

22 August 2025

## Sunway Construction (SCGB MK)

Exceeding Expectations Again; BUY

Construction & Engineering | Construction

**Buy** (Maintained)

Target Price (Return): MYR7.26 (24%)  
Price (Market Cap): MYR5.85 (USD1,816m)  
ESG score: 3.3 (out of 4)  
Avg Daily Turnover (MYR/USD) 39.8m/9.39m

### Analyst

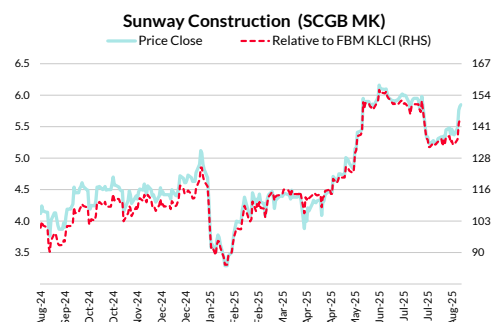
Adam Bin Mohamed Rahim  
+603 2302 8101  
[adam.mohamed.rahim@rhbgroup.com](mailto:adam.mohamed.rahim@rhbgroup.com)



- **Keep BUY, new MYR7.26 TP (from MYR6.80), 24% upside and c.3% yield.** Sunway Construction's 1H25 core net profit of MYR176.3m (+175% YoY) exceeded estimates, at 58% of our and Street's projections. The positive deviation was mainly due to faster-than-expected progress on its existing data centre (DC) projects. We forecast a 3-year (FY24-27) earnings CAGR of 32%, backed not just by its DC jobs but also contracts from Sunway (SWB MK, BUY, TP: MYR5.81).
- **The construction arm's PBT** grew 159% YoY in 2Q25 with a solid PBT margin of 8.5% (2Q24: 7.8%) amid accelerated progress of ongoing projects (particularly DCs, which make up 45% of its orderbook). The JHB1X0 DC project excluding variation orders worth MYR3.8bn has reached an 85% completion as of end 2Q25 vs 59% at end 1Q25 (due by 1Q26) and saw the largest quarterly burn rate among its jobs at c.MYR962m. We do not discount the possibility of the JHB1X0 project being completed before 1Q26. Meanwhile, its precast segment saw a 64% YoY PBT drop in 2Q25 as 2Q24 saw higher contribution from projects nearing completion.
- **Orderbook update.** SCGB's construction orderbook as of end 2Q25 stood at c.MYR6.7bn, compared to MYR7.4bn at end 2Q24, with MYR3.8bn worth of new orders secured YTD FY25 (vs our FY25 new win target of MYR6bn). It has MYR14.8bn worth of active tenders (c.80% comprising DC jobs as per our estimates). To hit our MYR6bn new job target, upcoming wins may stem from SWB-related property projects such as Seremban Sentral, as well as potential expansion works for JHB1X0 in Sedenak, which has a total planned capacity of 200-300MW. The MYR3.9bn works awarded for JHB1X0 so far should cover 100-150MW of capacity contracted out, in our view. An icing on the cake would be if SCGB secures DC jobs in the Klang Valley by end CY25.
- **As results exceeded expectations,** we are frontloading billing recognitions, particularly for its DC jobs for FY25F and FY26F. Hence, we only raise FY25-26 earnings estimates by 6% and 7%, but tone down FY27 profit projections by 3%. Therefore, we arrived at a new TP of MYR7.26 (includes a 6% ESG premium), derived by pegging the FY26F EPS to an unchanged target P/E of 23.5x. The stock is trading at a FY26F P/E of 20x and was trading at 15-17x during the 2017 construction upcycle (with no DC factor). Hence, SCGB should see higher valuations, given its DC jobs with better margins and faster turnaround time.
- **A key rerating catalyst aside from new DC wins** would be if SCGB secures any packages from the Penang Light Rail Transit project, as the last infrastructure job it won was the Rapid Transit System Link package 1B and package 5 back in Mar 2023. Key risk: Lower-than expected job wins.

