

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction



Maintain BUY

Revised Target Price **RM5.43 (from RM4.82)**

1QFY25 Results Review

Strong Start to FY25; Earnings Visibility Intact

Maintain BUY. We are maintaining our **BUY** call on SunCon with an upgraded target price of RM5.43, pegging its FY26F EPS of 20.1 sen to a PER of 27x, which is +1SD above its seven-year mean. Our earnings estimates remain unchanged following the release of 1QFY25 results, which reflected strong progress billings from key data centre projects, within our estimates. SunCon continues to benefit from a robust project pipeline and steady construction sector momentum, with the sector expanding +14.2%yoy in 1QCY25. Moreover, SunCon's data centre portfolio remains resilient despite regional caution from global tech players, with five ongoing projects progressing well and a healthy tender pipeline. This includes the latest RM260.0m Stage 3 data centre package awarded by K2 Strategic Infrastructure. Beyond the ATF segment, the group continues to participate in large-scale infrastructure and commercial tenders along with various industrial and logistic facilities such as factories and warehouses. In this update, we are also introducing our FY27 earnings forecasts and statement projections to reflect the group's expanding order book and long-term visibility. We view SunCon to be among the main beneficiaries of the rise in both private and civil construction jobs, thus underpinning our revised target price and **BUY** recommendation.

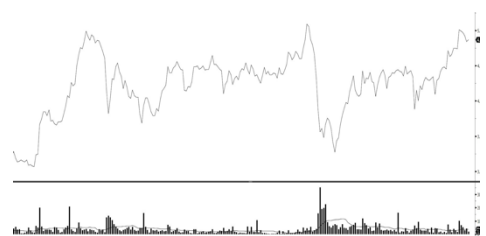
Within expectations. Sunway Construction Group Berhad's (SunCon's) core net profit for 1QFY25 came in +>100%yoy higher at RM79.1m. The 1QFY25 revenue also encountered an increase of +>100%yoy to RM1.40b, driven by an improved performance of their construction segment. Although slightly above our expectations at 33.0% and 28.6% of consensus' full-year core net profit projections, we deem the results within estimates as the earnings strength was primarily driven by accelerated progress billings from existing projects which are in line with the construction schedule and anticipated revenue recognition timeline. The group also declared its first sizeable interim dividend for FY25 at 5.0 sen.

Construction segment. The group's construction revenue grew +>100%yoy during the quarter to RM1.37b, generating a PBT of RM112.0m, a growth of +>100%yoy, nearly 3x higher than 1QFY24's PBT. This was attributable to accelerated execution across several data centre projects, especially with the Yondr data centre in Sedenak Tech Park, Johor. There was also an improvement in PBT margin to 8.2%, as compared to 7.0% in 4QFY24. We expect the margins at the current level to be sustainable, if not better in future quarters in line with revenue turnover. Moreover, SunCon has continued to strengthen their position in the Advanced Technology Facilities (ATF) segment, particularly within the DC space; they have completed one DC project and are currently managing five ongoing projects.

RETURN STATISTICS

Price @ 20 May 2025 (RM)	4.88
Expected share price return (%)	+11.3
Expected dividend yield (%)	+1.4
Expected total return (%)	+12.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	12.7	9.1
3 months	11.2	20.3
12 months	45.4	52.7

INVESTMENT STATISTICS

FYE Dec	2025F	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	240.0	259.8	271.0
Core EPS (sen)	18.6	20.1	21.0
DPS (sen)	7.0	7.0	7.0
Dividend Yield	1.4	1.4	1.4

KEY STATISTICS

FBM KLCI	1,548.87
Issued shares (m)	1292.90
Estimated free float (%)	26.07
Market Capitalisation (RM'm)	6,285.59
52-wk price range	RM3.1 - RM5.3
3-mth average daily volume (m)	4.19
3-mth average daily value (RM'm)	18.46
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	54.51
Sungei Way Corp Sdn Bhd	10.07
Employees Provident Fund Board	7.57

