

# Sunway Construction

## Upgrade to Buy: DC and parent company order opportunities picking up

### Ongoing DC projects expedited and new DC opportunities picking up

We upgrade SunCon to Buy from Neutral with a higher PT of RM5.20. This follows a 12% correction in its share price year-to-date due to market concerns that the new AI diffusion rules ([link](#) - we wrote about it [here](#) and [here](#)). However, not only are ongoing projects placed on accelerated timelines, the momentum of new DC order opportunities has picked up over the past month. Several new tenders commenced in Jan-25 initiated by hyperscalers and DC operators with contract awards possible in H125. The pick up in DC activity and the emergence of new opportunities from its parent company, has led SunCon to set its 2025 new order target at RM4.5-6bn, which at mid-point of RM5.25bn indicates 25% growth in order intake vs. 2024. As such, we raise our earnings estimates for 2025-27E by 5-13%, accounting for the 2024 earnings beat and increase our new order assumption from RM4bn to RM5bn.

### New TOD in Johor and hospitals could translate to ~RM2bn orders

SunCon's parent company, Sunway Berhad secured the rights ([link](#)) to develop a RM2.6bn transit oriented development (TOD) adjacent to the Johor Bahru-Singapore Rapid Transit System (RTS). With construction scheduled to start in March to meet its completion target of 2026, contract awards to SunCon could be imminent. This, along with Sunway Berhad's plans to construct new hospitals, could translate to ~RM2bn order opportunities from its parent company in 2025 according to management.

### 2024 earnings beat with record order intake, revenue and earnings

SunCon's Q4 earnings grew 49% QoQ and 45% YoY to RM69m due to strong billings for DC projects. This led to full year earnings of RM187m (growth of 30% YoY), beating UBS and consensus estimates by 11% and 4% respectively. Q4 revenue grew 62% QoQ and 61% YoY to a record quarterly high of RM1.4bn which contributed to record full year revenue of RM3.5bn (growth of 32% YoY) amid a record outstanding order backlog. With most DC projects still in the early stages of development, net margins were flat YoY at 5.3% and we expect this to grow to 6.5% in 2025. SunCon booked RM4.2bn new orders in 2024, which represents a book-to-bill ratio of 1.2x.

### Upgrade to Buy and raise PT to RM5.20 based on 24x 2025E P/E

Our price target is based on an unchanged 24x 2025E P/E, 1SD above its historical mean due to its outsized 55% order exposure to DCs where opportunities are picking up. With a 12% correction this year and the stock trading at 19x (historical mean), we believe the market has not priced in a pick up in new DC/parent company order opportunities.

#### Equities

Malaysia  
Industrial Services

**12-month rating** **Buy**  
Prior : Neutral

**12m price target** **RM5.20**  
Prior : RM4.70

**Price (20 Feb 2025)** **RM4.12**
**RIC:** SCOG.KL **BBG:** SCGB MK

#### Trading data and key metrics

**52-wk range** RM5.12-2.49  
**Market cap.** RM5.33b/US\$1.20b  
**Shares o/s** 1,293m (ORD)  
**Free float** 16%  
**Avg. daily volume ('000)** 5,030  
**Avg. daily value (m)** RM20.1  
**Common s/h equity (12/25E)** RM0.99b  
**P/BV (12/25E)** 5.4x  
**Net debt to EBITDA (12/25E)** 0.2x

#### EPS (UBS, diluted) (RM)

	From	To	% ch	Cons.
<b>12/25E</b>	0.20	0.21	5	0.21
<b>12/26E</b>	0.23	0.26	13	0.22
<b>12/27E</b>	0.27	0.27	1	-

**Ken Tay, CFA**

Analyst  
ken.tay@ubs.com  
+603-2781 1121

Highlights (RMm)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenues	2,155	2,671	3,522	4,421	5,018	5,594	5,760	5,933
EBIT (UBS)	187	224	262	373	457	473	522	538
Net earnings (UBS)	135	145	187	277	338	352	390	406
EPS (UBS, diluted) (RM)	0.10	0.11	0.14	0.21	0.26	0.27	0.30	0.31
DPS (net) (RM)	0.06	0.06	0.09	0.13	0.16	0.16	0.18	0.19
Net (debt) / cash	99	(384)	284	(88)	(28)	71	197	346
Profitability/valuation	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
EBIT (UBS) margin %	8.7	8.4	7.4	8.4	9.1	8.5	9.1	9.1
ROIC (EBIT) %	57.9	29.3	36.0	55.2	47.5	46.1	48.7	48.9
EV/EBITDA (UBS core) x	9.0	9.1	16.5	13.0	11.0	10.5	9.3	9.1
P/E (UBS, diluted) x	14.8	15.6	25.2	19.2	15.7	15.1	13.6	13.1
Equity FCF (UBS) yield %	(12.1)	(14.7)	15.6	(3.7)	5.1	6.0	7.0	7.6
Dividend yield (net) %	3.5	3.4	2.3	3.1	3.8	4.0	4.4	4.6

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of RM 4.12 on 20-Feb-2025

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UBS Research THESIS MAP a guide to our thinking and what’s where in this report

PIVOTAL QUESTIONS

**Q: Can SunCon sustain its growth trajectory over 2025-27?**  
Yes. Given its strong track record, SunCon should benefit from data centre investments, public sector infrastructure development and property development by its parent company, Sunway Berhad. Potential sources of new orders include data centres, infrastructure projects, residential, commercial and industrial facilities, renewable energy projects and precast building material orders. SunCon's order backlog stands at a record RM5.8bn with active outstanding tenders worth RM15bn.

UBS VIEW

We upgrade SunCon to Buy from Neutral with a higher PT of RM5.20. The pick up in DC activity and the emergence of new opportunities from its parent company, has led SunCon to set its 2025 new order target at RM4.5-6bn, which at mid-point of RM5.25bn indicates 25% growth in order intake vs. 2024. 2024 earnings grew 30% YoY to RM187m, beating UBS and consensus estimates by 11% and 4% respectively. As such, we raise our earnings estimates for 2025-27E by 5-13%, accounting for the 2024 earnings beat and increase our new order assumption from RM4bn to RM5bn.

EVIDENCE

Despite risks from AI diffusion regulations, ongoing projects are being placed on accelerated timelines and the momentum of new DC order opportunities has picked up over the past month. The pick up in DC activity and the emergence of new opportunities from its parent company, has led SunCon to set its 2025 new order target at RM4.5-6bn, which at mid-point of RM5.25bn indicates 25% growth in order intake vs. 2024.

WHAT’S PRICED IN?

With a 12% correction this year and the stock trading at 19x (historical mean), we believe the market has not priced in a pick up in new DC/parent company order opportunities.

UPSIDE/DOWNSIDE SPECTRUM



Value drivers (2025E)	New orderbook wins (RM bn)	GP margin
RM6.00 upside	6.0	19%
RM5.20 base	5.0	14%
RM3.20 downside	3.0	9%

Source: UBS estimates

COMPANY DESCRIPTION

SunCon is the largest pure play construction group in Malaysia and is the flagship construction arm for Sunway Berhad, a prominent property developer. It has more than 40 years' experience in the construction industry and is able to provide a full range of integrated design and construction services including building, infrastructure, foundation and geotechnical engineering; mechanical, electrical and plumbing (MEP) services, manufacturing and sale of precast concrete products, as well as renewable energy services.

## KEY CHARTS

Figure 1: SunCon's PE valuation

PE methodology	
2025E Earnings (RM mn)	277
Historical PE average (+1SD above historical average)	24.0x
Valuation (RM mn)	6,648.5
<b>Price target (RM/share)</b>	<b>5.20</b>

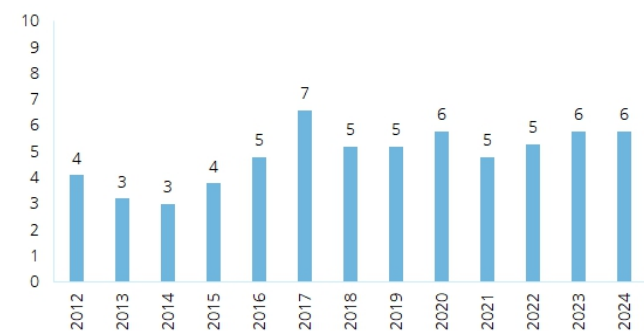
Source: UBS estimates

Figure 2: Earnings estimates changes

	New			Previous			Est Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>New Orders (RMmn)</b>	<b>5,000</b>	<b>5,000</b>	<b>6,000</b>	<b>4,000</b>	<b>5,000</b>	<b>6,000</b>	<b>1,000</b>	<b>-</b>	<b>-</b>
<b>Revenue (RM m)</b>	<b>4,421</b>	<b>5,018</b>	<b>5,594</b>	<b>4,266</b>	<b>4,713</b>	<b>5,324</b>	<b>4%</b>	<b>6%</b>	<b>5%</b>
% growth	26%	14%	11%	21%	10%	13%			
<b>EBITDA (RM m)</b>	<b>389</b>	<b>475</b>	<b>493</b>	<b>388</b>	<b>441</b>	<b>500</b>	<b>0%</b>	<b>8%</b>	<b>-2%</b>
EBITDA margin	9%	9%	9%	9%	9%	9%			
% growth	39%	22%	4%	39%	14%	13%			
<b>Net profit (RM m)</b>	<b>277</b>	<b>338</b>	<b>352</b>	<b>263</b>	<b>300</b>	<b>346</b>	<b>5%</b>	<b>13%</b>	<b>1%</b>
% margin	6.3%	6.7%	6.3%	6.2%	6.4%	6.5%			
% growth	48%	22%	4%	41%	14%	15%			

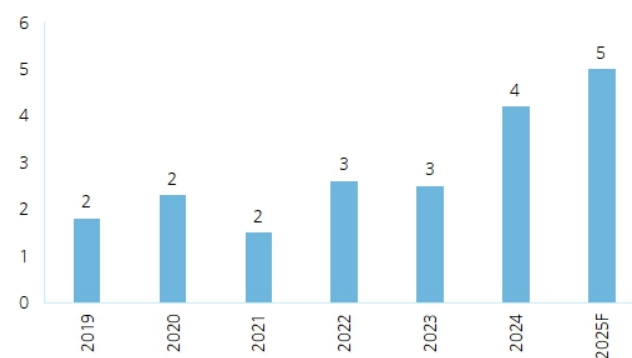
Source: UBS estimates

Figure 3: SunCon's annual outstanding orderbook (RM bn)



Source: Company data, UBS estimates

Figure 4: New orders (RM bn)



Source: Company data

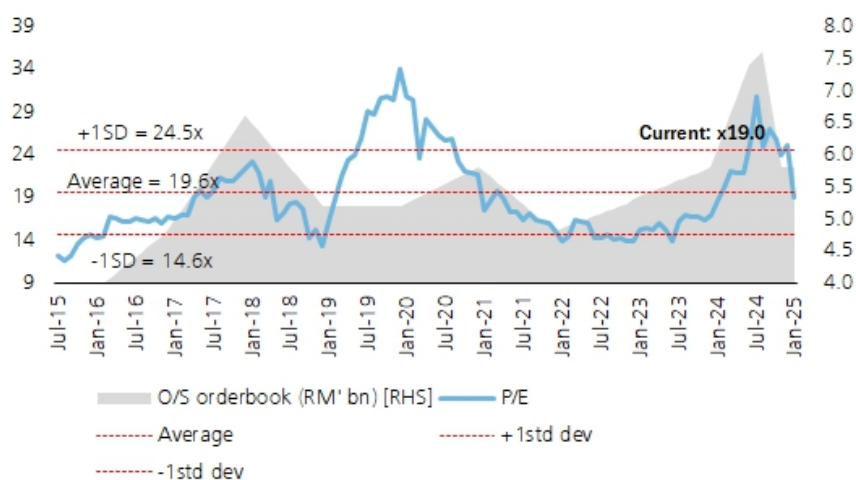
Figure 5: SunCon's outstanding orders as of 2024

