

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

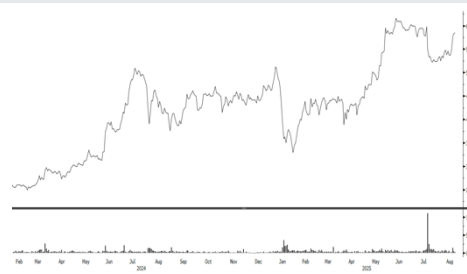

Maintain **BUY**

Revised Target Price **RM6.53**
(from RM6.44)

RETURN STATISTICS

Price @ 21st August 2025 (RM)	5.85
Expected share price return (%)	+11.6
Expected dividend yield (%)	+2.1
Expected total return (%)	+13.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.6	1.6
3months	-2.5	8.9
12 months	42.0	46.3

INVESTMENT STATISTICS

FYE Dec	2025F	2026F	2027F
Revenue	4930.4	5423.4	5694.6
Operating Profit	414.2	428.4	472.6
Profit Before Tax	404.3	406.8	461.3
Core Net Profit	308.1	313.4	360.4
Core EPS (sen)	23.8	24.2	27.8
DPS (sen)	12.25	12.5	12.5
Dividend Yield	2.1	2.1	2.1

KEY STATISTICS

FBM KLCI	1,592.87
Issued shares (m)	1292.90
Estimated free float (%)	27.41
Market Capitalisation (RM'm)	7,675.39
52-wk price range	RM3.26 – RM6.27
3-mth average daily volume (m)	7.34
3-mth average daily value (RM'm)	40.70
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	53.62
Sungei Way Corp Sdn Bhd	9.91
Employees Provident Fund Board	4.26

2QFY25 Results Review Earnings Surge on DC Momentum

Maintain BUY. We are increasing our earnings estimates for FY25E/FY26F/FY27F by +12.6%/+9.10%/+19.5% respectively to account for the stronger-than-expected performance in 2QFY25. We are also maintaining our **BUY** call on SunCon with an upgraded target price of RM6.53, pegging its increased FY26F EPS of 24.2 sen to a PER of 27x, which is in line with its two-year mean. SunCon continues to benefit from a robust project pipeline and steady construction sector momentum, with the sector expanding +12.9%yoy in 2QCY25. Its data centre portfolio remains a key earnings driver, with multiple phases of development still anticipated, supported by substantial land acquisitions by global operators and aggressive ongoing tender activity. As at Jun-25, SunCon's outstanding order book stood at RM6.72b, with nearly half comprising DC projects, including the latest RM1.16b general contractor works for two data centre packages awarded by a U.S.-based MNC. Beyond the ATF segment, the group is diversifying into large-scale infrastructure, renewable energy projects, and private finance initiatives, while continuing to build on its track record in commercial and in-house works from Sunway Bhd.

Above expectations. Sunway Construction Group Berhad's (SunCon's) core net profit for 2QFY25 came in +>100%yoy higher at RM92.3m. The 2QFY25 revenue also encountered an increase of +>100%yoy to RM1.48b, driven by an improved performance of their construction segment. The cumulative 1HFY25 core earnings grew by >100%yoy to RM171.4m, exceeding expectations at 62.6% and 56.6% of ours and consensus' full-year core net profit projections. The earnings strength was primarily driven by accelerated progress billings from several existing projects. The group declared its second sizeable interim dividend for FY25 at 7.25sen, bringing total dividends for FY25 thus far to 12.25sen per share.

Construction segment. The group's construction revenue grew +>100%yoy during the quarter to RM1.43b, generating a PBT of RM121.4m, 2.6x higher than 2QFY24's PBT. This was attributable to accelerated execution across several data centre projects, especially with the Yondr data centre in Sedenak Tech Park, Johor as well as the K2 data centre. Management previously guided that the Yondr data centre is progressing approximately six months ahead of schedule with completion slated for end-CY25. There was also an improvement in PBT margin to 8.5%, as compared to 7.8% in 2QFY24. We expect the margins at the current level to be sustainable, if not better in future quarters in line with revenue turnover. It has completed one DC project and are currently managing five ongoing projects.

Precast segment. The group's Precast segment revenue posted a -19.0%yoy decrease in revenue during 2QFY25 to RM43.4m. This led to a decline in the division's PBT by -63.6%yoy to RM1.2m. This lower year-on-year revenue was primarily due to 2QFY24's strong performance driven by contributions from projects at peak delivery stage as well as revision of provisions for those completed projects which aided profit margins. To recall our last engagement with management, they guided that project progress is heavily dependent on main contractors' execution schedules.

Analyst

MIDF Research
research@midf.com.my

Hence, any slowdown by main contractors directly impacts SunCon's precast earnings. Management noted that revenue is expected to remain subdued throughout FY25, especially since most existing precast contracts have already encountered delays by main contractors in Singapore. Management anticipates a meaningful rebound in the precast segment only in FY26, as execution momentum gradually recovers. PBT margins also declined to 2.8% in the quarter as compared to 6.2% in 2QFY24 in line with the lower revenue recorded. In Feb-25, Singapore's Housing and Development Board (HDB) launched 5,032 Build-To-Order flats for sale. Since >90% of the group's precast segment sales are tied to Singapore HDB flats, prospects for FY26 remain positive for SunCon's precast business.

