

Malaysia

May 20, 2025 - 5:54 PM

ADD (no change)

Consensus ratings*: Buy 14 Hold 2 Sell 1

Current price:	RM4.84
Target price:	RM5.70
Previous target:	RM5.70
Up/downside:	17.8%
CGSI / Consensus:	16.5%
Reuters:	SCOG.KL
Bloomberg:	SCGB MK
Market cap:	US\$1,456m
	RM6,247m
Average daily turnover:	US\$3.88m
	RM17.04m
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)	20.35	19.43	17.98
Recurring ROE	32.2%	29.0%	27.2%
P/BV (x)	6.07	5.25	4.58
DPS (RM)	0.12	0.12	0.13
Dividend Yield	2.46%	2.57%	2.78%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.0	18.3	49.4
Relative (%)	8.2	19.9	53.2

Major shareholders

	% held
Sunway Berhad	54.4
EPF	9.4
Amanah Saham	7.3

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Sunway Construction Group Bhd

Bumper quarter; wins K2 Phase 2 DC job

- 1Q25 was a bumper quarter beating Bloomberg consensus on the back of acceleration in DC recognition with improvement in construction margins.
- RM393m K2 DC phase 2 job win brought orderbook to RM6.6bn; sizeable upsizing of its ECI for a US MNC is next, in our view.
- Reiterate Add and TP of RM5.70 based on GGM.

1Q25: a bumper quarter, beats Bloomberg consensus expectations

- Sunway Construction (Suncon) announced a 1Q25 core net profit of RM82m (+205% yoy, +13% qoq). This was in line at 26% of our FY25 forecast but above Bloomberg consensus' at 30%. A first interim dividend of 5 sen was declared (3.5 sen in Aug 24).
- The key 1Q25 highlight was a 152% yoy increase in construction revenue to RM1.37bn due to faster progress at its upsized Sedenak data centre (DC) project which is running ahead of schedule. The project has now reached 43% financial recognition as at end-1Q25 (vs. 34% in 4Q24) and Suncon said it may be completed in 4Q25F, ahead of its 1Q26 deadline.
- 1Q25 construction pretax margin rose to 8.2% (from 7.0% in 1Q24), a reflection of the higher DC recognition. 1Q25 precast revenue was RM31m, down 50% yoy due to completion of projects in their peak delivery stage in 1Q24. 1Q25 precast margin was 3.9% (1Q24: 6.1%); we expect this to improve as new project deliveries are ramped up.
- Balance sheet continues to improve with a net cash position of RM991m as at Mar 25 (RM285m as at Dec 24) providing some upward bias for dividend payouts, in our view.

Wins RM393m K2 DC Phase 2 contract; upsizing of ECI is next

- Suncon also announced today that it has won a RM392.7m contract for K2 Strategic Infrastructure Malaysia (K2) DC Phase 2 which is slated for completion in Mar 26F. Phase 1 was worth c.RM300m and commissioned in 4Q24 while the piling works for the second phase has also been completed. According to Suncon, the estimated pretax margin for this project is similar to its existing DC projects at the higher end of 7-9%.
- With this win and some additional works awarded for its present DCs, Suncon's YTD-FY25 wins amount to RM2.2bn, and its orderbook stood at RM6.6bn as at end-1Q25, with DCs making up 42%.
- We expect Suncon's next DC win to be the upsizing contract for its Early Contractor Involvement (ECI) project for a US multinational company (MNC). The ECI has an outstanding value of RM42m and is slated for completion in 2Q25F.
- As highlighted in our recent update ([link](#)), Suncon is still seeing a strong pipeline of DC tenders. There is no change in its RM4.5bn-6bn new order win target for FY25F (CGSI forecast: RM5bn). DC comprises 80% of its RM15.9bn tenderbook as at May 25 (vs. RM14bn in Feb 25) where 70% of tenders are in the Klang Valley and 30% in Johor. Suncon has tendered for 7 DC jobs, of which 4 are for new clients, and a win from a new hyperscaler customer would be positive for the diversification of its clientele.
- Suncon has commissioned part of the Sedenak DC and fully commissioned the K2 DC which makes it one of the few contractors to complete commissioning a DC locally and is positive for its profiling, in our view. Besides DCs, it has been invited to tender for industrial warehouses while the pipeline from parent company Sunway Berhad also looks promising with more hospital expansion and a new Transit Oriented Development project in Seremban.

