

Sunway Construction (SCGB MK)

All still intact

MALAYSIA | CONSTRUCTION | UPDATE

- SunCon is on track to meet its internal RM4.5-6bn new wins target, backed by strong DC pipeline
- 3Q25 to see higher tender activity for government infrastructure projects
- Maintain BUY and raise our 12-month TP to RM5 after rolling forward our valuation

DC expansion pipeline remains intact

SunCon has secured RM1.9bn worth of new contract wins YTD, on track to meet management's internal target of RM4.5–6bn and our order book replenishment assumption of RM5bn. Data centre (DC) will continue to underpin growth, accounting for 85% of the group's RM14bn tender pipeline. SunCon is currently pursuing 5-6 DC jobs, with most anticipated to be awarded in 3Q25. The upcoming implementation of the AI Diffusion Act in May25, which seeks to restrict AI chip exports to Tier 2 and Tier 3 jurisdictions, including Malaysia, has raised concerns over the DC outlook. However, management has reassured that its customers' DC expansion pipeline remains unaffected, mitigated by the Universal Validated End Users (UVEUs) and National Validated End Users (NVEUs) status of its clients. DC projects now account for 46% of its RM7.7bn order book. SunCon's largest DC project has seen accelerated progress and is expected to be completed by 1Q26. In addition, the client is in early stages of planning a subsequent phase of similar scale, with a potential contract roll out by end25. Meanwhile, the project service request (PSR) work is expected to gain momentum in 2H25.

Expect a ramp up in infrastructure projects

Aside from DC projects, SunCon is actively pursuing opportunities in industrial warehouses, semiconductor and precast projects. The group is also eyeing to tender for several government infrastructure projects, including Penang Airport Package 3 expansion (RM1.2bn) and Penang LRT. It also plans to bid for Penang LRT Segment 2 (RM5bn) with a technical partner, given the engineering complexities involved in constructing the cross-sea link between Macallum Station on Penang Island and Penang Sentral on the mainland.

Maintain BUY with higher TP of RM5.00

We raise our 2026E EPS forecast by 5% but lower 2027E by 3% to reflect the front-loaded DC job progress recognition. Post earnings revision, we raise our 12-month TP to RM5.00 (from RM4.55) after rolling forward our valuation horizon to 2026E and based on unchanged target 22x PE multiple. Downside risks include slower-than-expected order book recognition and margin pressures.

Key Financials

Y/E Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,671.2	3,521.7	4,526.0	4,821.8	5,121.5
EBITDA (RMm)	274.8	279.4	397.8	431.2	461.8
Pretax profit (RMm)	188.6	273.0	366.7	399.6	439.0
Net profit (RMm)	145.1	186.9	268.6	293.6	323.5
EPS (sen)	11.2	14.5	20.8	22.7	25.1
PER (x)	39.3	30.5	21.2	19.4	17.6
Core net profit (RMm)	174.7	169.5	268.6	293.6	323.5
Core EPS (sen)	13.5	13.1	20.8	22.7	25.1
Core EPS growth (%)	21.5	(2.9)	58.4	9.3	10.2
Core PER (x)	32.7	33.6	21.2	19.4	17.6
Net DPS (sen)	6.0	8.5	10.0	11.0	12.0
Dividend Yield (%)	1.4	1.9	2.3	2.5	2.7
EV/EBITDA (x)	22.1	19.4	13.9	12.5	11.3
Chg in EPS (%)			+0.5	+5.3	-2.9
Phillip/Consensus (%)			1.0	1.0	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

28 April 2025

BUY (maintain)

LAST CLOSE PRICE	RM4.42
TARGET PRICE	RM5.00
TOTAL RETURN	13.1%
(PREVIOUS TP:	RM4.55)

COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN):	1,290
MARKET CAP (USD mn / RM mn):	1304 / 5702
52 - WK HI/LO (RM):	5.3 / 2.86
3M Average Daily T/O (mn):	4.69
NET CASH/(DEBT) (RMm)	285.10

