21 Aug 2025 10:01:31 ET | 12 pages

Sunway Construction (SCOG.KL)

1H25 results beat expectations; Maintain Buy

CITI'S TAKE
SunCon's 1H25 core net profit of RM163m (+127% YoY) beat expectations on the back of stronger construction progress especially from data center (DC) projects. We still see SunCon as the best DC play within the Malaysian construction space. Current order book stands at RM6.7bn – of which 45% are from DCs. Maintain Buy, with a higher TP of RM7.00.

Buy	
Short-Term View: Upside, expires 18-NOV-25	
Price (21 Aug 25 17:00)	RM5.85
Target price	RM7.00↑
from RM6.70	
Expected share price return	19.7%
Expected dividend yield	1.9%
Expected total return	21.5%
Market Cap	RM7,696M
	US$1,821M

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1H25 beat expectations — 1H25 core net profit of RM163m (+127% YoY) beat expectations, coming in at 56% of ours / 54% of BBG consensus full year estimates. The strong results were primarily driven by construction progress especially from data center (DC) projects. The individual quarter of 4Q25 reported core net profit of RM87m – jumping +131% YoY / +15% QoQ, for similar reasons.

Best DC play for MY construction — We continue to view SunCon as the best DC play within the Malaysian construction space. Current order book stands at RM6.7bn – of which 45% are from DCs; tender book at RM14.8bn, of which we suspect the bulk majority are from DCs, and YTD wins currently at RM3.8bn vs management's guidance of RM4.5-6bn for FY25. We are anticipating to see an influx of DC job awards in 2H25, which should see order book replenishment hit its guidance.

Implications — Post-results, we raise FY25E/26E/27E earnings by +5%/+3%/+11% on the back of higher order book recognition and replenishment assumption. We expect BBGe to also see post-results earnings upgrades. TP is raised to RM7.00 (from RM6.70), pegged to unchanged valuation of 27x P/E on FY26E EPS. Maintain Buy.

Earnings Summary

Year to 31 Dec	Net Profit (RMM)	Diluted EPS (RM)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2023A	172	0.13	17.2	43.8	9.2	22.1	1.0
2024A	176	0.14	2.3	42.8	8.6	20.8	1.5
2025E	303	0.23	71.7	24.9	7.4	31.8	2.1
2026E	333	0.26	10.0	22.7	6.3	30.1	2.2
2027E	352	0.27	5.5	21.5	5.5	27.5	2.4