Reiterate Add and TP of RM5.70

- We reiterate our Add call with a GGM-based TP to RM5.70 (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). Downside risks: slower recognition of existing DC projects and higher cost environment. Re-rating catalysts: award of government infrastructure and more DC projects.

Figure 1: Sector comparison (share price as at 19 May 2025)

Company	Bloomberg TickerS	Rec. (lcl curr)	Price (lcl curr)	TP (US\$ m)	Mkt Cap (US\$ m)	Core P/E (x)		PEG (x)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY25F	CY26F		CY25F	CY26F	CY25F	CY26F	CY25F	CY26F
Gamuda	GAM MK	Add	4.57	6.00	6,143	19.8	15.6	0.64	2.03	1.84	10.6%	12.4%	2.2%	2.2%
IJM Corp Bhd	IJM MK	Add	2.36	3.80	1,928	13.8	12.1	0.73	0.75	0.72	5.6%	6.1%	1.3%	1.3%
Sunway Construction Group Bhd	SCGB MK	Add	4.84	5.70	1,456	20.4	19.4	0.58	6.07	5.25	32.1%	29.0%	2.5%	2.6%
Muhibbah Engineering	MUHI MK	Add	0.61	1.10	103	6.6	6.4	-1.43	0.32	0.30	4.9%	4.8%	4.5%	4.7%
HSS Engineers	HSS MK	Add	0.81	1.50	95	8.1	6.5	0.13	1.33	1.16	17.4%	19.2%	4.1%	5.1%
YTL Corporation	YTL MK	Add	2.10	3.00	5,409	11.1	10.1	1.59	1.23	1.12	11.3%	11.6%	2.4%	2.4%
Malayan Cement Bhd	LMC MK	Add	4.77	7.00	1,498	11.5	10.9	1.09	0.92	0.87	8.1%	8.2%	2.5%	2.9%
Sunway Bhd	SWB MK	Add	4.79	5.80	6,950	25.6	24.6	5.82	1.88	1.79	7.5%	7.5%	1.7%	1.9%
Econpile Holdings Bhd	ECON MK	Add	0.31	0.46	101	35.1	12.9	na	1.24	1.20	3.4%	9.5%	4.1%	5.7%
Kumpulan Kitacon Bhd	KITACON MK	Add	0.74	1.38	86	6.9	5.5	0.21	1.01	0.90	15.3%	17.4%	3.6%	4.5%
Construction sector						15.9	12.4	1.04	1.68	1.52	11.6%	12.6%	2.9%	3.3%

SOURCES: CGSI RESEARCH, BLOOMBERH, COMPANY REPORTS

Figure 2: Suncon's 1Q25 results comparisons yoy and qoq

	1QFY25 RMm	1QFY24 RMm	% change yoy	4QFY24 RMm	% change qoq
Revenue	1400.5	604.8	132%	1400.3	0%
Other operating income	4.8	14.5	-67%	10.6	-54%
Other operating expense	-1295.9	-566.2	129%	-1319.3	-2%
EBIT	109.5	53.1	106%	91.6	19%
Finance income	14.3	4.7	201%	33.2	-57%
Finance cost	-12.9	-16.2	-20%	-14.6	-12%
Share of JV profits	2.3	0.0	n.m.	0.3	678%
Profit before taxation	113.2	41.6	172%	110.6	2%
Taxation	-27.5	-8.9	208%	-32.7	-16%
Minority interest	-10.0	-0.3	3128%	-8.7	15%
Attributed to shareholders	75.7	32.4	134%	69.2	9%
Less: Exceptional Items	-6.6	5.4	-222%	-3.4	94%
Core net profit	82.3	27.0	205%	72.6	13%
	1QFY25 RMm	1QFY24 RMm	% change yoy	4QFY24 RMm	% change qoq
Construction	1369.9	543.6	152%	1353.9	1%
Precast Concrete	30.6	61.2	-50%	46.4	-34%
Revenue	1400.5	604.8	132%	1400.3	0%
Construction	112.0	37.9	196%	107.2	4%
Precast Concrete	1.2	3.8	-67%	3.4	-64%
Profit before taxation	113.2	41.6	172%	110.6	2%
Construction pretax margins	8.2%	7.0%	17%	7.9%	3%
Precast concrete pretax margins	4.1%	6.1%	-34%	7.4%	-45%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

