

Sunway Construction Group Berhad

TP: RM6.31 (+7.9%)

Restoring ESG Premium

Last Traded: RM5.85

Hold (ESG: ★★★★★)

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Results Review

- Stripping off a one-off expense of RM16.7mn, SUNCON's 1H FY25 core earnings of RM176.3mn beat both our and consensus expectations at 58.7% and 58.2% of respective full-year forecasts. The positive variance was largely attributed to stronger-than-expected progress billings from ongoing data centre (DC) projects.
- YoY, group revenue more than doubled to RM2.9bn, underpinned by accelerated revenue conversion from a larger orderbook alongside increasing DC project contributions. Consequently, adjusted core earnings leapt from RM64.5mn to RM176.3mn.
- QoQ, revenue improved 5.5% on steady project execution. Coupled with a lower effective tax rate, this resulted in a 14% QoQ expansion in core net profit.
- A second interim dividend of 7.3sen/share was declared, bringing 1H FY25 total dividend payout to 12.3sen/share (1H FY24: 3.5sen/share).

Impact

- Factoring in the stronger-than-expected billings, we have adjusted our progress billing assumptions to reflect quicker revenue recognition in FY25. This lifts our earnings projections by 7.7%/9.6%/4.8% for FY25-27F.
- Meanwhile, we have upgraded our ESG rating from 3-star to 4-star, reflecting improved corporate governance sentiment following the MACC's clarification that SUNCON and its subsidiaries are not under investigation.

Outlook

- YTD, SUNCON has secured RM3.8bn in new contracts, boosting its outstanding unbilled orderbook to RM6.7bn – equivalent to 2.0x FY24 construction revenue, providing healthy earnings visibility.
- Looking ahead, tender activity is expected to remain buoyant, anchored by domestic infrastructure rollouts such as the Johor ART, Penang LRT and Penang International Airport expansion. 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.
- The recent clarification from MACC — confirming that SUNCON and its subsidiaries are not subject to investigation — removes a key overhang.

Share Information

| | |
|----------------------------------|-------------|
| Bloomberg Code | SCGB MK |
| Bursa | SUNCON |
| Stock Code | 5263 |
| Listing | Main Market |
| Share Cap (mn) | 1,312.0 |
| Market Cap (RMmn) | 7675.4 |
| 52-wk Hi/Lo (RM) | 6.27/3.26 |
| 12-mth Avg Daily Vol ('000 shrs) | 4914.3 |
| Estimated Free Float (%) | 27.4 |
| Beta | 1.2 |
| Major Shareholders (%) | |

Sunholdings - 53.6

Sungei Way Corp Sdn Bhd - 9.9

Employee Provident Fund - 4.3

Amanah Saham Nasional Bhd - 3.3

Forecast Revision

| | FY25 | FY26 |
|------------------------|-----------------|-------|
| Forecast Revision (%) | 7.7 | 9.6 |
| Net profit (RMmn) | 323.3 | 357.1 |
| Consensus | 303.0 | 332.8 |
| TA's / Consensus (%) | 106.7 | 107.3 |
| Previous Rating | Sell (Upgraded) | |
| Consensus Target Price | 6.16 | |

Financial Indicators

| | FY25 | FY26 |
|-----------------------|--------|--------|
| Net Debt / Equity (%) | (72.6) | (90.8) |
| CFPS (sen) | 31.8 | 19.7 |
| Price / CFPS (x) | 18.4 | 29.7 |
| ROA (%) | 7.4 | 6.7 |
| NTA/Share (sen) | 74.7 | 81.5 |
| Price/NTA (x) | 7.8 | 7.2 |

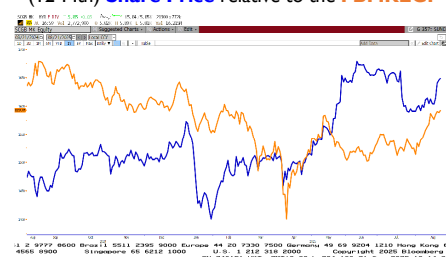
Scorecard

| | % of FY | |
|---------------|---------|-------|
| vs. TA | 58.7 | Above |
| vs. Consensus | 58.2 | Above |

Share Performance (%)

| Price Change | SUNCON | FBM KLCI |
|--------------|--------|----------|
| 1 mth | 6.6 | 4.5 |
| 3 mth | 13.6 | 3.1 |
| 6 mth | 31.5 | 0.1 |
| 12 mth | 42.0 | (2.6) |

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

This development should help restore investor and client confidence, particularly among stakeholders with strong focus on governance and compliance. We expect this reputational recovery to support stronger conversion of tender into secured projects.

Valuation

- Following the earnings revision, we raise our target price to **RM6.31** (previously RM5.59), premised on 22x CY26 earnings with 3% ESG premium after restoring our ESG rating to 4-star. Upgrade from Sell to **Hold**.
- We continue to like SUNCON due to:- (i) its strong position as a contender for mega infrastructure projects, namely Johor EART, Penang LRT Segment 2, and Penang International Airport Expansion, and (ii) its leading position in securing new contracts within the thriving ATP industry.