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	26.3	6.6	13.6	31.5	42.0
Relative	29.3	2.1	10.5	31.4	44.6
52-wk Price low/high (MYR)				3.29	-6.16



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	2,671	3,522	5,357	5,764	5,878
Recurring net profit (MYRm)	151	171	319	378	396
Recurring net profit growth (%)	5.0	13.3	86.0	18.6	4.8
Recurring P/E (x)	49.88	44.03	23.74	20.07	19.16
P/B (x)	9.2	8.6	7.8	6.7	5.9
P/CF (x)	na	10.52	na	22.63	13.14
Dividend Yield (%)	1.0	1.5	2.9	3.0	3.1
EV/EBITDA (x)	27.58	27.34	15.72	14.17	11.85
Return on average equity (%)	18.6	22.0	34.4	36.0	32.9
Net debt to equity (%)	38.7	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.4 (EXCELLENT)

S Score: 3.2 (EXCELLENT)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
While scope 1 emissions increased in FY24 by 65% YoY, total emissions have dropped by 15% in FY24	Scope 1	7,167	7,440	12,283	na
	Scope 2	4,504	6,997	6,729	na
	Scope 3	168,888	314,414	248,952	na
	Total emissions	180,559	328,851	267,964	na

Source: Company data, RHB

Latest ESG-Related Developments

As part of its continuous sustainability journey, FY24 marked a significant milestone in strengthening SCGB's Greenhouse Gas (GHG) emissions accounting. SCGB integrated the latest emission factors and expanded our Scope 3 coverage to include 6 out of 15 categories as part of our transition to IFRS S2. These enhancements have improved the accuracy and transparency of its carbon footprint assessment, underscoring commitment to data-driven climate action and reinforcing efforts to drive meaningful decarbonisation across the group's value chain.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 20 Feb 2025

E Score: 3.4 (EXCELLENT)

SCGB's solar investment projects are generating green attributes which enables carbon avoidance of about 3,305 tonnes CO2e, offsetting close to 50% from the group's FY2023 Scope 2 emission, placing it in a good position to prematurely achieve the group's 2030 target. This includes offsets generated from rooftop solar panels on assets at Sunway Enterprise Park and Sunway Precast Industries.

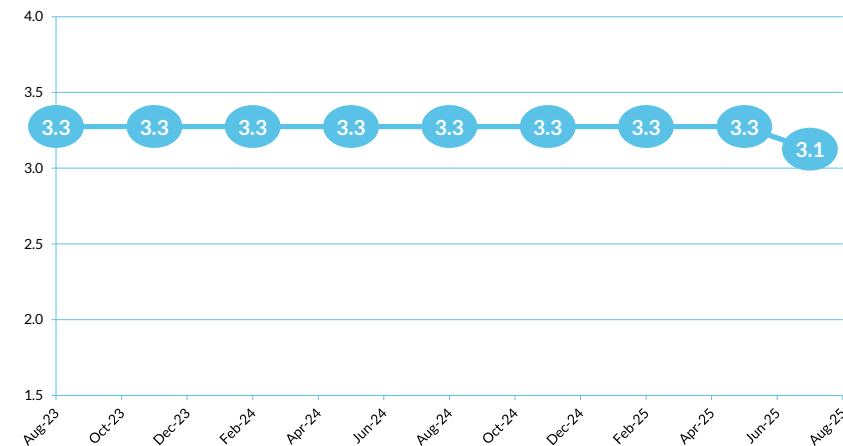
S Score: 3.2 (EXCELLENT)

The group ensures the safety and health of all its employees, and public areas surrounding the construction sites, via various training and safety programmes. Apart from up-to-standard health & safety policies, we see active community engagement and efforts to uplift employee relations.

G Score: 3.0 (GOOD)

57% of its board members are independent, with full disclosure on director remuneration, including salaries and bonuses. The group has an in-house investor relations team. Accessibility to investor relations is excellent, and the team mostly helps to deal with investor queries.

