

# Sunway Construction (SCGB MK)

Result beat on quicker DC project recognition

MALAYSIA | CONSTRUCTION | RESULT

- 6M25 core net profit of RM171m was above expectations on quicker-than-expected DC projects recognition
- Sequential earnings growth was driven by ramp-up in DC projects which led margin expansion
- Maintain HOLD rating with a higher 12-month TP of RM5.50

## Above expectations

SunCon recorded a strong 6M25 core net profit of RM171.4m (+140% YoY), driven by higher revenue of RM2.9bn (+129%) from the ramp up in progress billings of its DC related contracts. Notably, the Sedenak JHBX10 DC project contributed RM1.7bn in revenue during the period, making up 58% of total revenue. EBITDA margin slipped 0.7ppts due to weaker precast segment. Overall, results came in above expectations, accounting for 58% of our and 57% of consensus full-year forecasts. The earnings beat was attributed to quicker-than-expected DC project billings.

## Sequential stronger earnings driven by Sedenak project

Sequential core net profit improved 17% QoQ to RM92m on the back of higher revenue of RM1.5bn (+6%) supported by higher recognition from ongoing DC projects. The higher DC contribution lifted EBITDA margin by 0.2ppts to 8.6%. SunCon's current outstanding orderbook stands at RM6.7bn, with the existing 5 DC projects making up 45% of total. We expect replenishment opportunities to remain largely driven by DC projects, which constitute 90% of RM15bn tender book. With YTD new wins of RM3.8bn, SunCon is on track to achieve its replenishment guidance of RM4.5–6bn.

## Maintain HOLD with higher TP of RM5.50

We maintain our order book replenishment assumption at RM5bn, but raise 2025–27E EPS forecasts by 3–6% to account for faster recognition of DC projects. Despite the earnings upgrade, we anticipate a weaker 2H25 as contributions from Sedenak JHBX10 taper off near completion. Following the earnings revision, we raise our 12-month TP to RM5.50 (from RM5.35) based on an unchanged target 22x PE multiple on 2026E EPS. With the stock trading at 23x forward PE (+1.5SD its 5-year mean), we view the current valuation as fair. Maintain HOLD. Key risks to our call include delay in contract awards, higher-than-expected order replenishment, quicker/slower order book recognition, and margin pressures.

### Key Financials

Y/E Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,671.2	3,521.7	5,165.0	5,273.3	5,376.5
EBITDA (RMm)	274.8	279.4	451.7	469.6	481.8
Pretax profit (RMm)	188.6	273.0	420.5	437.5	458.9
Net profit (RMm)	145.1	186.9	309.5	322.3	338.7
EPS (sen)	11.2	14.5	24.0	25.0	26.2
PER (x)	51.9	40.3	24.4	23.4	22.3
Core net profit (RMm)	174.7	169.5	309.5	322.3	338.7
Core EPS (sen)	13.5	13.1	24.0	25.0	26.2
Core EPS growth (%)	21.5	(2.9)	82.6	4.2	5.1
Core PER (x)	43.2	44.5	24.4	23.4	22.3
Net DPS (sen)	6.0	8.5	12.3	13.0	14.0
Dividend Yield (%)	1.0	1.5	2.1	2.2	2.4
EV/EBITDA (x)	28.7	26.0	16.4	15.4	14.7
Chg in EPS (%)			+4.2	+2.6	+6.4
Phillip/Consensus (%)			1.0	1.0	0.9

Sources: Company, Bloomberg, Phillip Research forecasts

22 August 2025

## HOLD (maintain)

LAST CLOSE PRICE	RM5.85
TARGET PRICE	RM5.50
TOTAL RETURN	-6.0%
(PREVIOUS TP:	RM5.35)

### COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN):	1,312
MARKET CAP (USD mn / RM mn):	1816 / 7675
52 - WK HI/LO (RM):	6.27 / 3.26
3M Average Daily T/O (mn):	7.34
NET CASH/(DEBT) (RMm)	1,239.80

### MAJOR SHAREHOLDERS (%)

Sunway Holdings	53.6%
Sungei Way Corp	9.9%
EPF	4.3%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(2.7)	20.3	27.5
FBMKLCI RETURN	4.1	2.8	(1.1)

