

# Sunway Construction Group Berhad

**TP: RM6.41 (+11.8%)**
*Earnings Beat Driven by Superior Project Delivery*
*Last Traded: RM5.73*
**Buy (ESG: ★★★★★)**

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## Results Review

- Excluding the one-off expense of RM27.6mn, SUNCON's 9MFY25 core earnings of RM271.0mn came in ahead of expectations, accounting for 83.8% of our full-year forecast and 85.1% of consensus estimates. The earnings outperformance was primarily driven by faster-than-expected progress billings from several data centre projects currently at peak execution, alongside stronger contributions from in-house developments such as the Sunway Square and Sunway Ipoh Mall projects within the construction division (+112.4% YoY).
- YoY, group revenue more than doubled to RM4.3bn, supported by a stronger order book burn rate arising from increasing contributions from data centre projects. Consequently, adjusted core earnings also surged over twofold to RM271.0mn (from RM98.1mn). Similarly, PBT margin expanded by 70bps to 8.4% (from 7.7%) on the back of higher interest income (+69.3%) and lower finance costs (-22.4%), while core net margin similarly improved by 160bps, supported by a lower effective tax rate of 23.8% in 9MFY25 versus 26.6% in 9MFY24.
- QoQ, revenue declined 2.1%, mainly due to the completion of several major projects in the preceding quarter and the early-stage progress of newly commenced jobs. Nonetheless, the PBT rose 3.6%, thanks to a stronger JV contribution (+90.2%) and higher interest income (+120.3%).
- A third interim dividend of 6.25sen/share and a special dividend of 23sen/share were declared, bringing 9MFY25 total dividend payout to 41.5sen/share (9MFY24: 6.0sen/share).

## Impact

- Factoring in stronger-than-expected billings from the expanding data centre (DC) pipeline which typically carries a shorter construction cycle (12–24 months) compared to high-rise (24–36 months) and infrastructure jobs (>36 months), we have revised our progress billing assumptions to reflect faster revenue recognition in FY25.
- We also take the opportunity to raise our PAT margin assumption slightly to 6.0% (from 5.9%) for FY25, underpinned by the accelerating contribution from higher-margin DC jobs. In addition, we have lifted our FY27 new order book replenishment assumption to RM5.0bn (from RM4.5bn) to account for the expanding DC tender pipeline and a growing pipeline of in-house property projects. Collectively, these revisions have lifted our earnings forecasts by 9.4%/1.6%/3.4% for FY25–27F.
- To account for the special dividend of 23sen, we also revise upward our FY25's dividend forecast to 50sen/share (from 21sen/share previously).

## Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1,320.1
Market Cap (RMmn)	7564.2
52-wk Hi/Lo (RM)	6.58/3.26
12-mth Avg Daily Vol ('000 shrs)	5088.1
Estimated Free Float (%)	34.3
Beta	1.1

## Major Shareholders (%)

Sunway Holdings - 53.3
Sungei Way Corp Sdn Bhd - 7.1
Employee Provident Fund - 4.2
Amanah Saham Nasional Bhd - 2.4

## Forecast Revision

	FY25	FY26
Forecast Revision (%)	9.4	1.6
Net profit (RMmn)	353.8	362.6
Consensus	318.4	342.4
TA's / Consensus (%)	111.1	105.9
Previous Rating	Hold (Upgraded)	
Consensus Target Price	6.45	

## Financial Indicators

	FY25	FY26
Net Debt / Equity (%)	(59.5)	(86.7)
CFPS (sen)	5.1	17.8
Price / CFPS (x)	111.6	32.1
ROA (%)	8.3	7.1
NTA/Share (sen)	46.0	52.3
Price/NTA (x)	12.4	11.0

## Scorecard

	% of FY	
vs. TA	83.8	Above
vs. Consensus	85.1	Above

## Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	(3.0)	0.8
3 mth	(1.5)	2.0
6 mth	17.4	4.6
12 mth	27.3	1.4

