         | RM5,274m   |
| Average daily turnover: | US\$4.55m  |
|                         | RM20.30m   |
| Current shares o/s      | 1,293m     |
| Free float:             | 28.9%      |

\*Source: Bloomberg

### Key financial forecasts

|                       | Dec-25F | Dec-26F | Dec-27F |
|-----------------------|---------|---------|---------|
| Net Profit (RMm)      | 307.5   | 322.1   | 348.0   |
| Core EPS (RM)         | 0.24    | 0.25    | 0.27    |
| Core EPS Growth       | 68.6%   | 4.8%    | 8.0%    |
| FD Core P/E (x)       | 17.20   | 16.42   | 15.20   |
| Normalised EPS (RM)   | 0.24    | 0.25    | 0.27    |
| Normalised EPS Growth | 64.5%   | 4.8%    | 8.0%    |
| FD Normalised P/E (x) | 17.20   | 16.42   | 15.20   |
| Recurring ROE         | 32.2%   | 29.0%   | 27.2%   |
| P/BV (x)              | 5.13    | 4.43    | 3.87    |
| DPS (RM)              | 0.12    | 0.12    | 0.13    |
| Dividend Yield        | 2.91%   | 3.05%   | 3.29%   |



Source: Bloomberg

| Price performance | 1M   | 3M   | 12M  |
|-------------------|------|------|------|
| Absolute (%)      | 11.1 | -7.7 | 59.8 |
| Relative (%)      | 11.7 | -4.1 | 58.7 |

| Major shareholders | % held |
|--------------------|--------|
| Sunway Berhad      | 54.4   |
| EPF                | 9.4    |
| Amanah Saham       | 7.3    |

### Analyst(s)

**CHONG Tjen-San, CFA**  
**T** (60) 3 2635 9298  
**E** tjen-san.chong@cgsi.com

# Sunway Construction Group Bhd

## RM1.5bn RTS TOD win ensures earnings continuity through to FY26F

- Wins RM1.5bn RTS TOD project; this brings down its DC exposure to 44% of RM7.5bn orderbook and ensures earnings continuity till FY26F.
- Expect more DC wins in 1Q25F from the upsizing of two existing projects.
- Reiterate Add and TP of RM5.70 based on GGM,

### Wins RM1.5bn RTS TOD project

- Sunway Construction (SunCon) announced on 5 Mar 2025 that it has accepted a RM1.5bn Letter of Award from Sunway (SWB, Add, CP: RM4.50) for construction works related to the Rapid Transit System Transport-Oriented Development (RTS TOD) at Bukit Chagar, Johor.
- This will involve i) Part A - Construction of a multi-storey park and ride building for the RTS TOD, drop-off and pick-up facility, immigration customs and quarantine complex connection, the perimeter ring road and retaining walls; and ii) Part B - construction of a retail mall, podium and the top side property at Bukit Chagar station.
- The Notice to Proceed (NTP) shall be issued to Suncon in separate phases, each corresponding to the commencement of different parts of the works.
- Following the signing of the Letter of Award, the first NTP has been received for Part A Works starting 5 Mar 2025. Suncon expects the first section to be completed by Nov 2026 and an overall completion for Part A works by Nov 2027. The commencement and completion dates for Part B works shall be confirmed in the subsequent NTP, which will be issued at a later date.
- Suncon estimates that the breakdown of contract value between Part A and Part B will be equal, at RM750m each out of the total RM1.5bn value.

### Chunky win of RM1.5bn for FY25F; on track to hit targets

- This is Suncon's first large win for FY25F and brings its orderbook to RM7.5bn (as at Mar 2025). We estimate the pretax margin for this project at c.8%, at the higher end of its 5-8% guidance given that it is a commercial project with design element.
- There will also be other components of the RTS TOD such as the 300-room 5-star hotel and service apartments which will be launched later, with the whole development slated for completion by 2033. This will give Suncon further orderbook opportunities later, in our view.
- This win also reduces Suncon's exposure to data centre (DC) projects to 44% of its RM7.5bn orderbook (as at Mar 2025) from 55% in Dec 2024. However, we expect the percentage to increase with the potential upsizing of two existing DC projects in its current orderbook, for which we anticipate an award by 1QCY25F.
- In its conference call last month, Suncon still had a positive tone on DC, indicating that there are six tenders for new clients and upsizing opportunities within present DC projects ([our report on this](#)).
- Suncon's new order win target for FY25F remains at RM4.5bn-6bn (FY24: RM4.2bn). This factors in DC projects, precast and internal projects, and no government infrastructure projects. We estimate that Suncon will need to clinch half of this target (RM2.25bn-3bn) by 1H25F to ensure there is earnings continuity through to FY26F given its burn rate RM1.2bn-1.3bn per quarter. Hence, this RM1.5bn win is timely.

