

## 2Q25: accelerated construction of key DC project Quick Note

**2Q25 earnings at record levels, but in-line:** SunCon's 2Q25 net income of MYR84mn was up 116% y-y and 11% q-q, and 1H25 net income formed 50%/53% of our/Bloomberg consensus estimates for FY25F. The strong run-rate is mainly due to the accelerated pace of construction to complete the JHB1X0 data center project, and therefore, we believe the earnings run-rate should remain similarly elevated throughout 2025F. PBT margin from the construction segment further improved to 8.5% (vs 8.2% in 1Q25). New orderbook replenishment in 1H25 was strong at MYR3.8bn (2Q25: MYR1.6bn, 1Q25: MYR2.2bn). SunCon also declared a second interim dividend of 7.25sen which implies 1H25 DPS of 12.25sen and a 100% payout, and given its rising cash-pile and focus to maintain elevated ROE/ROCE levels, we expect higher dividend payouts to continue in FY25F.

**We are hosting a post-results conference call (virtual) with SunCon's management on 25 August (Monday) at 2:30 pm MYT. Please contact us if you would like to attend the call.**

**Construction segment / tenders outlook:** Construction revenue for 2Q25 was at MYR1.4bn, up 5% q-q, driven by the ramp-up of data centre (DC) projects. PBT was up 8% q-q, with PBT margin at 8.5% in 2Q25 vs 8.2% in 1Q25. New orderbook replenishment in 1H25 stands at MYR3.8bn. SunCon has an outstanding orderbook of MYR6.7bn, and management is targeting a replenishment of MYR4.5-6bn in 2025E (NMR target: MYR5.5bn) on the back of an active tender book of MYR14.8bn. Majority of the tenderbook is from DC projects, with residual small participation in semiconductor and precast jobs. As per management, it is currently working on eight DC tenders with project sizes ranging from MYR500mn to multi-billion ringgits, and in an optimistic scenario, we believe that it can even beat its own/our orderbook replenishment targets for FY25F. We also note that amongst the wins for 2Q25, there are two separate site early works packages for Shell 2 for an unnamed multinational technology company. This, we think, might be a positive sign that a key global tech company is proceeding with the second phase shells of its separate data center packages, and if SunCon meets all deliverables, it can potentially convert to general contractor works packages worth MYR500-600mn, in our view, similar to Phase-1 ([link](#)).

**Pre-cast segment review:** Precast revenue/PBT for 2Q25 came in at MYR43mn/MYR1mn (+42%/-2% q-q). PBT margin was up at 2.8% vs 4.1% in 1Q25. Management mentioned that the delivery of new projects remained slow in 1H25, but picked up in Jul-Aug and therefore we believe that 2H25F will likely be better than 1H25.

**India highway monetisation:** There is no new update on the monetisation of India highway projects.

**Reiterate Neutral on valuations:** Management recently announced that SunCon has received an official written confirmation from MACC (Malaysian Anti-Corruption Commission) clarifying that the scope of its investigation pertains solely to the personal conduct of the individual concerned, and it remains an isolated case. MACC has further confirmed that neither SunCon nor any of its subsidiaries are subjects of investigation under any provision of the MACC Act 2009, including Section 17A, which focusses on corporate liability. This news is a positive development, we think, as it should put SunCon's key prospective clients at ease. See our earlier note on this [here](#).

We expect 2025F to be a strong year in terms of earnings recognition from DC jobs and also job wins, and this might spill over to 2026F as well. However, given that the stock has regained all losses since news of the investigation broke out, and in view of very rich

|                              |          |
|------------------------------|----------|
| Rating Remains               | Neutral  |
| Target price Remains         | MYR 5.90 |
| Closing price 21 August 2025 | MYR 5.85 |

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current valuations at 23.8x on what should be cyclically high FY25F earnings of MYR317mn, we reiterate our Neutral rating. Our TP of MYR5.90 is based on 24x FY25F P/E.