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

### Outlook

- YTD, SUNCON has secured RM3.9bn in new order book, boosting its total outstanding unbilled orderbook to RM5.4bn, translating into a healthy 1.5x cover its FY24 revenue. This should provide SUNCON earnings visibility for the next 3 years.
- At RM3.9bn new order book replenishment, it achieved c.71% and 65% of our and management targeted new order book replenishment for FY25. We remain confident that SUNCON remains on track to replenish the remaining order book in the coming months.
- The optimism is supported by the potential for in-house construction job awards from Sunway Bhd's property development pipeline, with around RM2.5 bn of GDV still unlaunched from the targeted RM4.1 bn for CY25, alongside several DC tenders currently at the final stages of negotiation and likely to be awarded soon. Assuming a conservative gross development cost of 50%, the unlaunched in-house property project pipeline could translate into c.RM1.3bn worth of new job replenishment for SUNCON.
- For its DC pipeline, SUNCON has an on-going tender book of more than 550MW across Klang Valley and Johor. Based on the rule of thumb of RM30-35mn/MW construction cost and a conservative success rate of 30%, we estimate that the current pipeline translates into a potential DC construction opportunity of RM5.0bn to RM5.8bn for SUNCON.
- Looking ahead, tender activity is expected to remain buoyant, anchored by domestic infrastructure rollouts such as the Johor ART and Penang LRT. SUNCON, given its track record and balance sheet strength, is well-positioned to secure a share of these large-scale projects. At the same time, the group's expertise in industrial and specialised facilities, particularly in the DC and advanced technology project (ATP) segments, positions it favourably within high-growth private sector opportunities.

### Valuation

- Following the earnings revision, we raise our target price to **RM6.41** (previously RM6.31), based on the same 22x CY26 earnings with 3% ESG premium in consistent with our ESG rating to 4-star. Incorporating the surprise special dividend of 23 sen/share declared this quarter, this lifts SUNCON's FY25 dividend yield to 8.7%, the highest among its peer group based on our FY25's DPS estimates of 50sen. With that, the stock now offers total potential upside of 20.5%. Therefore, we upgrade our call from Hold to **Buy**.
- We continue to favour SUNCON due to:- (i) its strong position as a contender for mega infrastructure projects, namely Johor EART and Penang LRT Segment 2, and (ii) its leading position in securing new contracts within the thriving ATP industry.
- Key downside risk includes: (i) Slower-than-expected new order book win; (ii) Delay in large-scale infrastructure job roll-out; and (iii) Weaker-than-expected property sales.

**Exhibit 1: Earnings Summary (RM mn)**

FYE Dec (RMmn)	2022	2023	2024	2025F	2026F	2027F
Revenue	2,155.2	2,671.2	3,521.7	5,885.9	5,937.8	6,119.6
Gross profit	365.8	434.2	581.1	912.3	950.0	979.1
EBITDA	210.3	245.5	279.4	479.6	492.5	509.5
EBITDA margin (%)	9.8	9.2	7.9	8.1	8.3	8.3
EBIT	186.5	224.5	262.2	462.2	474.1	490.1
PBT	184.1	188.6	273.0	480.4	492.3	508.3
PAT	135.2	145.1	186.9	353.8	362.6	374.4
Core net profit	147.1	176.8	166.6	353.8	362.6	374.4
Core EPS (sen)	11.5	13.8	13.0	27.6	28.3	29.2
PER (x)	50.0	41.6	44.1	20.8	20.3	19.6
Gross dividend (sen)	5.5	6.0	8.5	50.0	22.0	22.0
Dividend yield (%)	1.0	1.0	1.5	8.7	3.8	3.8
ROE (%)	18.8	18.6	22.0	48.2	57.5	52.2

Source: TA Research

**Exhibit 2: FY25 YTD New Job Wins**

Projects	Client	Expected Completion Date	Contract Sum (RM mn)
RTS Transport Oriented Development @ Bukit Chagar, Johor	Sunway Integrated Properties Sdn Bhd	Dec-27	1,500.0
General Works for 2 Data Centres	US based Multinational Technology Company	Feb-27	1,155.0
K2 Data Centre Expansion	K2 Strategic Infrastructure Malaysia Sdn Bhd	Mar-25	392.7
Others	Various	Various	879.3
<b>Total</b>			<b>3,927.0</b>