ESG Rating History



Source: RHB

22 August 2025

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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
Malaysia	Recurring EPS	0.12	0.13	0.25	0.29	0.31
Construction & Engineering	DPS	0.06	0.09	0.17	0.17	0.18
<b>Sunway Construction</b>	BVPS	0.64	0.68	0.75	0.87	0.99
SCGB MK	Return on average equity (%)	18.6	22.0	34.4	36.0	32.9
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
We value the company based on FY26F P/E of 23.5x. Sunway Construction's minimal debt position allows it to gear up for more jobs moving forward.	Recurring P/E (x)	49.88	44.03	23.74	20.07	19.16
	P/B (x)	9.2	8.6	7.8	6.7	5.9
	FCF Yield (%)	(4.2)	9.4	(2.8)	4.2	7.4
	Dividend Yield (%)	1.0	1.5	2.9	3.0	3.1
	EV/EBITDA (x)	27.58	27.34	15.72	14.17	11.85
	EV/EBIT (x)	34.36	27.06	17.44	15.70	13.03
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
Sunway Construction's earnings are backed by:	Total turnover	2,671	3,522	5,357	5,764	5,878
i. An outstanding order backlog of c.MYR6.7bn, of which >90% is from construction, which would keep the firm busy for the next three years;	Gross profit	434	211	1,993	1,413	1,185
ii. Recurring orders from its parent company.	EBITDA	279	260	469	518	606
	Depreciation and amortisation	(55)	3	(46)	(50)	(55)
	Operating profit	224	262	423	467	551
	Net interest	(21)	11	37	32	38
	Pre-tax profit	189	273	461	499	570
	Taxation	(43)	(76)	(125)	(121)	(154)
	Reported net profit	145	187	319	378	396
	Recurring net profit	151	171	319	378	396
<b>Key risks</b>	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
Lower-than-expected job wins.	Change in working capital	(511)	535	(455)	(93)	105
	Cash flow from operations	(299)	717	(200)	335	577
	Capex	(18)	(9)	(15)	(15)	(15)
	Cash flow from investing activities	(63)	139	(42)	(45)	(44)
	Dividends paid	(72)	(116)	(223)	(227)	(237)
	Cash flow from financing activities	337	(303)	158	48	39
	Cash at beginning of period	492	470	1,016	624	744
	Net change in cash	(24)	552	(84)	338	572
	Ending balance cash	467	1,023	933	964	1,319
<b>Company Profile</b>	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
Sunway Construction is one of Malaysia's largest construction companies. Apart from civil & infrastructure construction services, the group also provides the more specialised:	Total cash and equivalents	582	1,016	736	855	1,210
i. Foundation & geotechnical engineering services;	Tangible fixed assets	99	173	191	196	196
ii. Mechanical, electrical, and plumbing services.	Total investments	253	224	222	204	29
	Total assets	3,083	3,596	3,204	3,889	4,141
	Short-term debt	438	731	731	781	831
	Total long-term debt	489	1	(11)	(11)	(11)
	Total liabilities	2,191	2,658	2,188	2,722	2,835
	Total equity	892	939	1,016	1,167	1,306
	Total liabilities & equity	3,083	3,596	3,204	3,889	4,141
In addition, it runs highly profitable precast concrete product manufacturing operations in Malaysia and Singapore. Aside from fulfilling local requirements, the group also largely supplies hose concrete products for Housing & Development Board (HDB) projects in Singapore.	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	23.9	31.8	52.1	7.6	2.0
	Recurrent EPS growth (%)	5.0	13.3	85.5	18.3	4.8
	Gross margin (%)	16.3	6.0	37.2	24.5	20.2
	Operating EBITDA margin (%)	10.5	7.4	8.7	9.0	10.3
	Net profit margin (%)	5.4	5.3	5.9	6.6	6.7
	Dividend payout ratio (%)	53.3	58.6	70.0	60.0	60.0
	Capex/sales (%)	0.7	0.3	0.3	0.3	0.3
	Interest cover (x)	4.68	4.02	11.84	14.17	13.51