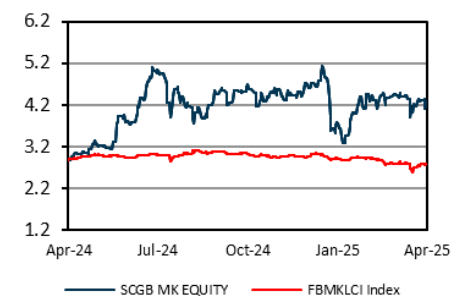
MAJOR SHAREHOLDERS (%)

Sunway Holdings	54.5%
Sungei Way Corp	10.1%
EPF	6.9%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(2.3)	19.7	(6.2)
FBMKLCI RETURN	0.5	(2.5)	(6.5)

PRICE VS. FBMKLCI



Source: Bloomberg

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Table 1: DC order book breakdown

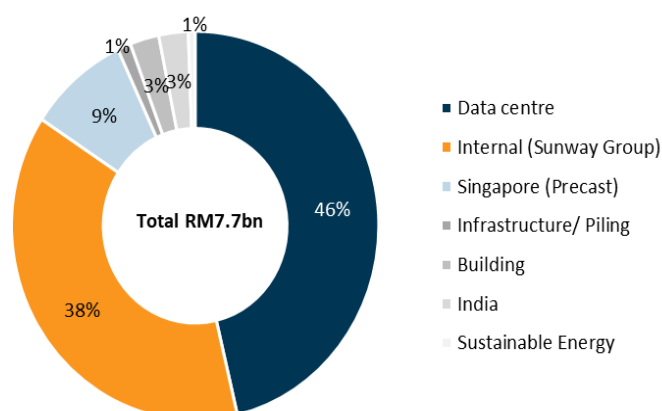
On-going projects	Completion	Contract Value (RMm)	Outstanding value (RMm)	% of total orderbook
Data Centre				
Sedenak JHBX10	1Q26	3,962	2,652	34.5%
K2-Building 4	3Q25	133	133	1.7%
PSR- MNC	2Q27	765	687	8.9%
ECI- Package A & B	2Q25	143	86	1.1%
Total		5,003	3,558	46.3%

Source: Company, Phillip Research

DC contracts secured in 1Q25

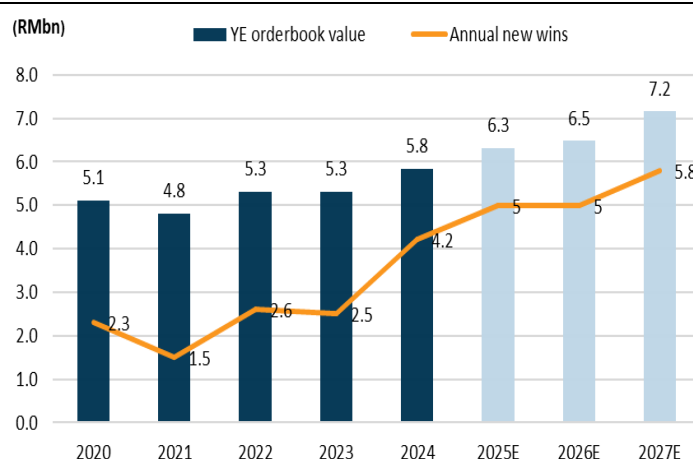
In 1Q25, SunCon secured a RM132.6m core and shell contract from K2 for its Building 4, with c.RM300m additional contracts still up for grab for the subsequent phases. Separately, it has also secured RM65m in early contractor involvement (ECI) works for a US MNC, which are expected to be converted into full-scale design and build contracts worth c.RM1bn by 2Q25. We understand that the ECI client's master plan may include an additional DC phase of a similar scale, though the implementation timeline remains uncertain at this stage.