RM6.72b outstanding order book. As at Jun-25, the group has secured RM3.81b or 63.4% of its FY25 replenishment target of RM4.5-6.0b. Among new orders secured YTD, data centres account for approximately 53.0%. SunCon's outstanding order book as at Jun-25 stood at RM6.72b, providing strong earnings visibility up to FY27. About 45% of these are data centre projects while 37% are in-house projects from its parent company, Sunway Bhd. Management is actively bidding for jobs, with a tender book of RM14.8b. Jobs on the radar primarily include data centres, public and commercial tenders such as the Penang LRT, MRT3 and the Penang International Airport expansion. SunCon has also started exploring renewable energy projects as well as projects requiring contractor financing or private financial initiatives. Internally, SunCon continues supporting Sunway Berhad's development pipeline, which includes hospitals, integrated developments, commercial buildings and transit-oriented developments (TOD).

SUNWAY CONSTRUCTION: 2QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	2QFY25	1QFY25	2QFY24	QoQ	YoY	6MFY25	6MFY24	YoY
Revenue	1,476.9	1,400.5	651.2	5.5%	126.8%	2,877.4	1,256.0	>100%
Net Operating Expenses	(1,359.4)	(1,291.0)	(600.2)	-5.3%	-126.5%	(2,650.4)	(1,150.3)	>-100%
Operating Profit	114.6	109.5	52.7	4.6%	117.6%	224.1	105.7	>100%
Finance Income	18.0	14.3	15.3	26.0%	17.2%	32.2	20.1	60.6%
Finance Costs	(12.8)	(12.9)	(17.8)	0.8%	28.2%	(25.7)	(34.0)	24.5%
JV and Associates	2.9	2.3	0.0	23.6%	-	5.2	0.0	-
Profit Before Tax	122.6	113.2	50.2	8.3%	>100%	235.8	91.9	>100%
Tax Expense	(28.4)	(27.5)	(12.4)	-3.2%	>-100%	(55.9)	(21.4)	>-100%
Minority Interest	10.3	10.0	(1.1)	3.4%	>100%	20.4	(0.8)	>100%
Reported Net Profit	83.9	75.7	38.9	10.8%	>100%	159.6	71.3	>100%
Core Net Profit	92.3	79.1	38.9	16.6%	>100%	171.4	71.1	>100%

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	2671.2	3521.7	4930.4	5423.4	5694.6	PBT	188.6	273.0	404.3	406.8	461.3
Net operating expenses	-2501.0	3300.1	-3484.6	-3642.7	-3824.8	Depreciation & amortisation	21.0	17.3	28.8	27.4	27.4
Operating profit	224.3	262.2	414.2	428.4	472.6	Changes in working capital	-516.6	-534.7	-23.9	-16.7	-16.7
Profit before tax	188.6	273.0	404.3	406.8	461.3	Operating cash flow	-299.4	716.4	297.7	258.2	279.3
Net profit	145.1	186.9	308.1	313.4	360.4	Capital expenditure	-18.9	-9.4	-25.0	-30.0	-30.0
Core net profit	143.9	179.9	308.1	313.4	360.4	Investing cash flow	-62.9	138.4	184.8	189.8	189.8
Core EPS (sen)	11.1	13.9	23.8	24.2	27.8	Debt raised/(repaid)	420.9	-167.2	-145.4	-145.4	-145.4
DPS (sen)	6.0	8.5	12.25	12.5	12.5	Dividends paid	-70.9	-116.0	-77.4	-77.4	-77.4
Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Financing cash flow	337.4	-303.4	-222.8	-222.8	-222.8
Fixed assets	98.6	85.4	130.6	124.1	117.9	Net cash flow	-24.8	551.5	259.8	225.2	246.3
Other investments and assets	745.1	636.4	518.9	532.0	532.0	Beginning cash flow	407.7	384.0	936.3	1196.0	1421.2
Non-current assets	843.6	721.8	649.6	656.1	649.9	Ending cash flow	384.0	936.3	1196.0	1421.2	1667.6
Cash	470.4	1,015.8	548.3	520.8	494.8	Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
Trade debtors	1,595.6	1,795.1	1,304.2	1,369.4	1,369.4	Operating profit margin	8.4%	7.4%	8.4%	7.9%	8.3%
Current assets	2,239.2	2,874.4	2,013.5	2,051.3	2,025.2	PBT margin	7.1%	7.8%	8.2%	7.5%	8.1%
Trade creditors	1,242.5	1,912.7	1,277.4	1,335.4	1,335.4	PAT margin	5.4%	5.3%	6.3%	5.8%	6.3%
Short-term debt	438.2	730.6	197.6	217.3	239.1	Core PAT margin	5.4%	5.1%	6.3%	5.8%	6.3%
Current liabilities	1,701.8	2,656.6	1,491.6	1,569.4	1,591.1						
Long-term debt	487.7	0.0	99.3	118.3	118.3						
Non-current liabilities	489.1	1.2	102.4	-47.2	-281.7						
Share capital	258.6	258.6	258.6	258.6	258.6						
Retained earnings	590.0	660.9	810.4	926.7	1,107.2						
Equity	892.0	938.5	1,069.0	1,185.3	1,365.8						

Source: Bloomberg,
MBSBR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known MIDF AMANAH INVESTMENT BANK): GUIDE TO RECOMMENDATIONS**STOCK RECOMMENDATIONS**

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology