

# Sunway Construction Group Berhad

**TP: RM5.76** (-1.2%)

*All Priced In, For Now*

*Last Traded: RM5.83*

**Sell (ESG: ★★★★★)**

Raymond Ng Ing Yeow

Tel: +603-2167 9601

raymondng@ta.com.my

www.taonline.com.my

## Secures RM1.2bn DC Contracts from US-Based MNC

SUNCON has secured two new work orders worth totalling RM1.2bn from the same US-based multinational technology company. These contracts relate to general contractor works for two data centre (DC) projects, with completion targeted by Feb-2027.

## Our View

This win marks SUNCON's second largest contract secured in FY25, bringing total YTD new job wins to RM3.5bn. The group's outstanding orderbook now stands at c.RM7.9bn, representing 2.4x FY24 construction revenue.

Assuming a typical net margin of 6%, in line with past DC projects delivered by SUNCON, we estimate these contracts will generate a net profit contribution of RM69.3mn over the project duration.

## Impact

No changes to our earnings estimates, as the new job wins fall within our new job assumption of RM5.5bn for FY25.

## Valuation

We maintain our target price at **RM5.76**, based on a target PER of 22x CY26 EPS and 3% ESG premium given our 4-star rating.

Considering the recent strength in share price (+31.0% in 1 month), we believe the positive new job flows have been largely priced in. Accordingly, we downgrade the stock from Buy to **Sell**.

## Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1,294.4
Market Cap (RMmn)	7546.3
52-wk Hi/Lo (RM)	5.98/3.10
12-mth Avg Daily Vol ('000 shrs)	4311.6
Estimated Free Float (%)	26.3
Beta	1.4
Major Shareholders (%)	

Sunholdings - 54.5

Sungei Way Corp Sdn Bhd - 10.1

Employee Provident Fund - 7.4

Amanah Saham Nasional Bhd - 3.3

## Forecast Revision

	FY25	FY26
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	300.3	325.7
Consensus	291.3	308.7
TA's / Consensus (%)	103.1	105.5
Previous Rating	Buy (Downgraded)	
Consensus Target Price	5.52	

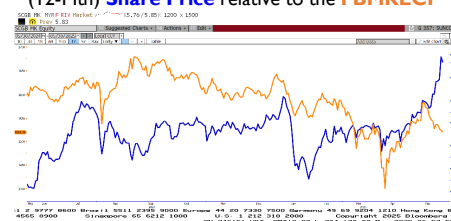
## Financial Indicators

	FY25	FY26
Net Debt / Equity (%)	(69.7)	(85.9)
CFPS (sen)	29.1	16.5
Price / CFPS (x)	20.1	35.2
ROA (%)	7.1	6.5
NTA/Share (sen)	73.9	79.3
Price/NTA (x)	7.9	7.4

## Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	31.0	0.2
3 mth	35.6	(3.5)
6 mth	35.6	(4.7)
12 mth	80.5	(5.4)

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



Source: Bloomberg

Figure 1: YTD New Job Wins for FY25

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 Infrastruccion Malaysia Sdn Bhd	Mar-25	392.7
Others	Various	Various	452.3
<b>Total</b>			<b>3,500.0</b>

Source: Company

## Earnings Summary

### Profit & Loss (RMmn)

YE Dec 31	2023	2024	2025F	2026F	2027F
Revenue	2,671.2	3,521.7	5,141.5	5,337.8	5,789.0
EBITDA	245.5	279.4	360.2	365.6	380.6
Dep. & amortisation	(21.0)	(17.3)	(17.4)	(18.4)	(19.4)
Net finance cost	(21.7)	10.5	65.0	95.0	108.1
PBT	188.6	273.0	407.8	442.2	469.4
Taxation	(42.8)	(75.9)	(106.0)	(115.0)	(122.0)
MI	(0.7)	(10.1)	(1.4)	(1.5)	(1.6)
Net profit	145.1	186.9	300.3	325.7	345.7
Core net profit	176.8	166.6	300.3	325.7	345.7
GDPS (sen)	6.0	8.5	18.0	20.0	21.0
Div Yield (%)	1.0%	1.5%	3.1%	3.4%	3.6%

### Cash Flow (RMmn)

YE Dec 31	2023	2024	2025F	2026F	2027F
<b>PBT</b>	<b>188.6</b>	<b>273.0</b>	<b>407.8</b>	<b>442.2</b>	<b>469.4</b>
Adjustments	42.7	6.8	(47.6)	(76.6)	(88.7)
Changes in WC	(516.7)	534.9	307.9	145.7	(31.5)
Others	28.8	(21.9)	(1.4)	(1.5)	(1.6)
<b>Operational cash flow</b>	<b>(299.4)</b>	<b>716.7</b>	<b>560.6</b>	<b>394.8</b>	<b>225.5</b>
Capex	(18.5)	(9.2)	(20.0)	(20.0)	(20.0)
Others	442.2	(53.7)	158.6	0.0	0.0
<b>Investment cash flow</b>	<b>423.8</b>	<b>(62.9)</b>	<b>138.6</b>	<b>(20.0)</b>	<b>(20.0)</b>
Debt raised/(repaid)	420.9	(167.0)	0.0	0.0	0.0
Dividend	(70.9)	(116.0)	(230.8)	(256.5)	(269.3)
Others	(12.5)	(20.2)	65.0	95.0	108.1
<b>Financial cash flow</b>	<b>337.4</b>	<b>(303.2)</b>	<b>(165.8)</b>	<b>(161.5)</b>	<b>(161.2)</b>
Forex effect	1.1	0.2	0.0	0.0	0.0
Deposit	(86.4)	(79.5)	(79.5)	(79.5)	(79.5)
<b>Net cash flow</b>	<b>(24.8)</b>	<b>552.1</b>	<b>374.8</b>	<b>213.3</b>	<b>44.3</b>
<b>Beginning cash</b>	<b>407.7</b>	<b>384.0</b>	<b>936.3</b>	<b>1311.1</b>	<b>1524.4</b>
<b>Ending cash</b>	<b>384.0</b>	<b>936.3</b>	<b>1311.1</b>	<b>1524.4</b>	<b>1568.7</b>
Adjustments	0.0	0.0	0.0	0.0	(0.0)
<b>Cash</b>	<b>384.0</b>	<b>936.3</b>	<b>1311.1</b>	<b>1524.4</b>	<b>1568.7</b>

YE Dec 31	2023	2024	2025F	2026F	2027F
Order book replenishment	2500	4,221	5,500	5,000	4,500

### Balance Sheet (RMmn)

YE Dec 31	2023	2024	2025F	2026F	2027F
Fixed assets	253.1	224.6	224.6	224.6	224.6
Others	590.5	449.2	451.8	453.4	454.0
<b>NCA</b>	<b>843.6</b>	<b>673.9</b>	<b>676.4</b>	<b>678.0</b>	<b>678.7</b>
Cash and cash equivalent	384.0	936.3	1,311.1	1,524.4	1,568.7
Others	1,855.2	1,986.1	2,865.5	2,965.0	3,210.5
<b>CA</b>	<b>2,239.2</b>	<b>2,922.4</b>	<b>4,176.6</b>	<b>4,489.4</b>	<b>4,779.2</b>
<b>Total assets</b>	<b>3,082.8</b>	<b>3,596.2</b>	<b>4,853.0</b>	<b>5,167.4</b>	<b>5,457.8</b>
ST borrowings	438.2	730.6	730.6	730.6	730.6
Other liabilities	1,263.6	1,925.9	3,113.3	3,358.4	3,572.4
<b>CL</b>	<b>1,701.8</b>	<b>2,656.6</b>	<b>3,843.9</b>	<b>4,089.0</b>	<b>4,303.0</b>
<b>Shareholders' funds</b>	<b>820.2</b>	<b>877.9</b>	<b>947.4</b>	<b>1,016.6</b>	<b>1,093.0</b>
MI	71.8	60.6	60.6	60.6	60.6
LT borrowings	487.7	0.0	0.0	0.0	0.0
Other LT liabilities	1.3	1.2	1.2	1.2	1.2
<b>Total capital</b>	<b>3,082.8</b>	<b>3,596.2</b>	<b>4,853.0</b>	<b>5,167.4</b>	<b>5,457.8</b>

### Ratio

YE Dec 31	2023	2024	2025F	2026F	2027F
EBITDA Margins (%)	9.2	7.9	7.0	6.8	6.6
Core EPS (sen)	13.8	13.0	23.4	25.4	27.0
EPS Growth (%)	20.2	(5.8)	80.3	8.5	6.1
PER (x)	42.3	44.9	24.9	23.0	21.6
GDPS (sen)	6.0	8.5	18.0	20.0	21.0
Div Yield (%)	1.0	1.5	3.1	3.4	3.6
Net cash (RMmn)	(455.6)	285.1	660.0	873.3	917.5
Net gearing (%)	55.5	(32.5)	(69.7)	(85.9)	(83.9)
ROE (%)	18.6	22.0	32.9	33.2	32.8
ROA (%)	5.5	5.6	7.1	6.5	6.5
NTA/share (sen)	64.0	68.5	73.9	79.3	85.2
P/NTA(x)	9.1	8.5	7.9	7.4	6.8

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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
<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, May 30, 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**

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)  
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
[www.ta.com.my](http://www.ta.com.my)