Source: TA Research

**Exhibit 3: 9MFY25 Results Analysis (RM mn)**

FYE Dec	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	865.3	1476.9	1445.2	(2.1)	67.0	2121.4	4322.6	103.8
- Construction	831.8	1433.5	1387.4	(3.2)	66.8	1973.0	4190.8	112.4
- Precast	33.5	43.4	57.8	33.0	72.4	148.4	131.8	(11.2)
Operating profit	64.8	114.6	95.7	(16.5)	47.6	170.6	319.7	87.5
Finance income	22.4	18.0	39.6	120.3	77.0	42.4	71.8	69.3
Finance costs	(16.6)	(12.8)	(13.6)	(6.8)	18.0	(50.6)	(39.3)	22.4
Profit before taxation	70.5	122.6	127.1	3.6	80.2	162.4	362.9	123.5
- Construction	68.5	121.4	123.0	1.3	79.5	153.3	356.4	132.5
- Precast	2.0	1.2	4.0	230.9	101.0	9.1	6.5	(28.8)
Income tax expense	(21.9)	(28.4)	(30.7)	(8.1)	(40.1)	(43.3)	(86.5)	(100.1)
Non-controlling interests	2.2	10.3	12.6	21.9	479.6	1.4	33.0	2280.0
Net profit	46.5	83.9	83.8	(0.1)	80.3	117.7	243.4	106.7
- Construction	45.0	82.8	80.8	(2.4)	79.7	111.8	238.4	113.1
- Precast	1.5	1.1	2.9	180.8	98.0	5.9	5.0	(14.6)
<b>Core net profit</b>	<b>34.2</b>	<b>94.1</b>	<b>94.6</b>	<b>0.6</b>	<b>176.6</b>	<b>98.7</b>	<b>271.0</b>	<b>174.4</b>
Reported EPS (sen)	3.6	6.4	6.4	(0.9)	78.9	9.0	18.6	106.2
Core EPS (sen)	2.6	7.2	7.2	(0.2)	174.5	7.6	20.7	173.7
Dividend (sen)	2.5	7.3	29.3	303.4	1070.0	6.0	41.5	591.7
Margin (%):				% pts	% pts			% pts
- Operating	7.5	7.8	6.6	(1.1)	(0.9)	8.0	7.4	(0.6)
- Construction	7.2	8.0	7.0	(1.1)	(0.3)	7.8	7.7	(0.1)
- Precast	13.7	(1.3)	(1.8)	(0.5)	(15.5)	11.7	(0.8)	(12.5)
- PBT	8.2	8.3	8.8	0.5	0.6	7.7	8.4	0.7
- PAT	5.6	6.4	6.7	0.3	1.0	4.7	6.3	0.8
- Core PAT	4.0	6.4	6.5	0.2	2.6	4.7	6.3	1.6
- Effective tax rate	31.0	23.1	24.1	1.0	(6.9)	26.6	23.8	(2.8)

Source: TA Research

### Sector Recommendation Guideline

**OVERWEIGHT:** The total return of the sector, as per our coverage universe, exceeds 12%.

**NEUTRAL:** The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

**UNDERWEIGHT:** The total return of the sector, as per our coverage universe, is lower than 7%.

### Stock Recommendation Guideline

**BUY :** Total return of the stock exceeds 12%.

**HOLD :** Total return of the stock is within the range of 7% to 12%.

**SELL :** Total return of the stock is lower than 7%.

**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return of the stock** includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Total Return of the sector** is market capitalisation weighted average of total return of the stocks in the sector.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★★	★★★★	★★★★★	★★★★
<b>Remark</b>	Environmental management system in place with ISO 14001:2015 certification. SUNCON will embark on the environmental supply chain assessment in 2021 and complete it by 2023.	Adopted e-bidding. CSR events include Build A Home, which focuses on the welfare of the Orang Asli community.	Established anti-bribery and whistleblower policies. 20.0%-woman representation on the board. Transparent in its sustainability report and has won several ESG and IR awards.	

★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price

★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price

★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price

★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price

★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

#### Disclaimer

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As of Friday, November 21, 2025, the analyst, Ng Hong Tong, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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