

Sunway Construction (SCOG.KL)

1Q25 strong results on track; Malaysia DC prospects remain strong

CITI'S TAKE

Suncon's strong 1Q25 is deemed within expectations, driven by acceleration execution across several data centre (DC) projects. Its tender book continues to grow to RM15.9bn (of which we estimate >90% are from DC projects), from RM14.6bn last quarter, signifying the increasing prospects for Malaysian DCs. Job wins this year are also expected to be stronger than last year at RM4.5b-6bn (versus 2024 of RM4.2bn). Reiterate Buy call with higher TP of RM5.70, as we continue to be positive on the Malaysian DC space and highlight Suncon as the best play within the construction space.

Strong 1Q25 results within expectations — Suncon's 1Q25 core net profit of RM76m (+123% yoy, +11% qoq) came in within expectations at 26% of our and 27% of BBG consensus earnings forecasts. The strong earnings was primarily driven by accelerated execution across several DC projects. We would also like to highlight that the sequential+11% qoq growth in earnings is particularly impressive, considering that 4Q is typically the group's strongest quarter, while 1Q is seasonally the weakest – thus setting up for a strong 2025 year earnings-wise.

Outlook — Encouragingly, its tender book continues to grow to RM15.9bn (from RM14.6bn last quarter) – signifying the increasing job prospects within the Malaysian DC space (note that this figure is even after the group had secured a RM1.5bn in-house RTS-oriented development project back in March 2025. Read: [Sunway Construction \(SCOG.KL\) – Contract award for RTS Transport Oriented Development at Bukit Chagar](#)). Meanwhile, latest order book stands at RM6.6bn (up from last quarter of RM5.8bn), of which 42% is from DC jobs, but we expect this figure to be significantly bumped up once the DC job flows materializes in the coming months. The group is still guiding an overall stronger 2025, with targeted new wins of RM4.5bn to RM6bn (versus last year's RM4.2bn) – primarily driven by DC.

K2 contract win announcement — In conjunction with the results release, Suncon has also announced a letter of award from K2 Strategic Infrastructure Malaysia for the

Buy

Price (20 May 25 17:00)	RM4.88
Target price	RM5.70↑
from RM5.00	
Expected share price return	16.8%
Expected dividend yield	2.3%
Expected total return	19.1%
Market Cap	RM6,316M
	US\$1,472M

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Earnings Summary

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2023A	172	0.13	17.2	36.6	7.7	22.1	1.2
2024A	176	0.14	2.3	35.7	7.2	20.8	1.7
2025E	289	0.22	63.6	21.8	6.2	30.3	2.3
2026E	323	0.25	11.7	19.5	5.3	29.1	2.5
2027E	317	0.25	-1.8	19.9	4.7	24.9	2.5

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

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development of a DC in Johor, Malaysia. Total contract sum is RM392.7m, targeted for completion by March 2026. No surprises here, as the contract win is well within new win guidance and our replenishment assumption. YTD new wins currently stand at RM2.2bn.

Implications — Post-results, we raised our TP to RM5.70 (from RM5.00), pegged to a higher valuation of 23x P/E on FY26E earnings (from 20x previously), as we are increasingly bullish on Malaysia's DC prospects, with the possibility of an earnings beat upon continued job wins for Suncon. No changes to FY25-27E earnings for now. **Reiterate Buy rating**, as we see Suncon as the best play on Malaysia DCs within the construction space. You may also read our previous report highlighting our bullishness on Malaysia's DC prospects: [Sunway Construction \(SCOG.KL\) – Call Takeaways: DC Prospects Remain Positive](#).

