

Sunway Construction (SCOG.KL)

3Q25 results in-line, special div a positive surprise; tender book continues to grow

CITI'S TAKE

SunCon delivered strong 3Q25, up +142% YoY driven by accelerated construction progress, although QoQ was rather flattish. Overall results were within expectations, in anticipation of slower recognition in 4Q25. Special dividend of 23sen was a positive surprise – bringing YTD-9M25 dividends to 41.5sen, far exceeding historical levels. The group intends to keep ordinary dividends payout at ~100% for the foreseeable future (historically was 50-60% in prior years), implying total yields of ~8%/5%/5% for FY25E/26E/27E based on our estimates (inclusive of special dividends). Order book stands at RM5.4bn (down from RM6.7bn last quarter amidst revenue recognition), but tender book grew to RM18.2bn (from RM14.8bn last quarter) – of which >80% from DCs, suggesting still increasing job opportunities. FY25 replenishment target of RM4.5-6bn still deemed intact (versus YTD-wins RM3.9bn), as we anticipate further upsizing/in-house jobs to be awarded by year end. **Maintain Buy rating, TP of RM7.00.**

Buy

Short-Term View: Upside

Price (20 Nov 25 17:00)	RM5.73
Target price	RM7.00
Expected share price return	22.2%
Expected dividend yield	4.5%
Expected total return	26.7%
Market Cap	RM7,564M
	US\$1,823M

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Stronger 3Q25 results — SunCon posted 3Q25 core PATAMI of RM88.7m (adjusted for net impairments), representing a jump of +142% YoY / +2% QoQ. The huge jump YoY was primarily driven by accelerated progress especially from data center (DC) projects, as well as in-house projects; although QoQ, earnings remains flattish. Overall, results are deemed broadly within expectations (83% of ours / 79% of BBG consensus full year earnings estimates), as we foresee a mild drop-off in top- and bottom-line sequentially going into 4Q25 due to slower recognition of works done.

Nonetheless, the announced special dividend of 23 sen was a positive surprise – bringing YTD-9M25 dividends to 41.5 sens (including special dividends; total dividends in 3Q25 was 29.25 sen). This was given as a reward to shareholders amidst the record-breaking earnings YTD. As a comparison, SunCon paid out dividends of 5.5/6.0/8.5 sen for the full year of FY22/23/24A. Special dividends aside, the group

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	42.9	9.0	22.1	1.0
2024A	176	0.14	2.3	42.0	8.4	20.8	1.5
2025E	303	0.23	71.7	24.4	12.6	41.4	8.0
2026E	333	0.26	10.0	22.2	12.7	56.9	4.5
2027E	352	0.27	5.5	21.1	12.6	60.1	4.7

Source: Powered by dataCentral

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

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intends to maintain a ~100% ordinary dividend payout ratio for the foreseeable future (prior years were between ~50-60%). This translates to dividend yields of 8%/5%/5% for FY25E/26E/27E, based on our estimates (including special dividends).

Tender book continues to grow — Current order book stands at RM5.4bn – down from RM6.7bn last quarter amidst project recognition to revenue. More positively, the group’s active tender book grew to RM18.2bn (from RM14.8bn last quarter) – of which, we believe >80% to come from DC projects, suggesting more availability of jobs in the market. The group is also actively participating for Penang Mutiara LRT CMC2 package tender, likely in JV with other partners (we reckon eventual award size to be within the ballpark of RM4-5bn, although competition for this tender remains rather stiff).

The group is maintaining its FY25 order book replenishment target at RM4.5-6bn (versus YTD new wins of RM3.9bn – mostly unchanged from last quarter). We see a high likelihood of the group hitting its target, as we anticipate some upsizing works from existing clients coupled with in-house project awards should be materialized by year-end. As for FY26, we see new wins replenishment to be largely comparable versus FY25.

Implications — No changes to our Buy rating, TP of RM7.00 and FY25-27E earnings.