### PRICE VS. FBMKLCI



Source: Bloomberg

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**Results at a glance**

Y/E Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg	Comment
Revenue	651.2	1,400.5	1,476.9	5.5	126.8	1,256.0	2,877.4	129.1	Higher YoY mainly driven by construction (+146%) mitigating the weaker precast segment (-36%)
Op costs	(595.2)	(1,284.0)	(1,350.5)	5.2	126.9	(1,141.1)	(2,634.5)	130.9	
<b>EBITDA</b>	<b>56.1</b>	<b>116.5</b>	<b>126.4</b>	<b>8.5</b>	<b>125.4</b>	<b>115.0</b>	<b>242.9</b>	<b>111.3</b>	
<i>EBITDA margin (%)</i>	<i>8.6</i>	<i>8.3</i>	<i>8.6</i>	<i>0.2ppt</i>	<i>(0.1ppt)</i>	<i>9.2</i>	<i>8.4</i>	<i>(0.7ppt)</i>	Lower margins dragged by weaker precast segment
Depn and amort	(4.6)	(3.6)	(3.5)	(0.4)	(22.6)	(9.1)	(7.1)	(22.0)	
<b>EBIT</b>	<b>51.5</b>	<b>112.9</b>	<b>122.9</b>	<b>8.8</b>	<b>138.5</b>	<b>105.9</b>	<b>235.8</b>	<b>122.7</b>	
<i>EBIT margin (%)</i>	<i>7.9</i>	<i>8.1</i>	<i>8.3</i>	<i>0.3ppt</i>	<i>0.4ppt</i>	<i>8.4</i>	<i>8.2</i>	<i>(0.2ppt)</i>	
Int and other inc	15.3	14.3	18.0	26.0	17.2	20.1	32.2	60.6	
Int expense	(17.8)	(12.9)	(12.8)	(0.8)	(28.2)	(34.0)	(25.7)	(24.5)	
EI	1.1	(3.4)	(8.4)	<i>nm</i>	<i>nm</i>	(0.2)	(11.8)	<i>nm</i>	RM3m allowance for receivable impairment, RM2.4m gain on PPE disposal, RM0.2m unrealised forex loss, RM7.3m ESOS expenses
<b>Pretax profit</b>	<b>50.2</b>	<b>113.2</b>	<b>122.6</b>	<b>8.3</b>	<b>144.2</b>	<b>91.9</b>	<b>235.8</b>	<b>156.7</b>	
<b>Core Pretax</b>	<b>49.1</b>	<b>116.6</b>	<b>131.0</b>	<b>12.3</b>	<b>166.8</b>	<b>92.0</b>	<b>247.6</b>	<b>169.1</b>	
Tax	(12.4)	(27.5)	(28.4)	3.2	128.2	(21.4)	(55.9)	161.4	
<i>Tax rate (%)</i>	<i>24.8</i>	<i>24.3</i>	<i>23.1</i>	<i>(1.1ppt)</i>	<i>(1.6ppt)</i>	<i>23.3</i>	<i>24.2</i>	<i>1.0ppt</i>	
MI	1.1	(10.0)	(10.3)	<i>nm</i>	<i>nm</i>	0.8	(20.4)	<i>nm</i>	
<b>Net profit</b>	<b>38.9</b>	<b>75.7</b>	<b>83.9</b>	<b>10.8</b>	<b>115.8</b>	<b>71.3</b>	<b>159.6</b>	<b>123.9</b>	
EPS (sen)	3.0	5.9	6.5	10.2	115.0	5.5	0.0	(100.0)	
<b>Core net profit</b>	<b>37.7</b>	<b>79.1</b>	<b>92.3</b>	<b>16.6</b>	<b>144.4</b>	<b>71.4</b>	<b>171.4</b>	<b>140.0</b>	Above our expectations

Sources: Company, Phillip Research

**Segmental revenue breakdown**

Y/E Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg
Construction	597.6	1,369.9	1,433.5	4.6	139.9	1,141.2	2,803.4	145.7
Precast concrete	53.6	30.6	43.4	41.9	(19.0)	114.9	74.0	(35.5)
<b>Total</b>	<b>651.2</b>	<b>1,400.5</b>	<b>1,476.9</b>	<b>5.5</b>	<b>126.8</b>	<b>1,256.0</b>	<b>2,877.4</b>	<b>129.1</b>

**Segmental PBT breakdown**

Y/E Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg
Construction	46.9	112.0	121.4	8.4	159.0	84.7	233.4	175.4
Precast concrete	3.3	1.2	1.2	(2.2)	(63.6)	7.1	2.5	(65.4)
<b>Total</b>	<b>50.2</b>	<b>113.2</b>	<b>122.6</b>	<b>8.3</b>	<b>144.2</b>	<b>91.9</b>	<b>235.8</b>	<b>156.7</b>

**Segmental PBT margin**

Y/E Dec (%)	2Q24	1Q25	2Q25	QoQ ppt chg	YoY ppt chg	6M24	6M25	YoY ppt chg
Construction	7.8	8.2	8.5	0.3ppt	0.6ppt	7.4	8.3	0.9ppt
Precast concrete	6.2	4.1	2.8	(1.3ppt)	(3.4ppt)	6.2	3.3	(2.9ppt)
<b>Total</b>	<b>7.7</b>	<b>8.1</b>	<b>8.3</b>	<b>0.2ppt</b>	<b>0.6ppt</b>	<b>7.3</b>	<b>8.2</b>	<b>0.9ppt</b>

Sources: Company, Phillip Research

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