### Reiterate Add and TP of RM5.70

- We reiterate our Add rating and TP of RM5.70 based on GGM (LTG 4.5%, COE 8.4%, ROE 32%). We like Suncon for its strong execution track record, first-mover advantage in DCs and 3-year EPS CAGR of 27% (FY24-27F).
- Key downside risks: slower recognition of existing DC projects and higher costs. Re-rating catalysts: award of government infrastructure and more DC projects.

**Figure 1: Sector Comparison (share prices as at 4 March 2025)**

| Company                       | Bloomberg Ticker | Rec. | Price (lcl curr) | TP (lcl curr) | Mkt Cap (US\$ m) | P/E (x) CY24F | 2-year      |              | P/BV (x)   |            | Recurring ROE (%) |             | Dividend Yield (%) |             |             |
|-------------------------------|------------------|------|------------------|---------------|------------------|---------------|-------------|--------------|------------|------------|-------------------|-------------|--------------------|-------------|-------------|
|                               |                  |      |                  |               |                  |               | EPS CAGR    | PEG (x)      | CY24F      | CY25F      | CY24F             | CY25F       | CY24F              | CY25F       |             |
| Gamuda                        | GAM MK           | Add  | 4.10             | 6.45          | 5,237            | 21.9          | 16.8        | 24.3%        | 0.9        | 1.97       | 1.81              | 9.0%        | 11.2%              | 2.2%        | 2.4%        |
| IJM Corp Bhd                  | IJM MK           | Add  | 1.99             | 3.80          | 1,562            | 13.9          | 11.6        | 18.6%        | 0.7        | 0.67       | 0.64              | 4.8%        | 5.6%               | 1.5%        | 1.5%        |
| Sunway Construction Group Bhd | SCGB MK          | Add  | 4.09             | 5.70          | 1,181            | 29.0          | 17.2        | 44.8%        | 0.6        | 6.02       | 5.13              | 21.0%       | 32.1%              | 2.1%        | 2.9%        |
| Muhibbah Engineering          | MUHI MK          | Add  | 0.66             | 1.10          | 108              | 6.2           | 7.2         | 87.1%        | 0.1        | 0.36       | 0.34              | 5.7%        | 4.8%               | 4.6%        | 6.9%        |
| HSS Engineers                 | HSS MK           | Add  | 0.90             | 1.50          | 102              | 18.9          | 9.0         | 59.4%        | 0.3        | 1.68       | 1.49              | 8.8%        | 17.4%              | 1.5%        | 3.7%        |
| YTL Corporation               | YTL MK           | Add  | 1.76             | 3.00          | 4,355            | 9.3           | 9.3         | 14.8%        | 0.6        | 1.12       | 1.03              | 12.5%       | 11.3%              | 2.7%        | 2.8%        |
| Malayan Cement Bhd            | LMC MK           | Add  | 4.80             | 7.00          | 1,444            | 12.8          | 11.6        | 33.4%        | 0.4        | 0.98       | 0.92              | 7.8%        | 8.1%               | 2.2%        | 2.5%        |
| Sunway Bhd                    | SWB MK           | Add  | 4.50             | 5.80          | 6,225            | 24.3          | 24.0        | 26.7%        | 0.9        | 1.71       | 1.77              | 7.2%        | 7.5%               | 1.6%        | 1.8%        |
| Econpile Holdings Bhd         | ECON MK          | Add  | 0.31             | 0.46          | 98               | na            | 35.7        | na           | na         | 1.24       | 1.26              | -2.7%       | 3.4%               | 1.6%        | 4.0%        |
| Kumpulan Kitacon Bhd          | KITACON MK       | Add  | 0.71             | 1.28          | 79               | 8.0           | 7.0         | 16.9%        | 0.5        | 1.07       | 0.99              | 14.1%       | 14.6%              | 3.1%        | 3.5%        |
| <b>Construction sector</b>    |                  |      |                  |               |                  | <b>16.0</b>   | <b>14.9</b> | <b>36.2%</b> | <b>0.6</b> | <b>1.7</b> | <b>1.5</b>        | <b>8.8%</b> | <b>11.6%</b>       | <b>2.3%</b> | <b>3.2%</b> |