Table 1: Earnings Summary (RM mn)

| FYE Dec (RMmn) | 2023 | 2024 | 2025F | 2026F | 2027F |
|----------------------|---------|---------|---------|---------|---------|
| Revenue | 2,671.2 | 3,521.7 | 5,526.5 | 5,862.8 | 6,064.0 |
| Gross profit | 434.2 | 581.1 | 856.6 | 938.0 | 970.2 |
| EBITDA | 245.5 | 279.4 | 389.6 | 402.5 | 396.3 |
| EBITDA margin (%) | 9.2 | 7.9 | 7.0 | 6.9 | 6.5 |
| EBIT | 224.5 | 262.2 | 372.2 | 384.1 | 377.0 |
| PBT | 188.6 | 273.0 | 439.0 | 484.8 | 491.7 |
| PAT | 145.1 | 186.9 | 323.3 | 357.1 | 362.1 |
| Core net profit | 176.8 | 166.6 | 323.3 | 357.1 | 362.1 |
| Core EPS (sen) | 13.8 | 13.0 | 25.2 | 27.8 | 28.2 |
| PER (x) | 39.8 | 45.0 | 23.2 | 21.0 | 20.7 |
| Gross dividend (sen) | 6.0 | 8.5 | 19.0 | 21.0 | 22.0 |
| Dividend yield (%) | 1.1 | 1.5 | 3.2 | 3.6 | 3.8 |
| ROE (%) | 18.6 | 22.0 | 35.2 | 35.7 | 33.4 |

Source: TA Research

Appendix I: 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 | 752.3 |
| Total | | | 3,800.0 |

Source: TA Research

Table 2: IHFY25 Results Analysis (RM mn)

| FYE Dec | 2Q24 | 1Q25 | 1Q25 | QoQ (%) | YoY (%) | IHFY24 | IHFY25 | YoY (%) |
|---------------------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|
| Revenue | 651.2 | 1400.5 | 1476.9 | 5.5 | 126.8 | 1256.0 | 2877.4 | 129.1 |
| - Construction | 597.6 | 1369.9 | 1433.5 | 4.6 | 139.9 | 1141.2 | 2803.4 | 145.7 |
| - Precast | 53.6 | 30.6 | 43.4 | 41.9 | (19.0) | 114.9 | 74.0 | (35.5) |
| Operating profit | 52.7 | 109.5 | 114.6 | 4.6 | 117.6 | 105.7 | 224.1 | 111.9 |
| Finance income | 15.3 | 14.3 | 18.0 | 26.0 | 17.2 | 20.1 | 32.2 | 60.6 |
| Finance costs | (17.8) | (12.9) | (12.8) | 0.8 | 28.2 | (34.0) | (25.7) | 24.5 |
| Profit before taxation | 50.2 | 113.2 | 122.6 | 8.3 | 144.2 | 91.9 | 235.8 | 156.7 |
| - Construction | 46.9 | 112.0 | 121.4 | 8.4 | 159.0 | 84.7 | 233.4 | 175.4 |
| - Precast | 3.3 | 1.2 | 1.2 | (2.2) | (63.6) | 7.1 | 2.5 | (65.4) |
| Income tax expense | (12.4) | (27.5) | (28.4) | (3.2) | (128.2) | (21.4) | (55.9) | (161.4) |
| Non-controlling interests | (1.1) | 10.0 | 10.3 | 3.4 | N.M. | (0.8) | 20.4 | N.M. |
| Net profit | 38.9 | 75.7 | 83.9 | 10.8 | 115.8 | 71.3 | 159.6 | 123.9 |
| - Construction | 36.8 | 74.7 | 82.8 | 10.9 | 125.4 | 66.9 | 157.5 | 135.6 |
| - Precast | 2.1 | 1.0 | 1.1 | 1.8 | (50.2) | 4.4 | 2.1 | (52.7) |
| Core net profit | 37.2 | 82.2 | 94.1 | 14.4 | 153.0 | 64.5 | 176.3 | 173.3 |
| Reported EPS (sen) | 3.0 | 5.8 | 6.4 | 10.8 | 115.8 | 5.5 | 12.2 | 123.9 |
| Core EPS (sen) | 2.9 | 6.3 | 7.2 | 14.4 | 153.0 | 4.9 | 13.5 | 173.3 |
| Dividend (sen) | 3.5 | 5.0 | 5.0 | 7.3 | 42.9 | 3.5 | 10.0 | 185.7 |
| Margin (%): | | | | % pts | % pts | | | % pts |
| - Operating | 8.1 | 7.8 | 7.8 | (0.1) | (0.3) | 8.4 | 7.8 | (0.6) |
| - Construction | 7.8 | 8.0 | 8.0 | 0.1 | 0.2 | 8.1 | 8.0 | (0.2) |
| - Precast | 11.4 | 1.8 | (1.3) | (3.0) | (12.6) | 11.1 | (0.0) | (11.2) |
| - PBT | 7.7 | 8.1 | 8.3 | 0.2 | 0.6 | 7.3 | 8.2 | 0.9 |
| - PAT | 5.8 | 6.1 | 6.4 | 0.3 | 0.6 | 5.1 | 6.1 | 0.6 |
| - Core PAT | 5.7 | 5.9 | 6.4 | 0.5 | 0.7 | 5.1 | 6.1 | 1.0 |
| - Effective tax rate | 24.8 | 24.3 | 23.1 | (1.1) | (1.6) | 23.3 | 23.7 | 0.4 |

Source: TA Research

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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 |
|----------------|--|---|---|---------|
| Scoring | ★★★★ | ★★★★ | ★★★★★ | ★★★★ |
| Remark | 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

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As of Friday, August 22, 2025, the analyst, Raymond Ng Ing Yeow, 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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