

Sunway Construction (SCGB MK)

US MNC DC project upsizing

MALAYSIA | CONSTRUCTION | UPDATE

- SunCon secured a RM1.2bn contract from a US MNC client, for the construction works of 2 projects
- YTD new wins totalled RM3.5bn, this represents 70% of our existing full-year 2025 replenishment assumption
- Downgrade our rating to HOLD rating (from BUY) on valuation grounds with an unchanged TP at RM5.35

Secured RM1.2bn DC contract upsize

Sunway Construction (SunCon) announced that it has accepted work orders from a US MNC for general contractor works for two projects with a total contract value of RM1.2bn. We gathered that this contract is for the upsizing of its existing early contractor involvement (ECI) works worth RM143m. The works are expected to commence immediately with completion expected by Feb27.

Contract win within our expectations

This latest contract win raises SunCon's outstanding order book to RM7.9bn (2.3x 2024 revenue cover ratio), comprising 50% of DC projects. YTD contract wins amount to RM3.5bn, representing 70% of our RM5bn full-year 2025 order replenishment assumption. Assuming an 8% PBT margin for DC projects translates to RM92m PBT across the contract period. We anticipate SunCon's contract replenishment pipeline to remain supported by various DC jobs in 2025, with SunCon currently bidding for another 4-5 DC jobs, which account for 85-90% of its RM15bn tender book.

Downgrade to HOLD with unchanged TP of RM5.35

We make no changes to our earnings as this contract falls under our replenishment assumption. While we remain positive on SunCon's contract replenishment prospect, which is well supported by DC projects, we downgrade our rating to HOLD on valuation grounds with the stock currently trading at 24x forward PE (near +2SD of its 5-year mean). We keep our 12-month target price unchanged at RM5.35, based on a target PE multiple of 22x on 2026E EPS. Key re-rating catalysts include higher-than-expected order book replenishment. Key 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	4,971.0	5,132.3	5,021.5
EBITDA (RMm)	274.8	279.4	435.3	457.6	452.8
Pretax profit (RMm)	188.6	273.0	404.2	426.7	432.0
Net profit (RMm)	145.1	186.9	297.1	314.1	318.2
EPS (sen)	11.2	14.5	23.0	24.3	24.7
PER (x)	51.8	40.3	25.3	24.0	23.6
Core net profit (RMm)	174.7	169.5	297.1	314.1	318.2
Core EPS (sen)	13.5	13.1	23.0	24.3	24.7
Core EPS growth (%)	21.5	(2.9)	75.2	5.7	1.3
Core PER (x)	43.1	44.4	25.3	24.0	23.6
Net DPS (sen)	6.0	8.5	10.0	11.0	12.0
Dividend Yield (%)	1.0	1.5	1.7	1.9	2.1
EV/EBITDA (x)	28.7	26.0	16.9	15.7	15.5
Chg in EPS (%)	-	-	-	-	-
Phillip/Consensus (%)	-	-	1.0	1.0	1.0

Sources: Company, Bloomberg, Phillip Research forecasts

29 May 2025

HOLD (downgrade)

LAST CLOSE PRICE	RM5.83
TARGET PRICE	RM5.35
TOTAL RETURN	-8.2%

COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN):	1,294
MARKET CAP (USD mn / RM mn):	1781 / 7546
52 - WK HI/LO (RM):	5.98 / 3.1
3M Average Daily T/O (mn):	4.23
NET CASH/(DEBT) (RMm)	835.00

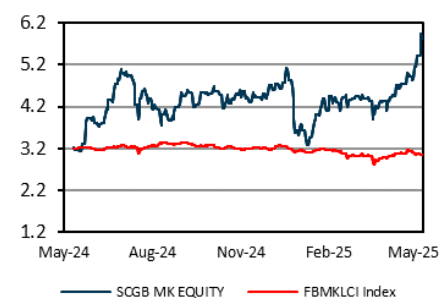
MAJOR SHAREHOLDERS (%)

Sunway Holdings	54.4%
Sungei Way Corp	10.1%
EPF	7.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	33.1	39.2	29.3
FBMKLCI RETURN	0.2	(1.4)	(5.4)