**Fig. 1: SunCon – 1H25 results snapshot**

| MYR mn           | 1H25  | NMR FY25F | as % of NMR | Cons FY25F | as % of cons |
|------------------|-------|-----------|-------------|------------|--------------|
| Revenue          | 2,877 | 5,956     | 48%         | 5,126      | 56%          |
| Adj PBT          | 236   | 454       | 52%         | 411        | 57%          |
| Adj NPATAMI      | 160   | 317       | 50%         | 303        | 53%          |
| Reported NPATAMI | 160   | 317       | 50%         | 308        | 52%          |

Source: Company data, Bloomberg Finance L.P., Nomura estimates

**Fig. 2: SunCon – 2Q25 results review**

| MYR mn                               | 2Q25         | 2Q24        | % chg<br>y-y | 1Q25         | % chg<br>q-q | 1H25         | 1H24         | % chg<br>y-y | FY25F        | as % of<br>FY25F |
|--------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| <b>Revenues</b>                      | <b>1,477</b> | <b>651</b>  | <b>127%</b>  | <b>1,401</b> | <b>5%</b>    | <b>2,877</b> | <b>1,256</b> | <b>129%</b>  | <b>5,956</b> | <b>48%</b>       |
| Construction                         | 1,433        | 598         | 140%         | 1,370        | 5%           | 2,803        | 1,141        | 146%         | 5,176        | 54%              |
| Precast concrete                     | 43           | 54          | (19%)        | 31           | 42%          | 74           | 115          | (36%)        | 780          | 9%               |
| <b>Operating profit</b>              | <b>115</b>   | <b>53</b>   | <b>118%</b>  | <b>110</b>   | <b>5%</b>    | <b>224</b>   | <b>106</b>   | <b>112%</b>  | <b>327</b>   | <b>69%</b>       |
| Construction                         | 115          | 47          | 147%         | 109          | 6%           | 224          | 93           | 141%         |              |                  |
| Precast concrete                     | (1)          | 6           | NM           | 1            | NM           | (0)          | 13           | NM           |              |                  |
| <b>Adjusted Pretax profit</b>        | <b>123</b>   | <b>50</b>   | <b>144%</b>  | <b>113</b>   | <b>8%</b>    | <b>236</b>   | <b>92</b>    | <b>157%</b>  | <b>454</b>   | <b>52%</b>       |
| Construction                         | 121          | 47          | 159%         | 112          | 8%           | 233          | 85           | 175%         | 411          | 57%              |
| Precast concrete                     | 1            | 3           | (64%)        | 1            | (2%)         | 2            | 7            | (65%)        | 43           | 6%               |
| Core PAT                             | 94           | 38          | 150%         | 86           | 10%          | 180          | 70           | 155%         | 327          | 55%              |
| <b>Core PAT - equityholders</b>      | <b>84</b>    | <b>39</b>   | <b>116%</b>  | <b>76</b>    | <b>11%</b>   | <b>160</b>   | <b>71</b>    | <b>124%</b>  | <b>317</b>   | <b>50%</b>       |
| <b>Other one-off charges</b>         | <b>0</b>     | <b>0</b>    | <b>NM</b>    | <b>0</b>     | <b>NM</b>    | <b>0</b>     | <b>0</b>     | <b>NM</b>    | <b>0</b>     | <b>NM</b>        |
| <b>Headline NPAT - equityholders</b> | <b>84</b>    | <b>39</b>   | <b>116%</b>  | <b>76</b>    | <b>11%</b>   | <b>160</b>   | <b>71</b>    | <b>124%</b>  | <b>317</b>   | <b>50%</b>       |
| <b>Adj Pretax margins</b>            | <b>8.3%</b>  | <b>7.7%</b> | <b>1 ppt</b> | <b>8.1%</b>  | <b>0 ppt</b> | <b>8.2%</b>  | <b>7.3%</b>  | <b>1 ppt</b> | <b>7.6%</b>  |                  |
| Construction                         | 8.5%         | 7.8%        | 1 ppt        | 8.2%         | 0 ppt        | 8.3%         | 7.4%         | 1 ppt        | 7.9%         |                  |
| Precast concrete                     | 2.8%         | 6.2%        | -3 ppt       | 4.1%         | -1 ppt       | 3.3%         | 6.2%         | -3 ppt       | 5.5%         |                  |