Contract Name	Awarder	Contract Size (RM'mil)
<b><u>Property +DC</u></b>		
Oxley Tower	BUCG (M) Sdn Bhd	20.0
Daiso	DAISO Malaysia Group Sdn Bhd	176.0
JHB1X0	Yellowwood Properties Sdn Bhd	455.0
Early Contract Involvement	Multinational Technology Company	21.0
PSR	Multinational Technology Company	687.0
JHB1X0 - Revised NTP	Yellowwood Properties Sdn Bhd	1,500.0
JHB1X0 - Tenant improvement Works	Yellowwood Properties Sdn Bhd	541.0
<b><u>Infrastructure</u></b>		
RTS Link	Malaysia Rapid Transit System Sdn Bhd	90.0
THORAPALLI - India	National Highway Authority of India	199.0
CGPP - Green	Investment Project by SunCon	46.0
<b><u>Internal</u></b>		
Square - Superstructure	Sunway Bhd	402.0
Carnival mall - Refurbishment	Sunway Bhd	81.0
Flora	Sunway Bhd	121.0
PH2 Fit-out	Sunway Bhd	44.0
Ipoh mall	Sunway Bhd	666.0
PH3 Fit-out	Sunway Bhd	80.0
Ipoh PH2 Fit-out	Sunway Bhd	12.0
Sunmed Damansara	Sunway Bhd	8.0
<b><u>Singapore</u></b>		
Precast	Precast Concrete Pte Ltd	239.0
New order 2024	Precast Concrete Pte Ltd	442.0
<b>Total</b>		<b>5,830.0</b>

Source: Company data

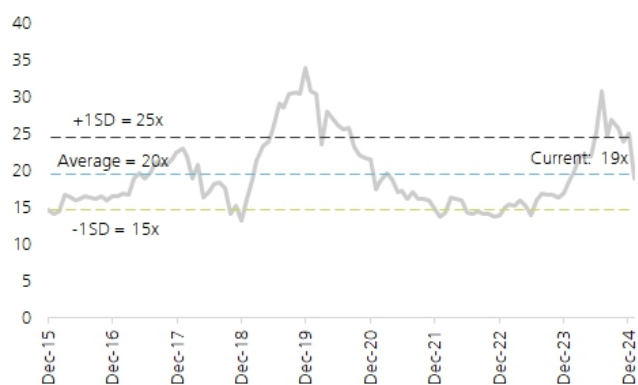
## WHAT'S PRICED IN?

Figure 6: SunCon's P/E vs outstanding orders



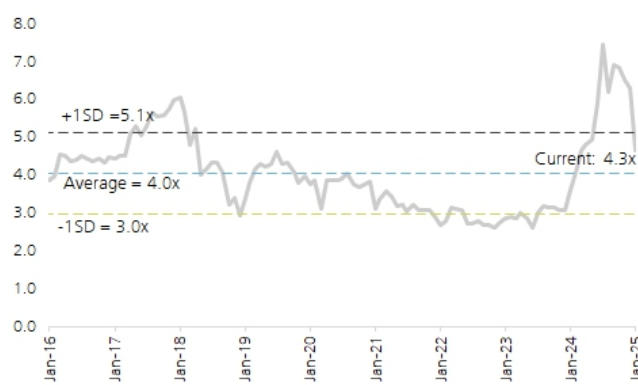
Source: Datastream, UBS estimates

Figure 7: SunCon historical P/E bands (x)



Source: Datastream, UBS Estimates

Figure 8: SunCon historical P/BV bands (x)