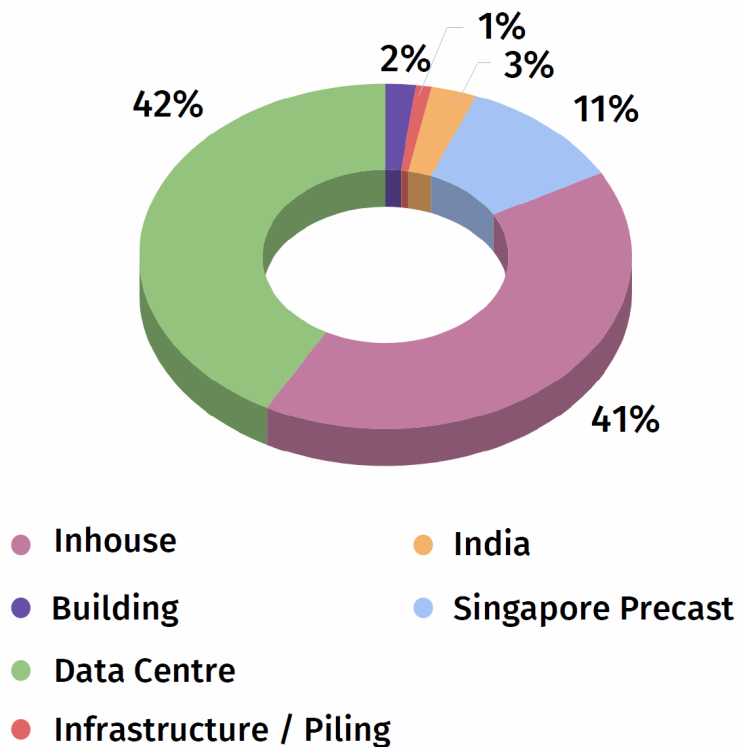
Figure 1. Results summary

FYE Dec (RM' mil)	1Q24	4Q24	1Q25	YoY	QoQ
Revenue	604.8	1,400.3	1,400.5	132%	0%
Operating expenses	(564.6)	(1,319.3)	(1,295.9)	130%	-2%
Other operating income	14.5	9.5	4.8	-67%	-49%
Net impairment	(1.6)	1.1	0.0	-102%	-96%
Profit from operations	53.1	91.6	109.5	106%	20%
Finance income	4.7	33.2	14.3	201%	-57%
Finance costs	(16.2)	(14.6)	(12.9)	-20%	-12%
JV & associates	0.0	0.3	2.3	N.M.	678%
Profit before tax	41.6	110.6	113.2	172%	2%
Income tax expense	(8.9)	(32.7)	(27.5)	208%	-16%
Non-controlling interests	(0.3)	(8.7)	(10.0)	3128%	15%
Net profit	32.4	69.2	75.7	134%	9%
Core net profit	34.0	68.1	75.7	123%	11%
<i>Operating margins</i>	9%	7%	8%		
<i>PBT margins</i>	7%	8%	8%		
<i>Net margins</i>	5%	5%	5%		
<i>Core net margins</i>	6%	5%	5%		
<i>Effective tax rate</i>	21%	30%	24%		

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Source: Citi Research

Figure 2. Order Book Composition



Source: Sunway Construction

Figure 3. Order Book Breakdown

AS AT MAR-25 (RM MIL)				AS AT MAR-25 (RM MIL)			
	COMPLETION	CONTRACT SUM	Q/Q ORDERBOOK		COMPLETION	CONTRACT SUM	Q/Q ORDERBOOK
BIBLINE				INTERNAL - SUNWAY GROUP			
OLEY TOWER (MEP) + VO	3Q 2025	75	1%	SUNWAY SQUARE - SUPERSTRUCTURE + EVO	4Q 2025	1,067	33%
DABO	2Q 2026	298	3%	SUNWAY CARINVAL MALL - REFURBISHMENT	2Q 2025	253	6%
DATA CENTRE		2,752	42%	SUNWAY TOWER	1Q 2026	277	8%
JHB1X0 - DATA CENTRE & TIV	1Q 2026	3,806	1,542	SUNMED PH2 FIT-OUT	3Q 2025	70	3%
JHB1X0 - TENANT IMPROVEMENT WORKS (TIN) - ADD	1Q 2026	187	187	SUNWAY IPOH MALL	1Q 2027	721	6%
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - MINC*	2Q 2025	160	42	SUNMED PH3 FIT-OUT	2Q 2026	80	8%
PSR - MNC	2Q 2027	765	618	SUNMED IPOH PH2 FIT OUT	2Q 2025	18	4%
K2 BUILDING 4	1Q 2026	993	983	SUNMED DAMANANGA PH2 FIT OUT	2Q 2025	9	5%
INFRASTRUCTURE/PLING		64	1%	RTS TRANSIT ORIENTED DEVELOPMENT PROJECT (RTS TOD)	4Q 2027	1,500	1,492
RTS LINK PACKAGE 18 AND PACKAGE 5	2Q 2025	558	64	GRAND TOTAL @ MAR 2025		11,972	6,668
JHB1X		297	3%	RTS SECURED IN 2025		2,214	2,157
THORAPALLI - JITTANDAHALLI (TJ)	2Q 2025	508	197				
SUSTAINABLE ENERGY			28				
CGEP - GREEN	4Q 2025	57	25				
SINGAPORE			697	11%			
PRECAST	VARIOUS	759	634				
NEW ORDER 2025 - EXTERNAL	VARIOUS	73	73				

Source: Sunway Construction

Figure 4. YTD New Contract Wins

PROJECTS (2025 NEW AWARDS)	CLIENT	COMPLETION DATE	CONTRACT SUM (RM MIL)
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	167
BEBOK NRC14	L3 CONSTRUCTION PTE LTD	DEC-05	73
K2 BUILDING 4	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-28	393
RTS TRANSIT ORIENTED DEVELOPMENT PROJECT (RTS TOD)	SUNWAY INTEGRATED PROPERTIES SDN BHD	NOV-27	1,500
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	50
EARLY CONTRACTOR INVOLVEMENT & ENABLING WORKS - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	31
TOTAL AS AT MAY 2025			2,214

Source: Sunway Construction

Bull/Bear: Sunway Construction

RM **6.60**



▲ 35% Upside

RM **5.00**



▲ 2.5% Upside

RM **2.20**



▼ 55% Downside



Spread 90pp
Current Price and expected returns (upside/downside) as of 20 May 2025

BULL Assumptions



- DC project flows into Malaysia is abundant
- SunCon wins lion share of DC bids in Malaysia

BASE Assumptions



- ~70-80% of order book derived from DCs
- Annual order book replenishment of RM4-5bn

BEAR Assumptions



- Halt in flows of DC projects
- Contract termination and execution failures

Sunway Construction

Valuation

We value SunCon based on 23x FY2026E P/E, at roughly +0.5SD from its 5-year mean, for a target price of RM5.70.

Risks

Possible downside risks to our target price include (i) slowdown in DC investments in Malaysia, especially on the back of heightened geopolitical tensions or policies, (ii) job execution risks, given the high working capital requirement, (iii) delay in roll-out of Malaysian infrastructure jobs, and (iv) slowdown of in-house jobs.

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Appendix A-1

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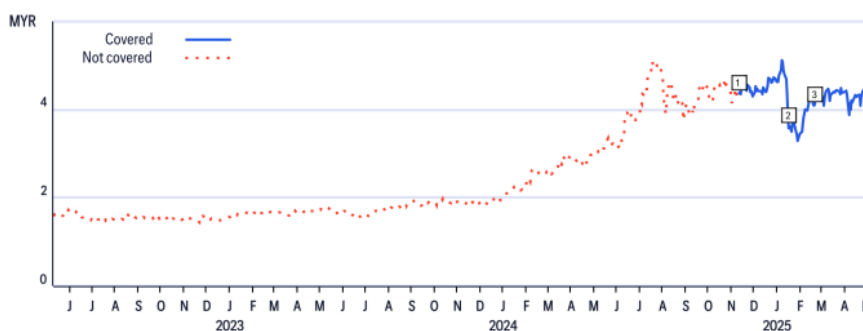
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Sunway Construction (SCOG.KL)

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Fundamental Research

Analyst: Steven Chan



Date	Rating	Target Price	Closing Price	Date	Rating	Target Price	Closing Price	Date	Rating	Target Price	Closing Price
11-Nov-24 07:20:49	*1	*5.10	4.37	17-Jan-25 18:31:51	1	*4.20	3.63	20-Feb-25 13:08:39	1	*5.00	4.12

*Indicates Change

Rating/target price changes above reflect Eastern Time

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