Source: Company data, RHB

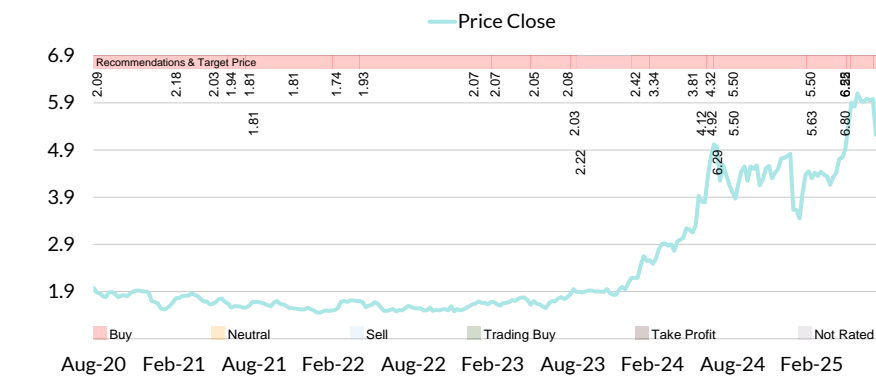
## Results At a Glance

Figure 1: SCGB's results review

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
Revenue	651.2	1,400.5	1,476.9	5.5	126.8	1,256.0	2,877.4	129.1	Better progress billings from DC jobs
EBIT	52.7	109.5	114.6	4.6	117.6	105.7	224.1	111.9	
EBIT margin (%)	8.1	7.8	7.8			8.4	7.8		
Interest expense	(17.8)	(12.9)	(12.8)	(0.8)	(28.2)	(34.0)	(25.7)	(24.5)	
Interest income	15.3	14.3	18.0	26.0	17.2	20.1	32.2	60.6	
Pretax profit	50.2	113.2	122.6	8.3	144.2	91.9	235.8	156.7	
Pretax margin (%)	7.7	8.1	8.3			7.3	8.2		
Tax	(12.4)	(27.5)	(28.4)	3.2	128.2	(21.4)	(55.9)	161.4	
Effective tax rate (%)	(1.9)	(24.8)	(23.7)			(23.3)	(24.2)		
Minority interest	1.1	(10.0)	(10.3)	3.4	nm	0.8	(20.4)	nm	
Net profit	38.9	75.7	83.9	10.8	115.8	71.3	159.6	123.9	
Core profit	37.2	82.3	94.0	14.2	152.9	64.2	176.3	174.8	Above expectations
Core net margin (%)	5.7	5.9	6.4			5.1	6.1		

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-08-19	Buy	6.80	5.76
2025-08-15	Buy	6.55	5.37
2025-07-21	Buy	6.55	5.49
2025-05-30	Buy	6.80	5.90
2025-05-21	Buy	6.22	5.15
2025-05-14	Buy	5.63	4.99
2025-03-05	Buy	5.63	4.24
2025-02-21	Buy	5.63	4.45
2025-02-17	Buy	5.50	4.18
2025-01-19	Buy	5.50	3.63
2024-11-22	Buy	5.50	4.56
2024-08-26	Buy	5.50	4.14
2024-08-23	Buy	5.50	4.16
2024-07-19	Buy	6.29	5.02
2024-07-05	Buy	4.92	4.35

Source: RHB, Bloomberg

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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#### KUALA LUMPUR

**RHB Investment Bank Bhd**  
Level 3A, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur 50400  
Malaysia  
Tel : +603 2302 8100  
Fax : +603 2302 8134

#### JAKARTA

**PT RHB Sekuritas Indonesia**  
Revenue Tower, 11th Floor, District 8 - SCBD  
Jl. Jendral Sudirman Kav 52-53  
Jakarta 12190  
Indonesia  
Tel : +6221 5093 9888  
Fax : +6221 5093 9777

#### SINGAPORE

**RHB Bank Berhad (Singapore branch)**  
90 Cecil Street  
#04-00 RHB Bank Building  
Singapore 069531  
Fax: +65 6509 0470