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

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
Total Current Assets	2,922	3,984	4,285	4,610
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
Total Non-current Assets	674	706	731	751
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
Total Current Liabilities	2,657	3,534	3,643	3,765
Total Long-term Debt	0	50	100	150
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	0	50	100	150
Total Provisions	1	1	1	1
Total Liabilities	2,658	3,585	3,744	3,916
Shareholders' Equity	878	1,032	1,193	1,367
Minority Interests	61	73	79	79
Total Equity	939	1,105	1,272	1,445

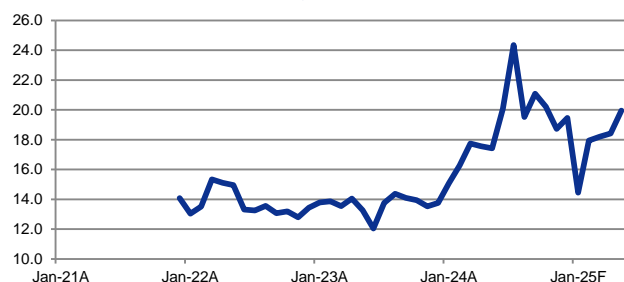
Cash Flow

(RMm)	Dec-24A	Dec-25F	Dec-26F	Dec-27F
EBITDA	279.5	453.7	467.3	497.7
Cash Flow from Invnt. & 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)
Cashflow From Operations	716.7	240.9	320.9	335.7
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
Cash Flow From Investing	138.6	(50.0)	(50.0)	(50.0)
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
Cash Flow From Financing	(310.0)	(70.9)	(75.9)	(86.6)
Total Cash Generated	545.3	120.0	195.0	199.1
Free Cashflow To Equity	660.0	240.9	320.9	335.7
Free Cashflow To Firm	920.5	223.8	306.1	323.0

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

SOURCES: CGSI RESEARCH ESTIMATES, 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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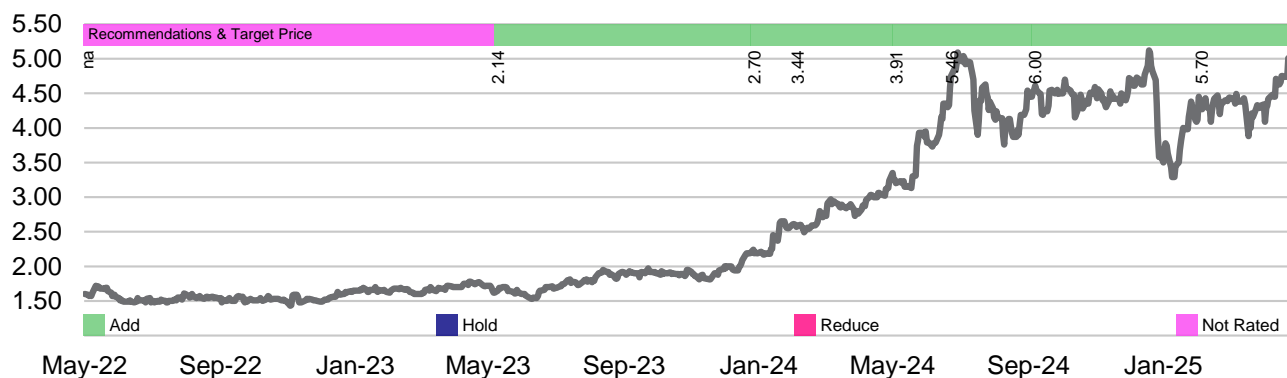
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2025		
551 companies under coverage for quarter ended on 31 March 2025		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.0%	1.3%
Hold	20.9%	0.7%
Reduce	8.2%	0.4%

Spitzer Chart for stock being researched (2 year data)

Sunway Construction Group Bhd (SCGB MK)

— Price Close



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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- 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.

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Definition:

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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.

#016