Source: Company data, Nomura estimates

**Fig. 3: SunCon's outstanding orderbook**

As of end-2Q25

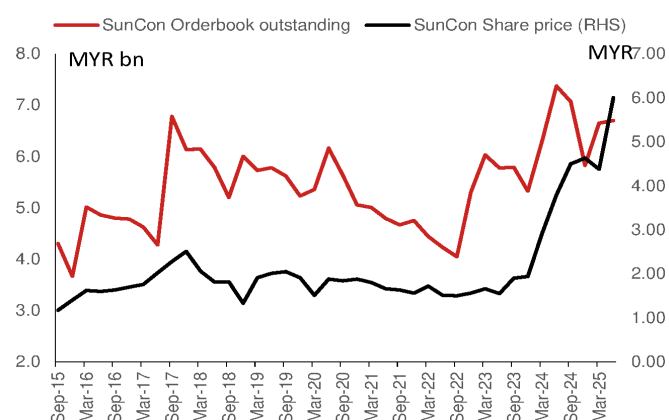
| MYR mn  | Contract Sum  | Outstanding order book |
|---|---------------|------------------------|
| <b>Infrastructure/Piling</b>                          |               |                        |
| RTS Link Package 1B and 5                             | 558           | 48                     |
| <b>Building</b>                                       |               |                        |
| Oxley Tower + VO                                      | 73            | 6                      |
| Daiso   | 285           | 108                    |
| <b>Data Centre</b>                                    |               |                        |
| JHB1X0 - Data Centre                                  | 3,806         | 580                    |
| JHB1X0 - Tenant Improvement Works                     | 238           | 238                    |
| ECI and enabling works - MNC                          | 160           | 5                      |
| PSR - MNC   | 778           | 548                    |
| K2 Building 4   | 458           | 398                    |
| General contractor Works - MNC                        | 1,155         | 1,150                  |
| Site Early Works - Shell 2 - MNC                      | 89            | 89                     |
| <b>India</b>  |               |                        |
| Thorapalli Agraharam - Jittandahalli                  | 508           | 182                    |
| <b>Renewable energy</b>                               |               |                        |
| Cgpp - Green  | 37            | 11                     |
| <b>Internal</b>                                       |               |                        |
| South Quay Square - Superstructure + VO               | 1,067         | 274                    |
| SW Flora  | 277           | 56                     |
| SMC Fit-out   | 70            | 22                     |
| SMC4 Phase 3 - Fit-out                                | 80            | 76                     |
| SW Ipoh Mall  | 721           | 608                    |
| SMC Damansara Phase 2 Fit out                         | 9             | 2                      |
| RTS Transit Oriented Development Project (RTS TOD)    | 1,500         | 1,451                  |
| <b>Singapore</b>                                      |               |                        |
| Precast   | 758           | 582                    |
| External - New order 2025                             | 285           | 285                    |
| <b>Total</b>  | <b>12,912</b> | <b>6,718</b>           |
| <b>Orderbook burn rate (FY24, including internal)</b> |               | <b>4,552</b>           |
| <b>Implied earnings visibility (years)</b>            |               | <b>1.5</b>             |

Source: Company data, Nomura research

**Fig. 4: YTD 2025 orderbook replenishment**

| Project   | Duration | Contract Sum (MYR mn) |
|---|----------|-----------------------|
| <b>1Q25</b>   |          |                       |
| JHB1X0 - Tenant improvement works                               | Feb-26   | 167                   |
| Bedok N8C14   | Dec-26   | 73                    |
| K2 Building 4   | Mar-26   | 393                   |
| RTS Transit Oriented Development Project (RTS TOD)              | Nov-27   | 1,500                 |
| Early Contractor Involvement (ECI) & enabling works - Package A | Apr-25   | 50                    |
| Early Contractor Involvement (ECI) & enabling works - Package B | Apr-25   | 31                    |
| <b>2Q25</b>   |          |                       |
| JHB1X0 - Tenant improvement works                               | Feb-26   | 71                    |
| General Contractor Works - Package A                            | Feb-27   | 579                   |
| General Contractor Works - Package B                            | Feb-27   | 576                   |
| K2 Building 4 - VO  | Mar-26   | 65                    |
| Jurong West N1C34   | Jun-28   | 25                    |
| Kallang Whampoa   | Apr-28   | 39                    |
| LPS Term Contract Batch 16                                      | Jan-28   | 87                    |
| Site Early Works - Shell 2 - Package A                          | Jan-26   | 44                    |
| Site Early Works - Shell 2 - Package B                          | Jan-26   | 45                    |
| Project CJ  | Aug-27   | 61                    |
| <b>Total</b>  |          | <b>3,806</b>          |

