

30 May 2025

Sunway Construction Group

Priced for Perfection; Downgrade to MP

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SUNCON has secured two data centre contracts worth RM1.16b from a US-based MNC, in line with earlier guidance. This lifts its YTD job wins to RM3.5b and outstanding order book to RM7.9b. With its share price having surged 19% over the past 10 days in anticipation of these wins, we believe the positive have been largely priced in. Accordingly, we downgrade the stock to **MARKET PERFORM** with an unchanged TP of RM5.94.

Secured another two data centre projects. Yesterday, SUNCON secured two additional data centre contracts totaling RM1.155b from a US-based MNC. These contracts, converted from earlier Early Contractor Involvement (ECI) agreements, are set to commence immediately and scheduled for completion by February 2027.

This marks SUNCON's second data centre contract win within ten days, following the RM260m K2 Phase 2-Stage 3 project secured on May 20. With these additions, SUNCON's YTD contract wins have reached RM3.5b, representing 58% of our FY25 job win assumption of RM6b. Consequently, the company's total outstanding order book has increased to RM7.9b. Data centre projects typically yield higher PBT margins, ranging between 5% and 8%.

Second data centre contract win in 10 days. These two contracts were well guided by the company, and we view it positively as it shows SUNCON's ability to secure projects in the highly competitive data centre bidding. This is the 2nd data centre contract win in 10 days, after the RM260m K2 Phase 2-Stage 3 works secured on 20 May. This increased SUNCON's YTD contract wins to RM3.5b, representing 58% of our FY25 job win assumption of RM6b. As a result, its total outstanding orderbook has risen to RM7.9b. The PBT margin for data centre projects is at the higher-end of the range of 5% to 8%.

Outlook: SUNCON is actively tendering for several data centre projects, which, if secured, could further enhance its blended profit margins. Additionally, the company is pursuing opportunities in the Penang LRT Packages 2 and 3, as well as in-house projects within the SUNWAY Group.

Forecasts. Maintained, with our job win assumption unchanged at RM6b/RM4b for FY25/FY26, respectively.

Valuations. We maintain our TP of RM5.94, based on unchanged PER of 22x, which is in-line with our valuation for big cap construction companies, i.e. **GAMUDA (OP; TP: RM4.90)** and **IJM (OP; TP: RM3.40)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 4).

Investment case. We like SUNCON for: (i) strong job prospects of the sector as a whole with the roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM7.9b outstanding order book and recurring jobs from parent and sister companies, and (iii) its extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works. However, following a 19% share price increase since our last update on 21 May 2025 (alongside a 12% TP upgrade), we believe the positives have been largely priced in. As such, we downgrade the stock to **MARKET PERFORM** from **OUTPERFORM**.

Risks to our recommendation include: (i) weak flows of construction jobs from public and private sectors, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

MARKET PERFORM

Price: RM5.83
Target Price: RM5.94

Share Price Performance



KLCI 1,518.98
YTD KLCI chg -7.5%
YTD stock price chg 25.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK Equity
Market Cap (RM m)	7,546.3
Shares Outstanding	1,294.4
52-week range (H)	5.98
52-week range (L)	3.10
3-mth avg. daily vol.	4,233,453
Free Float	26%
Beta	1.2

Major Shareholders

Sunway Holdings Sdn	54.4%
Sungei Way Corp Sdn	10.1%
Employees Provident	7.0%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	3521.7	4930.0	5250.0
EBIT	262.2	399.0	450.0
PBT	273.0	399.0	450.0
Net Profit	186.9	294.1	331.7
Core Net Profit	162.3	294.1	331.7
Consensus	-	291.3	308.7
Earnings Revision (%)	-	-	-
Core EPS (sen)	12.6	22.8	25.7
Core EPS Growth (%)	-4.7	81.3	12.8
NDPS (sen)	8.5	12.5	12.5
BVPS (RM)	0.68	0.80	0.94
NTA/share (RM)	0.68	0.80	0.94
PER (x)	36.8	25.6	22.7
PBV (x)	6.80	7.25	6.23
P/NTA (x)	6.80	7.26	6.23
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	1.8	2.1	2.1

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.65	4.90	5.4%	26,818.6	Y	07/2025	17.6	24.4	8.9%	38.7%	26.4	19.0	2.3	8.7%	10.0	2.2%
IJM	OP	2.43	3.40	39.9%	8,517.6	Y	03/2026	15.6	16.2	20.9%	4.0%	15.6	15.0	0.9	5.7%	8.0	3.3%
KERJAYA	OP	2.12	2.10	-0.9%	2,668.2	Y	12/2025	16.7	18.1	29.8%	8.0%	12.7	11.7	2.2	17.8%	12.0	5.7%
KIMLUN	OP	0.990	1.39	40.4%	349.8	Y	12/2025	23.2	27.3	376.5%	17.6%	4.3	3.6	0.4	9.9%	2.0	2.0%
SUNCON	MP	5.83	5.94	1.9%	7,546.3	Y	12/2025	22.8	25.7	81.6%	12.8%	25.6	22.7	7.3	30.7%	12.5	2.1%
WCT	OP	0.660	1.25	89.4%	1,028.9	Y	12/2025	5.0	5.6	67.4%	12.7%	13.2	11.7	0.3	2.1%	0.5	0.8%
SECTOR AGGREGATE					46,929.4					32.0%	21.9%	21.2	17.4	1.7	7.9%		2.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	★	☆
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	★	☆
SPECIFIC	Migrant Worker Welfare	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Environmentally Friendly Construction Technology	★	★	★	★	
	Supply Chain Auditing	★	★	★	★	
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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