

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction



Maintain BUY

Revised Target Price **RM6.44** (from RM5.43)

DC Momentum Accelerates as SunCon Lands RM1.16b Deal

Maintain BUY. We maintain our **BUY** call on Sunway Construction Group Berhad (SunCon) with a higher target price of RM6.44, pegging its updated FY26F EPS of 22.2 sen to a PER of 29x, which is +1SD above its five-year mean. This upward revision is underpinned by an increase in earnings forecasts for FY25/26/27 by +14.0%/+10.6%/+11.3% respectively. The revision reflects the continued pace of high-value job wins, particularly in the data centre (DC) segment. While we had expected this latest contract to materialise, the swift execution and cumulative scale of wins – particularly from external clients – reinforce the strength of SunCon’s operating momentum. With RM3.50b worth of jobs already secured YTD (58% of its full-year replenishment target), momentum remains firmly on track. This includes multiple high-value awards from both in-house and external clients, reinforcing earnings visibility and validating SunCon’s delivery capabilities in high-spec industrial verticals. Data centres are increasingly becoming the anchor of construction sector earnings in Malaysia, with private-sector digital infrastructure flows complementing upcoming civil job rollouts. SunCon’s ability to ride this structural wave – backed by five ongoing DC projects, and a robust tender pipeline – reinforces our conviction that it is set to remain a key beneficiary of this thematic for the next two to three years.

RM1.16b data centre win from U.S. tech giant. Yesterday, Sunway Construction Sdn Bhd (SCSB), a wholly owned subsidiary of Sunway Construction Group Berhad (SunCon), accepted work orders worth RM1.16b from a U.S.-based multinational technology company for the provision of general contractor works involving two data centre projects. The projects are scheduled to begin immediately, with final completion targeted by Feb-27. The project relates to an upsizing contract for Early Contractor Involvements (ECI) works that was due to be completed in 2QFY25 which was initially valued at RM160.0m and as at Mar-25, had an outstanding sum of RM42.0m. This strengthens SunCon’s foothold in the Advanced Technology Facilities (ATF) segment and marks another major external win in the rapidly expanding data centre space.

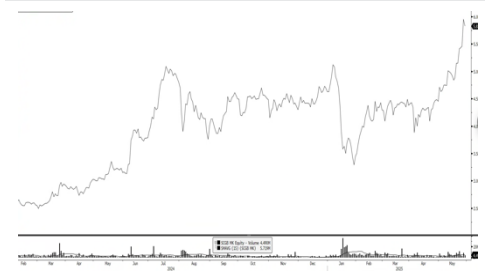
Order book strengthens to RM7.90b. With this latest award, SunCon has now secured RM3.50b in new jobs YTD FY25, already surpassing 58% of its FY25 replenishment target range of RM4.5b–6.0b. This includes the RM1.50b Bukit Chagar RTS TOD project awarded in Mar-25 and the K2 data centre packages totalling RM392.7m. As at May-25, SunCon’s outstanding order book has risen to RM7.90b, providing earnings visibility through to FY28. Management continues to guide for more wins ahead, with a healthy pipeline of commercial, infrastructure, and ATF-related projects in the works. Notably, the latest contract further underscores SunCon’s ability to diversify beyond Sunway Berhad-related jobs, supporting a more balanced mix between external and in-house projects. This diversification helps smoothen earnings cyclicity while enhancing its competitiveness as a standalone construction player.

Data centres now nearly half of total order book. Data centres continue to anchor SunCon’s construction momentum. As at Mar-25, RM2.77b or 42% of its RM6.60b order book was attributable to data centre contracts. With the addition of the

RETURN STATISTICS

Price @ 29 May 2025 (RM)	5.83
Expected share price return (%)	+10.5
Expected dividend yield (%)	+1.4
Expected total return (%)	+11.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	30.1	32.0
3 months	33.1	40.6
12 months	82.2	92.4

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	1.4	1.4	1.4

KEY STATISTICS

FBM KLCI	1,518.98
Issued shares (m)	1292.90
Estimated free float (%)	26.34
Market Capitalisation (RM'm)	7,546.30
52-wk price range	RM3.1 - RM5.98
3-mth average daily volume (m)	4.23
3-mth average daily value (RM'm)	19.43
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	54.35
Sungei Way Corp Sdn Bhd	10.05
Employees Provident Fund Board	7.01

Analyst

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RM1.16b secured this week, the segment now makes up RM3.93b or 49.7% of SunCon's enlarged RM7.90b order book — underscoring its status as an industry leader in DC execution, supported by a robust track record and fast turnaround capabilities. Despite growing regional caution from global tech players, SunCon's data centre portfolio has remained resilient, with five existing projects progressing well and a steady stream of active tenders prior to this latest award. Notably, this includes the recent RM260.0m Stage 3 data centre package from K2 Strategic Infrastructure — the final phase of a development in Johor for which SunCon had earlier secured Stage 1 and 2 works in Feb-25. These contracts are not only high in value but also margin accretive, given its technical complexity and compressed timelines. The segment has already contributed meaningfully to 1QFY25 earnings, with improved billings from ongoing jobs like the Yondr facility in Johor. From a broader perspective, data centres are increasingly seen as a structural driver for Malaysia's construction sector. Industrial and digital infrastructure flows are expected to complement public-sector mega projects such as LRT3 and the Penang International Airport expansion in 2HCY25. SunCon remains well-positioned to benefit from both private and public sector upcycles, with its strong execution capabilities, diversified tender participation—including in factories, warehouses, and large-scale commercial infrastructure—and balanced in-house and external job mix providing strategic depth in an increasingly competitive market.

Execution and risk outlook. While execution risks such as material cost fluctuations and logistical challenges remain, SunCon's experience in delivering high-spec facilities such as data centres gives it a strong advantage. Its existing familiarity with the client's standards and specifications, combined with project start-up efficiency, should help mitigate risks and ensure timely execution. With works scheduled to commence immediately, earnings recognition is expected to contribute progressively from FY25 onwards, especially as activities ramp up over the next 12 months.

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

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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