Table 2: Order book breakdown



Source: Company, Phillip Research

Table 3: Contract replenishments and annual orderbook trend

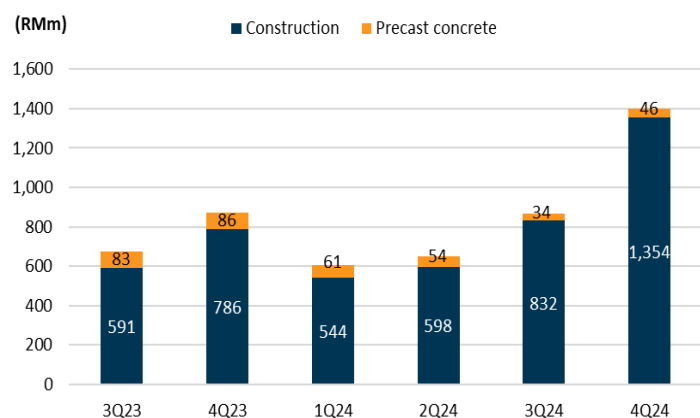


Source: Company, Phillip Research forecasts

Expect stronger YoY but flattish QoQ results in 1Q25

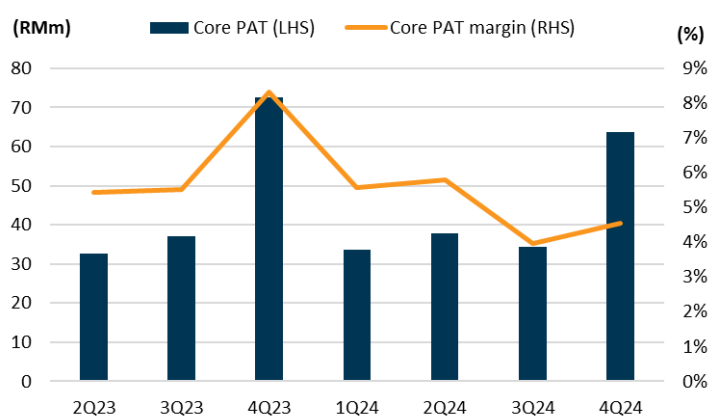
We expect SunCon's upcoming 1Q25 core net profit to come in stronger YoY and maintain similar momentum QoQ at RM60-66m. (1Q24: RM33.7m, 4Q24: RM63.7m). This is supported by the accelerated progress of its RM4bn Sedenak JHBX10 project, which is estimated to have reached 60-70% completion, as compared to 50% in 4Q24. Meanwhile, the precast segment is expected to remain soft in 1Q25, with most orders scheduled for delivery in 2H25.