PRICE VS. FBMKLCI

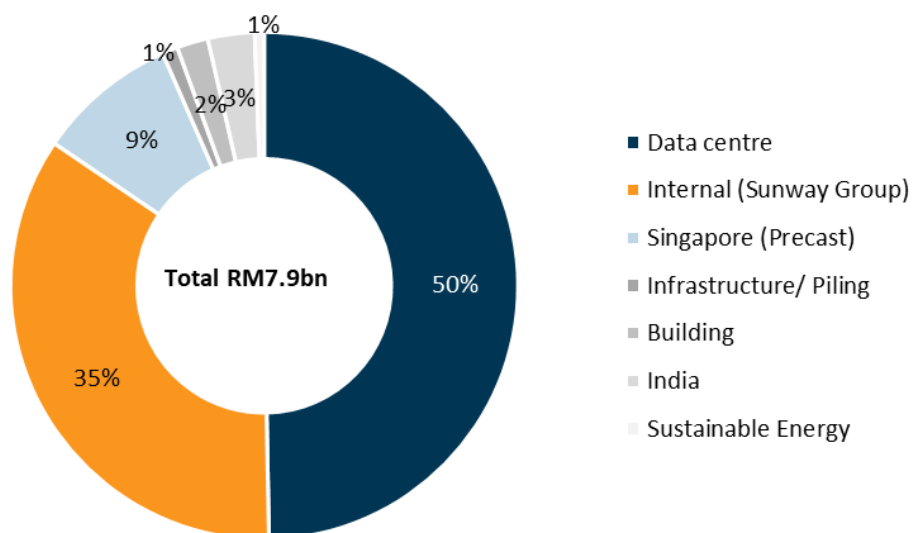


Source: Bloomberg

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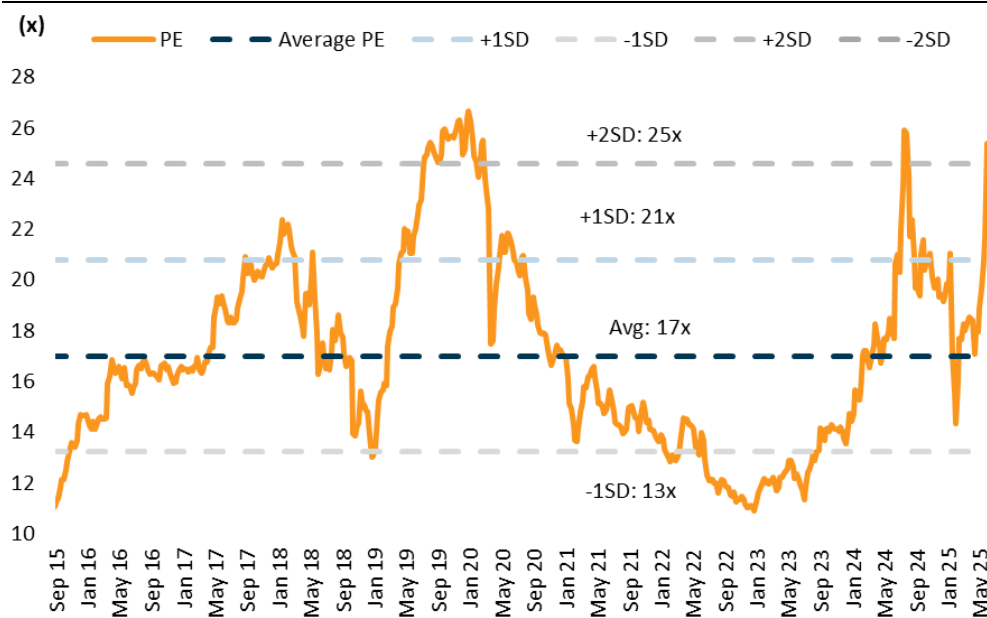
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Table 1: Order book breakdown



Source: Company

Table 2: 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	4,971.0	5,132.3	5,021.5
Operating expenses	(2,396.4)	(3,242.3)	(4,535.7)	(4,674.7)	(4,568.8)
EBITDA	274.8	279.4	435.3	457.6	452.8
Depreciation	(21.0)	(17.3)	(17.8)	(18.3)	(18.8)
EBIT	253.8	262.2	417.6	439.4	434.0
Net int income/(expense)	(21.5)	(6.9)	(13.7)	(13.0)	(2.3)
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	404.2	426.7	432.0
Tax	(42.8)	(75.9)	(97.0)	(102.4)	(103.7)
Minority interest	(0.7)	(10.1)	(10.1)	(10.1)	(10.1)
Net profit	145.1	186.9	297.1	314.1	318.2
Core net profit	174.7	169.5	297.1	314.1	318.2