Source: Powered by dataCentral

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

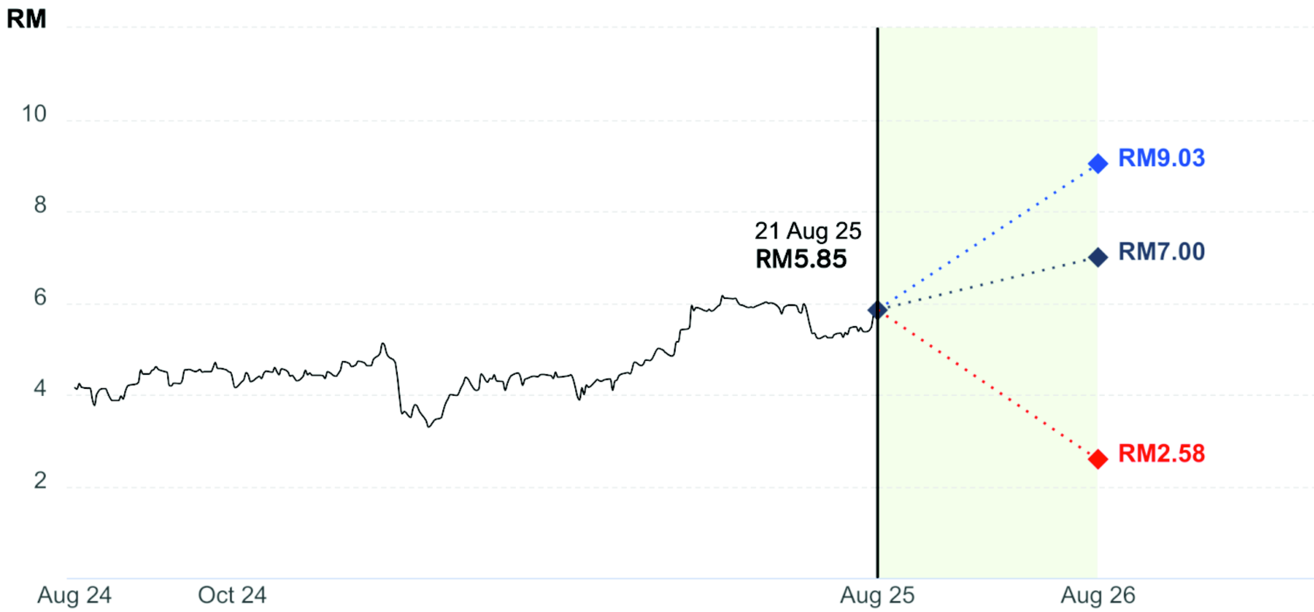
Figure 1. Results summary

FYE Dec (RM'mil)	2Q24	1Q25	2Q25	YoY	QoQ	1H24	1H25	YoY
Revenue	651.2	1,400.5	1,476.9	127%	5%	1,256.0	2,877.4	129%
Operating expenses	(601.4)	(1,295.9)	(1,363.3)	127%	5%	(1,166.0)	(2,659.2)	128%
Other operating income	1.6	4.8	4.0	149%	-18%	16.1	8.8	-45%
Net impairment	1.2	0.0	(3.0)	-351%	-8208%	(0.4)	(3.0)	632%
Profit from operations	**52.7**	**109.5**	**114.6**	**118%**	**5%**	**105.7**	**224.1**	**112%**
Finance income	15.3	14.3	18.0	17%	26%	20.1	32.2	61%
Finance costs	(17.8)	(12.9)	(12.8)	-28%	-1%	(34.0)	(25.7)	-24%
JV & associates	0.0	2.3	2.9	N.M.	24%	0.0	5.2	N.M.
Profit before tax	**50.2**	**113.2**	**122.6**	**144%**	**8%**	**91.9**	**235.8**	**157%**
Income tax expense	(12.4)	(27.5)	(28.4)	128%	3%	(21.4)	(55.9)	161%
Non-controlling interests	1.1	(10.0)	(10.3)	-1039%	3%	0.8	(20.4)	-2673%
Net profit	**38.9**	**75.7**	**83.9**	**116%**	**11%**	**71.3**	**159.6**	**124%**
Core net profit	**37.7**	**75.7**	**86.9**	**131%**	**15%**	**71.7**	**162.6**	**127%**
Operating margins	*8%*	*8%*	*8%*			*8%*	*8%*	
PBT margins	*8%*	*8%*	*8%*			*7%*	*8%*	
Net margins	*6%*	*5%*	*6%*			*6%*	*6%*	
Core net margins	*6%*	*5%*	*6%*			*6%*	*6%*	
Effective tax rate	*25%*	*24%*	*23%*			*23%*	*24%*	

Source: Citi Research, Bursa Malaysia

Bull/Bear: Sunway Construction

RM 9.03	RM 7.00	RM 2.58
▲54% Upside	▲20% Upside	▼56% Downside



Spread 110pp
Current Price and expected returns (upside/downside) as of 21 Aug 2025

BULL Assumptions

- Based on 35x P/E

BASE Assumptions

- Based on 27x P/E

BEAR Assumptions

- Based on 10x P/E

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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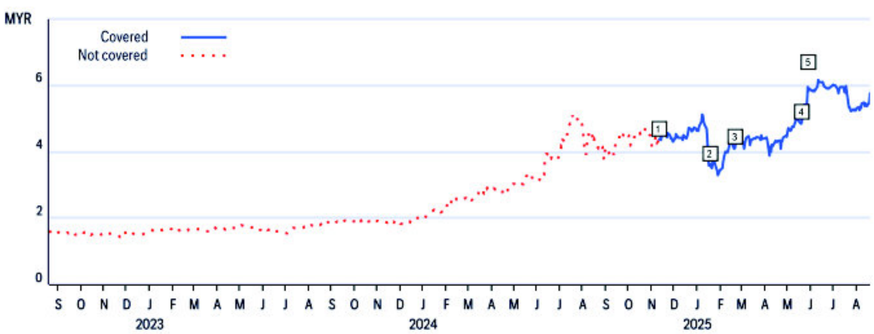
Sunway Construction (SCOG.KL)
Ratings and Target Price History
Fundamental Research

Analyst: Steven Chan



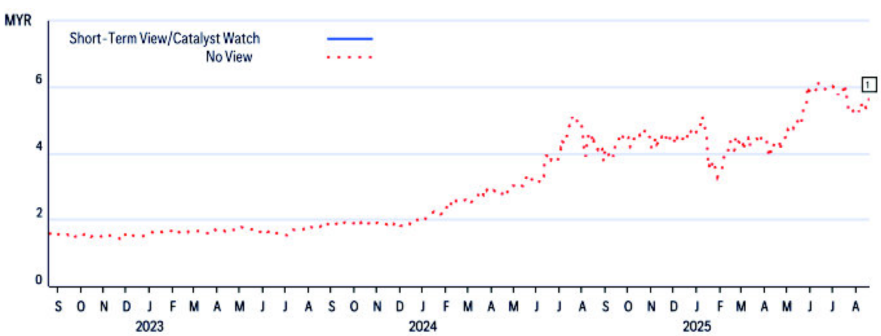
	Date	Rating	Target Price	Closing Price
1	11-Nov-24 07:20:49	*1	*5.10	4.37
2	17-Jan-25 18:31:51	1	*4.20	3.63
3	20-Feb-25 13:08:39	1	*5.00	4.12
4	20-May-25 09:55:33	1	*5.70	4.88
5	29-May-25 13:21:57	1	*6.70	5.83

*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

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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	12 Month Rating			Catalyst Watch		
Data current as of 01 Jul 2025	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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% of companies in each rating category that are investment banking clients	36%	39%	25%	39%	34%	35%

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