Source: Datastream, UBS Estimates

## Sunway Construction (SCOG.KL)

	12/22	12/23	12/24	12/25E	%ch	12/26E	%ch	12/27E	12/28E	12/29E
<b>Income Statement (RMm)</b>										
<b>Revenues</b>	<b>2,155</b>	<b>2,671</b>	<b>3,522</b>	<b>4,421</b>	<b>25.5</b>	<b>5,018</b>	<b>13.5</b>	<b>5,594</b>	<b>5,760</b>	<b>5,933</b>
Gross profit	366	219	228	729	219.2	858	17.7	918	980	1,009
<b>EBITDA (UBS)</b>	<b>210</b>	<b>245</b>	<b>279</b>	<b>389</b>	<b>39.3</b>	<b>475</b>	<b>22.0</b>	<b>493</b>	<b>542</b>	<b>559</b>
Depreciation & amortisation	(24)	(21)	(17)	(16)	6.1	(18)	-10.3	(19)	(20)	(21)
<b>EBIT (UBS)</b>	<b>187</b>	<b>224</b>	<b>262</b>	<b>373</b>	<b>42.3</b>	<b>457</b>	<b>22.5</b>	<b>473</b>	<b>522</b>	<b>538</b>
Associates & investment income	2	(14)	0	0	0.0	0	0.0	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(4)	(21)	11	11	4.7	12	7.4	14	18	24
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
<b>Pre-tax profit</b>	<b>184</b>	<b>189</b>	<b>273</b>	<b>384</b>	<b>40.8</b>	<b>469</b>	<b>22.1</b>	<b>488</b>	<b>541</b>	<b>563</b>
Tax	(45)	(43)	(76)	(92)	-21.4	(113)	-22.1	(117)	(130)	(135)
<b>Profit after tax</b>	<b>139</b>	<b>146</b>	<b>197</b>	<b>292</b>	<b>48.2</b>	<b>357</b>	<b>22.1</b>	<b>371</b>	<b>411</b>	<b>428</b>
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(4)	(1)	(10)	(15)	-48.2	(18)	-22.1	(19)	(21)	(22)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
<b>Net earnings (local GAAP)</b>	<b>135</b>	<b>145</b>	<b>187</b>	<b>277</b>	<b>48.2</b>	<b>338</b>	<b>22.1</b>	<b>352</b>	<b>390</b>	<b>406</b>
<b>Net earnings (UBS)</b>	<b>135</b>	<b>145</b>	<b>187</b>	<b>277</b>	<b>48.2</b>	<b>338</b>	<b>22.1</b>	<b>352</b>	<b>390</b>	<b>406</b>
Tax rate (%)	24.6	22.7	27.8	24.0	-13.7	24.0	0.0	24.0	24.0	24.0
<b>Per Share (RM)</b>										
EPS (UBS, diluted)	0.10	0.11	0.14	0.21	48.2	0.26	22.1	0.27	0.30	0.31
EPS (local GAAP, diluted)	0.10	0.11	0.14	0.21	48.2	0.26	22.1	0.27	0.30	0.31
EPS (UBS, basic)	0.10	0.11	0.14	0.21	48.2	0.26	22.1	0.27	0.30	0.31
DPS (net) (RM)	0.06	0.06	0.09	0.13	51.7	0.16	22.1	0.16	0.18	0.19
Cash EPS (UBS, diluted) <sup>1</sup>	0.12	0.13	0.16	0.23	43.6	0.28	21.4	0.29	0.32	0.33
Book value per share	0.58	0.64	0.68	0.77	13.2	0.87	13.7	0.98	1.10	1.23
Average shares (diluted)	1,289	1,289	1,289	1,289	0.0	1,289	0.0	1,289	1,289	1,289
<b>Balance Sheet (RMm)</b>										
Cash and equivalents	576	541	1,016	642	-36.8	572	-10.9	621	697	796
Other current assets	1,061	1,698	1,907	2,246	17.8	2,546	13.4	2,836	2,920	3,006
<b>Total current assets</b>	<b>1,637</b>	<b>2,239</b>	<b>2,922</b>	<b>2,888</b>	<b>-1.2</b>	<b>3,118</b>	<b>8.0</b>	<b>3,457</b>	<b>3,617</b>	<b>3,802</b>
Net tangible fixed assets	108	99	85	94	10.3	101	7.5	107	112	115
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	491	745	588	589	0.1	589	0.1	589	590	590