Analyst

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Precast segment. The group's Precast segment revenue posted a -50.0%yoy decrease in revenue during 1QFY25 to RM30.6m. This led to a decline in the division's PBT by -67.6%yoy to RM1.2m. This lower year-on-year revenue was primarily due to 1QFY24's strong performance driven by contributions from projects at peak delivery stage; however, management expects revenue from this segment to increase in corresponding quarters as SunCon awaits the ramp-up of new project deliveries. PBT margins also declined to 3.9% as compared to 6.1% in 1QFY24 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 remain positive for SunCon's precast business. The division is also exploring opportunities beyond HDB projects, with two data centre projects to date.

Stage 3 data centre package from K2 Strategic Infrastructure. On 20 May 2025, Sunway Construction Sdn Bhd (SCSB), a wholly owned subsidiary of SunCon, accepted a Letter of Award from K2 Strategic Infrastructure Malaysia Sdn Bhd for the Stage 3 (final phase) general contractor works of a data centre development in Johor, valued at RM260.0m. This award supplements the earlier Stage 1 and 2 works secured in Feb-25, bringing the total contract value for the full project to RM392.7m. Construction progress for Stage 1 and 2 is already underway, and Stage 3 is expected to commence imminently, with the entire data centre slated for completion by Mar-26. Revenue recognition for this project is anticipated to gradually accelerate through FY25, with stronger recognition in FY26 as works reach peak activity. As this is the final phase of a previously secured package, execution risk is mitigated through existing site familiarity, while the additional value reinforces SunCon's presence in the Advanced Technology Facilities segment.

RM5.8b outstanding order book. Following the abovementioned award, as at Mar-25, the group has secured RM2.20b or 48.9% of its FY25 replenishment target of RM4.5-6.0b. SunCon's outstanding order book as at Mar-25 stood at RM6.6b, providing strong earnings visibility up to FY28. About 42% of these are data centre projects while 41% are in-house projects from its parent company, Sunway Bhd. Management is actively bidding for jobs, with a tender book of RM15.9b. Jobs on the radar primarily include data centres, public and commercial tenders such as the Penang LRT and the Penang International Airport expansion, industrial and logistics facilities and in-house projects (particularly those involving special-purpose buildings).

SUNWAY CONSTRUCTION: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	1QFY25	4QFY24	1QFY24	QoQ	YoY	3MFY25	3MFY24	YoY
Income Statement								
Revenue	1,400.5	1,400.3	604.8	0.0%	>100%	1,400.5	604.8	>100%
Net Operating Expenses	(1,291.0)	(1,309.8)	(550.1)	1.4%	->100%	(1,291.0)	(550.1)	->100%
Operating Profit	109.5	91.6	53.1	19.5%	>100%	109.5	53.1	>100%
Finance Income	14.3	33.2	4.7	-57.1%	>100%	14.3	4.7	>100%
Finance Costs	(12.9)	(14.6)	(16.2)	11.5%	20.4%	(12.9)	(16.2)	20.4%
JV and Associates	2.3	0.3	0.0	>100%	-	2.3	0.0	-
Profit Before Tax	113.2	110.6	41.6	2.4%	>100%	113.2	41.6	>100%
Tax Expense	(27.5)	(32.7)	(8.9)	15.9%	->100%	(27.5)	(8.9)	->100%
Minority Interest	10.0	8.7	0.3	14.6%	>100%	10.0	0.3	>100%
Reported Net Profit	75.7	69.2	32.4	9.5%	>100%	75.7	32.4	>100%
Core Net Profit	79.1	64.7	32.2	22.3%	>100%	79.1	32.2	>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	3964.9	4163.1	4371.3	PBT	188.6	273.0	232.3	262.7	262.7
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	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	220.5	260.2	275.4	Capital expenditure	-18.9	-9.4	-25.0	-30.0	-30.0
Core net profit	143.9	179.9	240.0	259.8	271.0	Investing cash flow	-62.9	138.4	184.8	189.8	189.8
Core EPS (sen)	11.1	13.9	18.6	20.1	21.0	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

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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