Balance Sheet

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
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	914.4	1,087.3	1,272.6
Stocks	46.4	43.3	63.3	65.3	63.9
Debtors	1,410.2	1,843.1	2,296.1	2,370.6	2,319.5
Other current assets	200.3	20.3	103.3	105.7	99.9
Total current assets	2,239.2	2,922.4	3,377.1	3,629.0	3,755.8
Creditors	1,193.3	1,912.7	2,192.1	2,263.3	2,214.4
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	2,935.9	3,007.1	2,958.2
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	1,045.7	1,217.6	1,380.6
Minority interests	71.8	60.6	60.6	60.6	60.6

Cash Flow Statement

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
EBIT	253.8	262.2	417.6	439.4	434.0
Depreciation & amortisation	21.0	17.3	17.8	18.3	18.8
Working capital changes	(166.7)	534.9	(193.7)	(5.4)	3.7
Cash tax paid	(42.8)	(75.9)	(97.0)	(102.4)	(103.7)
Others	(86.6)	(21.6)	(27.0)	(25.7)	(4.4)
Cashflow from operation	(21.3)	716.7	117.6	324.1	348.4
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	107.6	314.1	338.4

Source: Company, Phillip Research forecasts

Financial Ratios and Margins

Y/E Dec (RMm)	2023	2024	2025E	2026E	2027E
Growth					
Revenue (%)	23.9	31.8	41.2	3.2	(2.2)
EBITDA (%)	25.6	1.7	55.8	5.1	(1.1)
Core net profit (%)	21.5	(2.9)	75.2	5.7	1.3
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	6.0	6.1	6.3
Effective tax rate (%)	24.0	27.8	24.0	24.0	24.0
ROA (%)	2.4	2.5	3.6	3.5	3.4
Core ROE (%)	22.4	20.0	30.9	27.8	24.5
ROCE (%)	27.4	29.8	57.4	51.0	51.1
Dividend payout ratio (%)	53.5	58.8	43.5	45.3	48.8

Liquidity

Current ratio (x)	1.3	1.1	1.2	1.2	1.3
Op. cash flow (RMm)	(21.3)	716.7	117.6	324.1	348.4
Free cashflow (RMm)	(98.3)	832.0	107.6	314.1	338.4
FCF/share (sen)	(7.6)	64.4	8.3	24.3	26.2

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)	(17.6)	(29.3)	(39.3)
Interest cover (x)	12.8	40.6	31.9	35.2	193.1

Quarterly Profit & Loss

Y/E Dec (RMm)	1Q24	2Q24	3Q24	4Q24	1Q25
Revenue	604.8	651.2	865.3	1,400.3	1,400.5
Operating expenses	(545.9)	(595.2)	(808.1)	(1,310.4)	(1,284.0)
EBITDA	58.9	56.1	57.2	89.9	116.5
Depreciation	(5.2)	(4.5)	(4.6)	(4.5)	(3.7)
EBIT	54.4	51.5	52.7	86.2	112.9
Net int income/(expense)	(11.4)	(2.4)	5.7	18.7	1.4
Associates' contribution	0.0	0.0	0.0	0.3	2.3
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Exceptional items	(1.3)	1.1	12.1	5.5	(3.4)
Pretax profit	41.6	50.2	70.5	110.6	113.2
Tax	(8.9)	(12.4)	(21.9)	(32.7)	(27.5)
Minority interest	(0.3)	1.1	(2.2)	(8.7)	(10.0)
Net profit	32.4	38.9	46.5	69.2	75.7
Core net profit	33.7	37.7	34.4	63.7	79.1
Margins (%)					
EBITDA	9.7	8.6	6.6	6.4	8.3
PBT	6.9	7.7	8.2	7.9	8.1
Core net profit	5.6	5.8	4.0	4.6	5.7

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BUY: Total stock return expected to exceed +10% over 12-month period
 HOLD: Total stock return to be between -10% and +10% over a 12-month period
 SELL: Total stock return is expected to below 10% over a 12-month period

Sector:

OVERWEIGHT: The sector is expected to outperform the overall FBMKLCI over the next 12 months
 NEUTRAL: The sector is to perform in line with the overall FBMKLCI market over the next 12 months
 UNDERWEIGHT: The sector is expected to underperform the overall FBMKLCI market over the next 12 months

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