Table 4: Quarterly segmental revenue



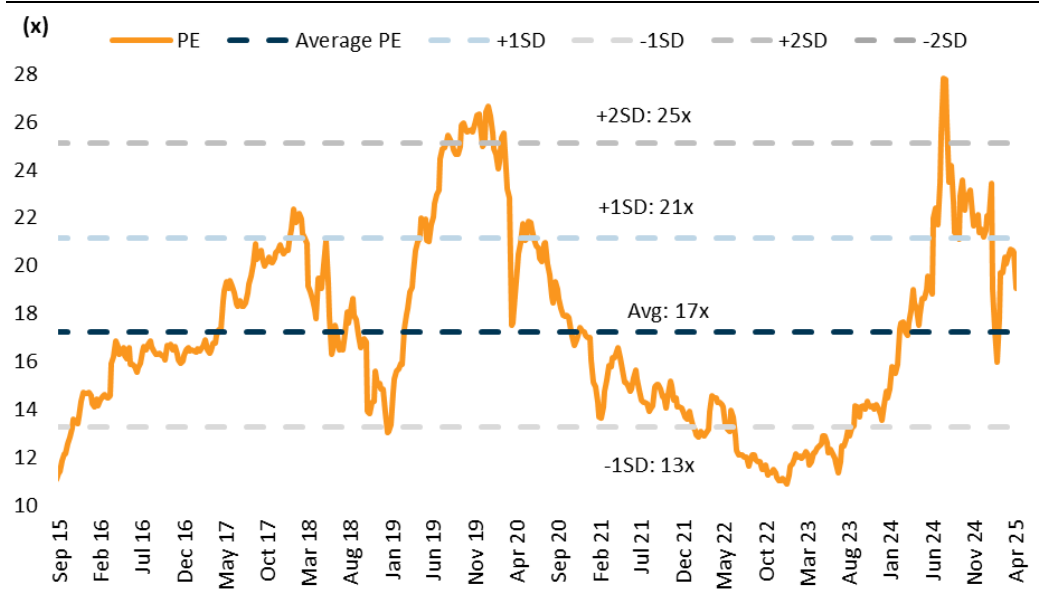
Source: Company, Phillip Research

Table 5: Quarterly core net profit and margin



Source: Company, Phillip Research

Table 6: SunCon's 5-year PE



Source: Bloomberg, Phillip Research forecasts

FINANCIALS

Income Statement

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
Revenue	2,671.2	3,521.7	4,526.0	4,821.8	5,121.5
Operating expenses	(2,396.4)	(3,242.3)	(4,128.2)	(4,390.6)	(4,659.7)
EBITDA	274.8	279.4	397.8	431.2	461.8
Depreciation	(21.0)	(17.3)	(17.8)	(18.3)	(18.8)
EBIT	253.8	262.2	380.0	413.0	443.0
Net int income/(expense)	(21.5)	(6.9)	(13.7)	(13.7)	(4.4)
Associates' contribution	(14.1)	0.3	0.3	0.3	0.3
Forex gain/(loss)	(1.7)	0.0	0.0	0.0	0.0
Exceptional gain/(loss)	(27.9)	17.4	0.0	0.0	0.0
Pretax profit	188.6	273.0	366.7	399.6	439.0
Tax	(42.8)	(75.9)	(88.0)	(95.9)	(105.4)
Minority interest	(0.7)	(10.1)	(10.1)	(10.1)	(10.1)
Net profit	145.1	186.9	268.6	293.6	323.5
Core net profit	174.7	169.5	268.6	293.6	323.5

Balance Sheet

Y/E Dec (RMm)	2023	2024	2025E	2026E	2026E
Fixed assets	98.0	85.4	77.6	69.4	60.6
Other long term assets	745.6	588.4	588.7	588.9	589.1
Total non-current assets	843.6	673.9	666.3	658.2	649.7
Cash and equivalents	582.2	1,015.8	900.9	1,048.0	1,222.8
Stocks	46.4	43.3	57.6	61.4	65.2
Debtors	1,410.2	1,843.1	2,090.6	2,227.2	2,365.6
Other current assets	200.3	20.3	103.3	105.7	99.9
Total current assets	2,239.2	2,922.4	3,152.4	3,442.3	3,753.5
Creditors	1,193.3	1,912.7	1,995.9	2,126.3	2,258.5
Short term borrowings	441.1	730.6	730.6	730.6	730.6
Other current liabilities	67.4	13.2	13.2	13.2	13.2
Total current liabilities	1,701.8	2,656.6	2,739.7	2,870.2	3,002.3
Long term borrowings	488.7	1.1	1.1	1.1	1.1
Other long term liabilities	0.3	0.0	0.0	0.1	1.8
Total long term liabilities	489.1	1.2	1.2	1.2	2.9
Shareholders' Funds	820.2	877.9	1,017.2	1,168.5	1,336.9
Minority interests	71.8	60.6	60.6	60.6	60.6