Figure 1. Results summary

FYE Dec (RM'mil)	3Q24	2Q25	3Q25	YoY	QoQ	9M24	9M25	YoY
Revenue	865.3	1,476.9	1,445.2	67%	-2%	2,121.4	4,322.6	104%
Operating expenses	(825.3)	(1,363.3)	(1,350.6)	64%	-1%	(1,991.3)	(4,009.8)	101%
Other operating income	14.9	4.0	5.9	-60%	49%	31.0	14.8	-52%
Net impairment	9.8	(3.0)	(4.9)	-150%	63%	9.4	(7.9)	-183%
Profit from operations	64.8	114.6	95.7	48%	-16%	170.6	319.7	87%
Finance income	22.4	18.0	39.6	77%	120%	42.4	71.8	69%
Finance costs	(16.6)	(12.8)	(13.6)	-18%	7%	(50.6)	(39.3)	-22%
JV & associates	0.0	2.9	5.4	N.M.	90%	0.0	10.6	N.M.
Profit before tax	70.5	122.6	127.1	80%	4%	162.4	362.9	123%
Income tax expense	(21.9)	(28.4)	(30.7)	40%	8%	(43.3)	(86.5)	100%
Non-controlling interests	(2.2)	(10.3)	(12.6)	480%	22%	(1.4)	(33.0)	2280%
Net profit	46.5	83.9	83.8	80%	0%	117.7	243.4	107%
Core net profit	36.7	86.9	88.7	142%	2%	108.3	251.2	132%
<i>Operating margins</i>	7%	8%	7%			8%	7%	
<i>PBT margins</i>	8%	8%	9%			8%	8%	
<i>Net margins</i>	5%	6%	6%			6%	6%	
<i>Core net margins</i>	4%	6%	6%			5%	6%	
<i>Effective tax rate</i>	31%	23%	24%			27%	24%	

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Source: Citi Research

Adding Upside 90-Day Short-Term View on Sunway Construction (SCOG.KL)

Direction: **Upside**
Duration: Within 90 Days
Category: Earnings and Special situations

We see contract wins stemming from up-sizing DC projects from existing clients, coupled with in-house projects, to materialize within the next coming weeks, potentially acting as a catalyst for the stock.

Sunway Construction

Valuation

We value Suncon based on 27x FY2026E P/E, at roughly +1SD from its 5-year mean, for a target price of RM7.00. We feel a premium is warranted for Suncon's valuations as we remain overwhelmingly bullish on the Malaysian data center space, highlighting Suncon as the best play for this thematic.

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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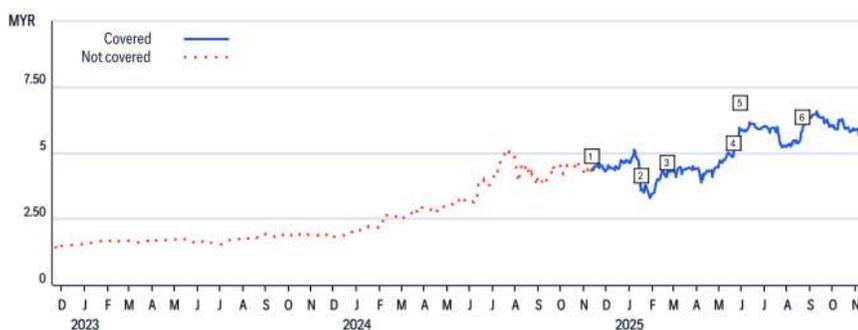
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Sunway Construction (SCOG.KL)

Ratings and Target Price History
Fundamental Research

Analyst: Steven Chan



Date	Rating	Target Price	Closing Price
1 11-Nov-24 07:20:49	*1	*5.10	4.37
2 17-Jan-25 18:31:51	1	*4.20	3.63
3 20-Feb-25 13:08:39	1	*5.00	4.12
4 20-May-25 09:55:33	1	*5.70	4.88
5 29-May-25 13:21:57	1	*6.70	5.83
6 21-Aug-25 10:01:31	1	*7.00	5.85

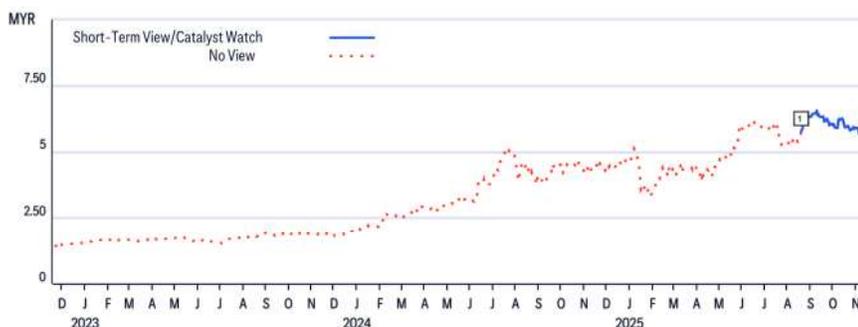
*Indicates Change

Rating/target price changes above reflect Eastern Time

Sunway Construction (SCOG.KL)

Short-Term View/Catalyst Watch Research

Analyst: Steven Chan



Date	Action	Expected Direction	Duration	Closing Price
1 19-Aug-25 01:01:00	Add STV	Upside	90 Days	5.76
2 17-Nov-25 23:14:47	Remove STV	Upside	90 Days	5.85

CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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Data current as of 01 Oct 2025	12 Month Rating			Catalyst Watch		
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