Source: Company data, Nomura research

**Fig. 5: SunCon: Orderbook vs share price**

Source: Company data, Bloomberg Finance L.P., Nomura research

# Appendix A-1

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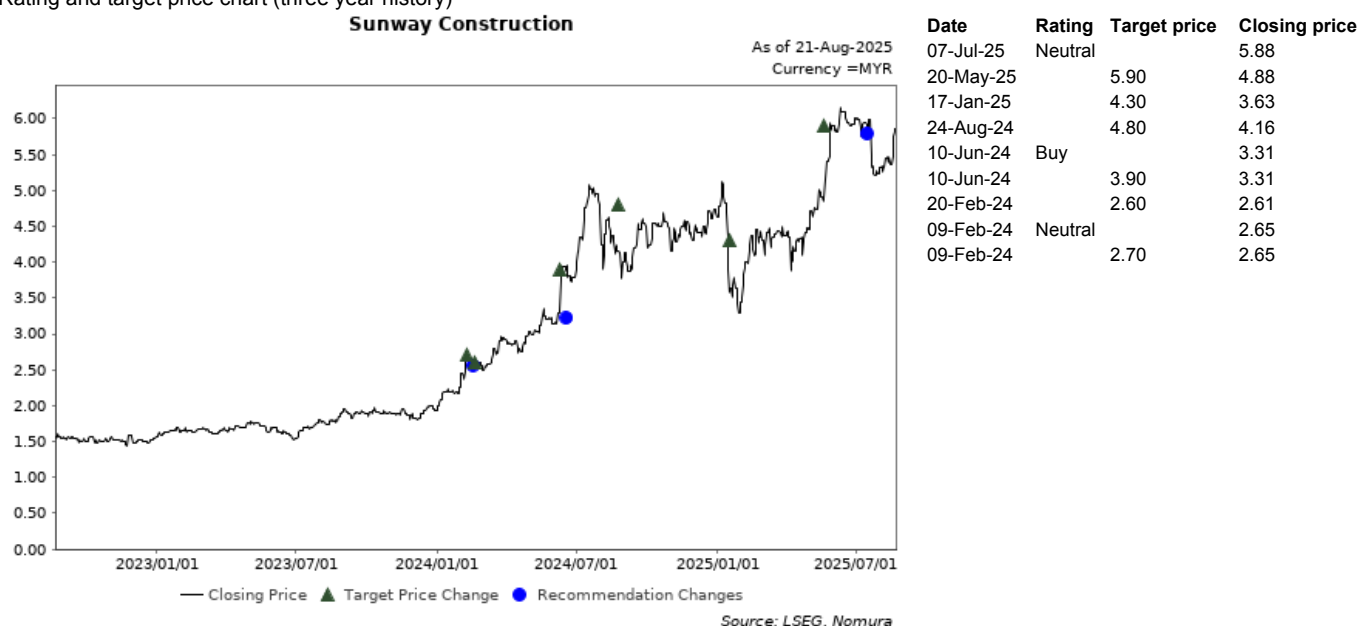
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|---------------------|---------|----------|-------------|--------------|---------------|-------------|
| Sunway Construction | SCGB MK | MYR 5.85 | 21-Aug-2025 | Neutral      | N/A           |             |

### Sunway Construction (SCGB MK)

MYR 5.85 (21-Aug-2025) Neutral (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** We value SunCon at a target P/E of 24x on FY25F earnings estimate of MYR317mn. We arrive at our TP of MYR5.90. The benchmark index for the stock is FTSE Bursa Malaysia KLCI Index.

**Risks that may impede the achievement of the target price** Upside risk to our view are: 1) no restrictive AI chip rules for Malaysia; 2) higher than expected project awards; 3) better than expected margins; 4) receivables monetization. Downside risk to our view are: 1) delays in construction project awards; 2) lower-than-expected margins; 3) lower pre-cast earnings; 4) a lack of new infra/DC projects; 5) risk of project cancellation, delays or arbitration, 6) delay in monetisation of receivables.

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