

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction



Maintain BUY

Unchanged Target Price **RM6.44**

An Isolated Misstep

Maintain BUY. We maintain our **BUY** call on Sunway Construction Group Berhad (SunCon) with an unchanged **target price of RM6.44**, pegging its FY26F EPS of 22.2 sen to a PER of 29x, which is +1SD above its five-year mean. We view the recent corruption probe involving a contracts manager as a clearly isolated incident, not reflective of SunCon's internal governance framework, procurement procedures, or corporate values. As such, our earnings estimates remain unchanged, as we continue to expect strong core earnings delivery in FY25 and beyond. Management has reaffirmed that the incident has limited bearing on the company's ability to secure or perform on projects. We maintain our view that job replenishment will remain robust, particularly in the data centre (DC) segment, which continues to exhibit strong momentum with multiple development phases underway and additional tenders in the pipeline. As detailed in our previous update, the group's RM7.90b outstanding order book (as at May-25) anchors multi-year earnings visibility and margin stability. With continued strength in DC execution, upside from upcoming infrastructure tenders, and internal pipeline support from Sunway Group, we believe SunCon is well-positioned to outperform and deliver sustained shareholder value. Overall, SunCon remains a core beneficiary of Malaysia's structural DC build-out and broader infrastructure rollout cycle.

Corruption probe limited to one employee; company not under investigation. On 21 July 2025, SunCon disclosed via a Bursa Malaysia announcement that one of its employees – a contracts manager – was arrested by the Malaysian Anti-Corruption Commission (MACC) under the anti-graft operation known as Op Ways, in relation to alleged bribery involving subcontractor dealings. Management clarified in a briefing to fund managers and analysts yesterday that this is an isolated incident involving a single individual and that SunCon as a corporate entity is not under investigation. The employee, who had been with the group for nearly a decade, has since been suspended and will be formally terminated. Based on internal findings, the contract manager had overseen six successful subcontractor awards issued by SunCon since CY19. Separately, the MACC investigation centres on two companies – believed to be under the same group – which allegedly bribed the individual to secure certain subcontract packages. While the exact connection between the implicated parties and the six contracts remains unclear, SunCon is actively seeking legal counsel to evaluate next steps regarding the affected subcontracts and associated entities. Following the announcement, SunCon's share price closed -8.2% lower at RM5.49, reflecting short-term reputational concerns despite no operational or financial impact to the company.

Robust internal governance and SOPs in place. Management reiterated in the briefing that SunCon maintains clear and stringent SOPs, with all subcontracts from CY22 awarded strictly via e-bidding to the lowest bidder with no exceptions. The group achieved the ABMS (Anti-Bribery Management System) certification two months ago and has been externally audited three times over the past year – by RTS (MRT Corp), EY, and SIRIM – with all reviews confirming full compliance with its internal governance protocols. SunCon acknowledged that no framework can fully eliminate the risk of rogue actors, but the current incident was not a result of any procedural failure. Management reaffirmed its zero-tolerance policy on corruption and its commitment to further strengthen internal controls where possible.

RETURN STATISTICS	
Price @ 21 Jul 2025 (RM)	5.49
Expected share price return (%)	+17.3
Expected dividend yield (%)	+1.3
Expected total return (%)	+18.6



Price performance (%)	Absolute	Relative
1 month	-7.7	-9.1
3 months	-8.5	24.4
12 months	9.4	17.4

INVESTMENT STATISTICS			
FYE Dec	2025E	2026F	2027F
Revenue	3964.9	4163.1	4371.3
Operating Profit	303.7	333.1	349.7
Profit Before Tax	318.6	337.2	354.1
Core Net Profit	273.6	287.3	301.6
Core EPS (sen)	21.1	22.2	23.3
DPS (sen)	7.0	7.0	7.0
Dividend Yield	1.3	1.3	1.3

KEY STATISTICS	
FBM KLCI	1,524.59
Issued shares (m)	1292.90
Estimated free float (%)	27.32
Market Capitalisation (RM'm)	7,193.51
52-wk price range	RM3.26 – RM6.27
3-mth average daily volume (m)	4.67
3-mth average daily value (RM'm)	25.75
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	53.69
Sungei Way Corp Sdn Bhd	9.92
Employees Provident Fund Board	4.27

Analyst

MIDF Research
research@midf.com.my

No disruption to ongoing projects; tender prospects intact. All ongoing construction activities – including data centre projects – remain unaffected as per management’s guidance. The company has proactively reached out to both existing clients and potential tendering parties to clarify the situation, receiving constructive and receptive responses. While management acknowledged the potential reputational overhang in the short term, it expects sentiment to normalise once the legal process concludes and facts are formally established. In the meantime, SunCon’s growth outlook remains supported not only by DC tenders but also by a steady pipeline of internal projects under Sunway Group, including commercial buildings and medical centres. Beyond that, the company is actively eyeing major public-sector contracts such as the Penang LRT and the Penang International Airport expansion, alongside future MRT3 tenders and regional DC developments. With an outstanding order book of RM7.90b (as at May-25) and continued momentum in tender activity, SunCon remains well-positioned to navigate through the current episode and sustain earnings delivery into FY26.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	2,671.2	3,521.7	3,964.9	4,163.1	4,371.3	PBT	188.6	273.0	232.3	262.7	262.7
Net operating expenses	(2,501.0)	(3,300.1)	(3,484.6)	(3,642.7)	(3,824.8)	Depreciation & amortisation	21.0	17.3	28.8	27.4	27.4
Operating profit	224.3	262.2	303.7	333.1	349.7	Changes in working capital	-516.6	-534.7	-23.9	-16.7	-16.7
Profit before tax	188.6	273.0	318.6	337.2	354.1	Operating cash flow	-299.4	716.4	297.7	286.1	252.7
Net profit	145.1	186.9	273.6	287.3	301.6	Capital expenditure	-18.9	-9.4	-25.0	-30.0	-30.0
Core net profit	143.9	179.9	273.6	287.3	301.6	Investing cash flow	-62.9	138.4	184.8	189.8	189.8
Core EPS (sen)	11.1	13.9	21.1	22.2	23.3	Debt raised/(repaid)	420.9	-167.2	-145.4	-145.4	-145.4
DPS (sen)	6.0	8.5	7.0	7.0	7.0	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	253.1	219.7
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	1449.2
Non-current assets	843.6	721.8	649.6	656.1	649.9	Ending cash flow	384.0	936.3	1196.0	1449.2	1668.9
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%	7.7%	8.0%	8.0%
Current assets	2,239.2	2,874.4	2,013.5	2,051.3	2,025.2	PBT margin	7.1%	7.8%	8.0%	8.1%	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%	5.6%	6.3%	6.3%
Short-term debt	438.2	730.6	197.6	217.3	239.1	Core PAT margin	5.4%	5.1%	6.1%	6.2%	6.2%
Current liabilities	1,701.8	2,656.6	1,491.6	1,569.4	1,591.1						
Long-term debt	487.7	0.0	150.6	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,
MIDFR

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