Cash Flow Statement

Y/E Dec (RMm)	2023	2024	2025E	2026E	2026E
EBIT	253.8	262.2	380.0	413.0	443.0
Depreciation & amortisation	21.0	17.3	17.8	18.3	18.8
Working capital changes	(166.7)	534.9	(178.7)	(10.0)	(10.1)
Cash tax paid	(42.8)	(75.9)	(88.0)	(95.9)	(105.4)
Others	(86.6)	(21.6)	(27.0)	(27.1)	(8.4)
Cashflow from operation	(21.3)	716.7	104.1	298.3	337.9
Capex	(77.0)	115.3	(10.0)	(10.0)	(10.0)
Disposal/(purchases)	(59.0)	23.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	(136.0)	138.6	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	448.1	(198.2)	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	1.0	2.0
Net interest income/(exp)	0.0	(167.2)	0.0	0.0	0.0
Dividends paid	(77.6)	(116.0)	(129.3)	(142.2)	(155.1)
Others	0.0	(20.0)	0.0	0.0	0.0
Cash flow from financing	370.5	(501.4)	(129.3)	(141.2)	(153.1)
Free Cash Flow	(98.3)	832.0	94.1	288.3	327.9

Source: Company, Phillip Research forecasts

Financial Ratios and Margins

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
Growth					
Revenue (%)	23.9	31.8	28.5	6.5	6.2
EBITDA (%)	25.6	1.7	42.4	8.4	7.1
Core net profit (%)	21.5	(2.9)	58.4	9.3	10.2
Profitability					
EBITDA margin (%)	10.3	7.9	8.8	8.9	9.0
PBT margin (%)	7.1	7.8	8.1	8.3	8.6
Core net profit margin (%)	6.5	4.8	5.9	6.1	6.3
Effective tax rate (%)	24.0	27.8	24.0	24.0	24.0
ROA (%)	2.4	2.5	3.3	3.4	3.5
Core ROE (%)	22.4	20.0	28.3	26.9	25.8
ROCE (%)	27.4	29.8	52.8	48.6	52.2
Dividend payout ratio (%)	53.5	58.8	48.1	48.4	48.0

Liquidity

Current ratio (x)	1.3	1.1	1.2	1.2	1.3
Op. cash flow (RMm)	(21.3)	716.7	104.1	298.3	337.9
Free cashflow (RMm)	(98.3)	832.0	94.1	288.3	327.9
FCF/share (sen)	(7.6)	64.4	7.3	22.3	25.4

Asset management

Debtors turnover (days)	192.7	191.0	168.6	168.6	168.6
Stock turnover (days)	6.3	4.5	4.6	4.6	4.6
Creditors turnover (days)	163.1	198.2	161.0	161.0	161.0

Capital structure

Net gearing (%)	42.3	(32.5)	(16.7)	(27.2)	(36.8)
Interest cover (x)	12.8	40.6	29.1	31.5	105.6

Quarterly Profit & Loss

Y/E Dec (RMm)	4Q23	1Q24	2Q24	3Q24	4Q24
Revenue	871.5	604.8	651.2	865.3	1,400.3
Operating expenses	(761.2)	(545.9)	(595.2)	(808.1)	(1,310.4)
EBITDA	110.3	58.9	56.1	57.2	89.9
Depreciation	(5.2)	(5.2)	(4.5)	(4.6)	(4.5)
EBIT	105.1	54.4	51.5	52.7	86.2
Net int income/(expense)	(6.6)	(11.4)	(2.4)	5.7	18.7
Associates' contribution	(14.5)	0.0	0.0	0.0	0.3
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Exceptional items	(23.3)	(1.3)	1.1	12.1	5.5
Pretax profit	60.8	41.6	50.2	70.5	110.6
Tax	(12.3)	(8.9)	(12.4)	(21.9)	(32.7)
Minority interest	0.8	(0.3)	1.1	(2.2)	(8.7)
Net profit	49.3	32.4	38.9	46.5	69.2
Core net profit	72.5	33.7	37.7	34.4	63.7
Margins (%)					
EBITDA	12.7	9.7	8.6	6.6	6.4
PBT	7.0	6.9	7.7	8.2	7.9
Core net profit	8.3	5.6	5.8	4.0	4.6

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