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

| (RMm)                                     | Dec-24A      | Dec-25F      | Dec-26F      | Dec-27F      |
|---|--------------|--------------|--------------|--------------|
| <b>Total Net Revenues</b>                 | <b>3,573</b> | <b>5,186</b> | <b>5,379</b> | <b>5,610</b> |
| <b>Gross Profit</b>                       | <b>791</b>   | <b>971</b>   | <b>990</b>   | <b>1,025</b> |
| <b>Operating EBITDA</b>                   | <b>279</b>   | <b>454</b>   | <b>467</b>   | <b>498</b>   |
| Depreciation And Amortisation             | (17)         | (18)         | (25)         | (30)         |
| <b>Operating EBIT</b>                     | <b>262</b>   | <b>436</b>   | <b>443</b>   | <b>468</b>   |
| Financial Income/(Expense)                | 11           | (4)          | (2)          | 1            |
| Pretax Income/(Loss) from Assoc.          | 0            | 2            | 2            | 2            |
| Non-Operating Income/(Expense)            | 0            | 0            | 0            | 0            |
| <b>Profit Before Tax (pre-EI)</b>         | <b>273</b>   | <b>433</b>   | <b>442</b>   | <b>470</b>   |
| Exceptional Items                         | (16)         | 0            | 0            | 0            |
| <b>Pre-tax Profit</b>                     | <b>257</b>   | <b>433</b>   | <b>442</b>   | <b>470</b>   |
| Taxation                                  | (76)         | (113)        | (115)        | (122)        |
| Exceptional Income - post-tax             |              |              |              |              |
| <b>Profit After Tax</b>                   | <b>181</b>   | <b>320</b>   | <b>327</b>   | <b>348</b>   |
| Minority Interests                        | (10)         | (13)         | (5)          | 0            |
| Preferred Dividends                       |              |              |              |              |
| FX Gain/(Loss) - post tax                 |              |              |              |              |
| Other Adjustments - post-tax              |              |              |              |              |
| Preference Dividends (Australia)          |              |              |              |              |
| <b>Net Profit</b>                         | <b>171</b>   | <b>307</b>   | <b>322</b>   | <b>348</b>   |
| Recurring Net Profit                      | 182          | 307          | 322          | 348          |
| <b>Fully Diluted Recurring Net Profit</b> | <b>182</b>   | <b>307</b>   | <b>322</b>   | <b>348</b>   |
| Normalised Net Profit                     | 197          | 320          | 327          | 348          |
| <b>Fully Diluted Normalised Profit</b>    | <b>187</b>   | <b>307</b>   | <b>322</b>   | <b>348</b>   |

### Balance Sheet

| (RMm)                                | Dec-24A      | Dec-25F      | Dec-26F      | Dec-27F      |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Total Cash And Equivalents           | 1,016        | 1,136        | 1,331        | 1,530        |
| Total Debtors                        | 1,843        | 2,763        | 2,866        | 2,990        |
| Inventories                          | 43           | 65           | 67           | 70           |
| Total Other Current Assets           | 20           | 20           | 20           | 20           |
| <b>Total Current Assets</b>          | <b>2,922</b> | <b>3,984</b> | <b>4,285</b> | <b>4,610</b> |
| Fixed Assets                         | 85           | 117          | 143          | 163          |
| Total Investments                    | 225          | 225          | 225          | 225          |
| Intangible Assets                    | 342          | 342          | 342          | 342          |
| Total Other Non-Current Assets       | 22           | 22           | 22           | 22           |
| <b>Total Non-current Assets</b>      | <b>674</b>   | <b>706</b>   | <b>731</b>   | <b>751</b>   |
| Short-term Debt                      | 731          | 731          | 731          | 731          |
| Current Portion of Long-Term Debt    |              |              |              |              |
| Total Creditors                      | 1,913        | 2,790        | 2,899        | 3,021        |
| Other Current Liabilities            | 13           | 13           | 13           | 13           |
| <b>Total Current Liabilities</b>     | <b>2,657</b> | <b>3,534</b> | <b>3,643</b> | <b>3,765</b> |
| Total Long-term Debt                 | 0            | 50           | 100          | 150          |
| Hybrid Debt - Debt Component         |              |              |              |              |
| Total Other Non-Current Liabilities  | 0            | 0            | 0            | 0            |
| <b>Total Non-current Liabilities</b> | <b>0</b>     | <b>50</b>    | <b>100</b>   | <b>150</b>   |
| Total Provisions                     | 1            | 1            | 1            | 1            |
| <b>Total Liabilities</b>             | <b>2,658</b> | <b>3,585</b> | <b>3,744</b> | <b>3,916</b> |
| Shareholders' Equity                 | 878          | 1,032        | 1,193        | 1,367        |
| Minority Interests                   | 61           | 73           | 79           | 79           |
| <b>Total Equity</b>                  | <b>939</b>   | <b>1,105</b> | <b>1,272</b> | <b>1,445</b> |

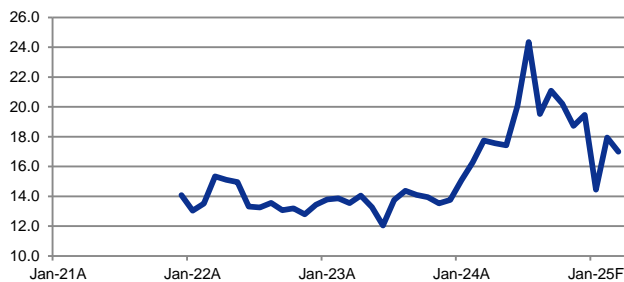
### Cash Flow

| (RMm)                            | Dec-24A        | Dec-25F       | Dec-26F       | Dec-27F       |
|----------------------------------|----------------|---------------|---------------|---------------|
| EBITDA                           | 279.5          | 453.7         | 467.3         | 497.7         |
| Cash Flow from Inv. & Assoc.     |                |               |               |               |
| Change In Working Capital        | 425.8          | (64.5)        | 4.0           | (4.9)         |
| (Incr)/Decr in Total Provisions  |                |               |               |               |
| Other Non-Cash (Income)/Expense  | (64.9)         | (31.2)        | (33.4)        | (35.7)        |
| Other Operating Cashflow         | 141.7          | 0.0           | 0.0           | 0.0           |
| Net Interest (Paid)/Received     | 10.5           | (4.5)         | (1.9)         | 0.9           |
| Tax Paid                         | (75.9)         | (112.6)       | (115.0)       | (122.3)       |
| <b>Cashflow From Operations</b>  | <b>716.7</b>   | <b>240.9</b>  | <b>320.9</b>  | <b>335.7</b>  |
| Capex                            | (9.2)          | (50.0)        | (50.0)        | (50.0)        |
| Disposals Of FAs/subsidiaries    |                |               |               |               |
| Acq. Of Subsidiaries/investments |                |               |               |               |
| Other Investing Cashflow         | 147.8          | 0.0           | 0.0           | 0.0           |
| <b>Cash Flow From Investing</b>  | <b>138.6</b>   | <b>(50.0)</b> | <b>(50.0)</b> | <b>(50.0)</b> |
| Debt Raised/(repaid)             | (195.3)        | 50.0          | 50.0          | 50.0          |
| Proceeds From Issue Of Shares    | 0.0            | 0.0           | 0.0           | 0.0           |
| Shares Repurchased               |                |               |               |               |
| Dividends Paid                   | (116.0)        | (153.7)       | (161.1)       | (174.0)       |
| Preferred Dividends              |                |               |               |               |
| Other Financing Cashflow         | 1.4            | 32.9          | 35.1          | 37.4          |
| <b>Cash Flow From Financing</b>  | <b>(310.0)</b> | <b>(70.9)</b> | <b>(75.9)</b> | <b>(86.6)</b> |
| Total Cash Generated             | 545.3          | 120.0         | 195.0         | 199.1         |
| <b>Free Cashflow To Equity</b>   | <b>660.0</b>   | <b>240.9</b>  | <b>320.9</b>  | <b>335.7</b>  |
| <b>Free Cashflow To Firm</b>     | <b>920.5</b>   | <b>223.8</b>  | <b>306.1</b>  | <b>323.0</b>  |

### Key Ratios

|                           | Dec-24A | Dec-25F | Dec-26F | Dec-27F |
|---------------------------|---------|---------|---------|---------|
| Revenue Growth            | 31.8%   | 46.9%   | 3.7%    | 4.3%    |
| Operating EBITDA Growth   | 13.9%   | 62.3%   | 3.0%    | 6.5%    |
| Operating EBITDA Margin   | 7.94%   | 8.77%   | 8.71%   | 8.89%   |
| Net Cash Per Share (RM)   | 0.22    | 0.27    | 0.39    | 0.50    |
| BVPS (RM)                 | 0.68    | 0.80    | 0.92    | 1.06    |
| Gross Interest Cover      | 4.02    | 13.25   | 12.60   | 12.51   |
| Effective Tax Rate        | 29.5%   | 26.0%   | 26.0%   | 26.0%   |
| Net Dividend Payout Ratio | 58.6%   | 50.0%   | 50.0%   | 50.0%   |
| Accounts Receivables Days | 178.7   | 162.5   | 191.5   | 191.0   |
| Inventory Days            | 5.90    | 4.68    | 5.50    | 5.48    |
| Accounts Payables Days    | 207.6   | 203.6   | 236.6   | 235.7   |
| ROIC (%)                  | 24%     | 101%    | 84%     | 85%     |
| ROCE (%)                  | 19.4%   | 26.1%   | 23.9%   | 22.8%   |
| Return On Average Assets  | 5.59%   | 7.84%   | 6.78%   | 6.69%   |

### 12-mth Fwd FD P/E (x) - Sunway Construction Group Bhd



### Key Drivers

|                           | Dec-24A | Dec-25F | Dec-26F | Dec-27F |
|---------------------------|---------|---------|---------|---------|
| New order wins            | 4,100.0 | 5,000.0 | 5,000.0 | 5,100.0 |
| Construction revenue      | 3,326.9 | 4,865.0 | 4,977.8 | 5,165.9 |
| Precast revenue           | 194.8   | 307.0   | 387.0   | 430.0   |
| Construction EBIT margins | 7.2     | 8.2     | 8.0     | 8.1     |
| Precast EBIT margins      | 11.5    | 12.0    | 12.0    | 12.0    |

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| Malaysia    | CGS International Securities Malaysia Sdn. Bhd. (formerly known as CGS-CIMB Securities Sdn. Bhd.) | Securities Commission Malaysia                                  |
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|                     |           |           |         |          |                  |
|---------------------|-----------|-----------|---------|----------|------------------|
| <b>Score Range:</b> | 90 - 100  | 80 – 89   | 70 - 79 | Below 70 | No Survey Result |
| <b>Description:</b> | Excellent | Very Good | Good    | N/A      | N/A              |

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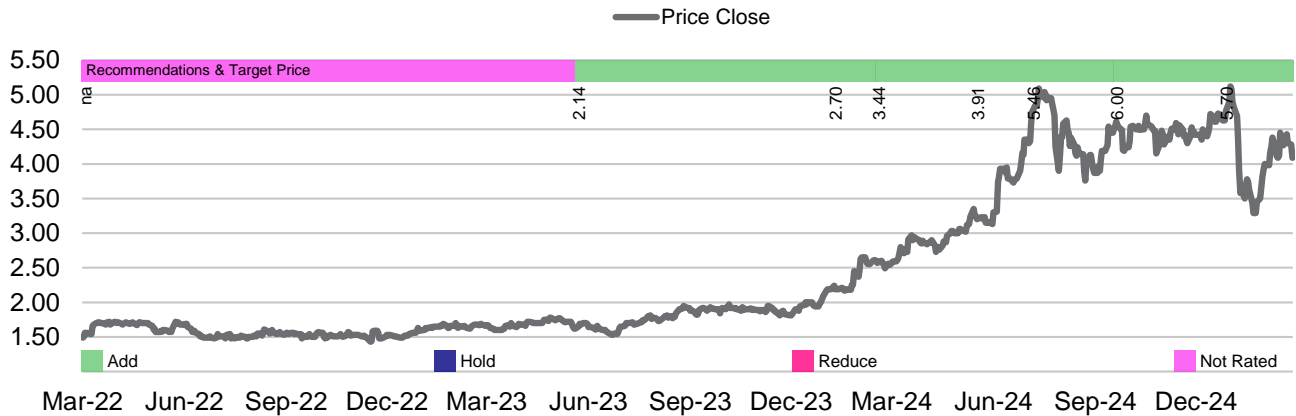
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| Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2024 |                         |                                |
|--|-------------------------|--------------------------------|
| 598 companies under coverage for quarter ended on 31 December 2024                                 |                         |                                |
|  | Rating Distribution (%) | Investment Banking clients (%) |
| Add  | 67.4%                   | 0.8%                           |
| Hold   | 22.2%                   | 0.8%                           |
| Reduce   | 10.4%                   | 0.3%                           |

**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.