<b>Total assets</b>	<b>2,236</b>	<b>3,083</b>	<b>3,596</b>	<b>3,570</b>	<b>-0.7</b>	<b>3,808</b>	<b>6.7</b>	<b>4,154</b>	<b>4,318</b>	<b>4,508</b>
Trade payables & other ST liabilities	931	1,264	1,926	1,783	-7.4	2,008	12.6	2,255	2,305	2,374
Short term debt	172	438	732	262	-64.2	244	-6.8	226	208	190
<b>Total current liabilities</b>	<b>1,103</b>	<b>1,702</b>	<b>2,658</b>	<b>2,045</b>	<b>-23.1</b>	<b>2,252</b>	<b>10.1</b>	<b>2,481</b>	<b>2,513</b>	<b>2,564</b>
Long term debt	305	486	0	468	-	356	-23.9	324	292	260
Other long term liabilities	0	0	0	0	-	0	-	0	0	0
Preferred shares	0	0	0	0	-	0	-	0	0	0
<b>Total liabilities (incl pref shares)</b>	<b>1,408</b>	<b>2,188</b>	<b>2,658</b>	<b>2,513</b>	<b>-5.5</b>	<b>2,608</b>	<b>3.8</b>	<b>2,805</b>	<b>2,805</b>	<b>2,824</b>
<b>Common s/h equity</b>	<b>744</b>	<b>823</b>	<b>878</b>	<b>991</b>	<b>12.9</b>	<b>1,126</b>	<b>13.7</b>	<b>1,267</b>	<b>1,423</b>	<b>1,585</b>
Minority interests	84	72	61	67	9.9	74	11.0	82	90	99
<b>Total liabilities &amp; equity</b>	<b>2,236</b>	<b>3,083</b>	<b>3,596</b>	<b>3,570</b>	<b>-0.7</b>	<b>3,808</b>	<b>6.7</b>	<b>4,154</b>	<b>4,318</b>	<b>4,508</b>
<b>Cash Flow (RMm)</b>										
Net income (before pref divs)	135	145	187	277	48.2	338	22.1	352	390	406
Depreciation & amortisation	24	21	17	16	-6.1	18	10.3	19	20	21
Net change in working capital	(382)	(498)	535	(482)	-	(76)	84.3	(43)	(33)	(18)
Other operating	8	15	10	15	49.7	18	22.5	19	21	22
<b>Operating cash flow</b>	<b>(215)</b>	<b>(317)</b>	<b>749</b>	<b>(174)</b>	<b>-</b>	<b>298</b>	<b>-</b>	<b>347</b>	<b>398</b>	<b>430</b>
Tangible capital expenditure	(27)	(18)	(9)	(25)	-171.3	(25)	0.0	(25)	(25)	(25)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	451	0	0	0	-	0	-	0	0	0
<b>Investing cash flow</b>	<b>424</b>	<b>(18)</b>	<b>(9)</b>	<b>(25)</b>	<b>-171.3</b>	<b>(25)</b>	<b>0.0</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>
Equity dividends paid	(90)	(71)	(116)	(166)	-43.2	(203)	-22.1	(211)	(234)	(243)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	233	(1)	0	(9)	-	(11)	-22.1	(11)	(13)	(13)
Change in debt & pref shares	233	421	(167)	0	-	(50)	-	(50)	(50)	(50)
<b>Financing cash flow</b>	<b>376</b>	<b>349</b>	<b>(283)</b>	<b>(175)</b>	<b>38.1</b>	<b>(264)</b>	<b>-50.6</b>	<b>(272)</b>	<b>(297)</b>	<b>(307)</b>
<b>Cash flow inc/(dec) in cash</b>	<b>585</b>	<b>15</b>	<b>457</b>	<b>(374)</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>49</b>	<b>76</b>	<b>99</b>
FX / non cash items	(107)	(50)	18	0	-	(79)	-	0	0	0
<b>Balance sheet inc/(dec) in cash</b>	<b>477</b>	<b>(36)</b>	<b>475</b>	<b>(374)</b>	<b>-</b>	<b>(70)</b>	<b>81.3</b>	<b>49</b>	<b>76</b>	<b>99</b>

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.<sup>1</sup> Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

## Sunway Construction (SCOG.KL)

Valuation (x)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
P/E (local GAAP, diluted)	14.8	15.6	25.2	19.2	15.7	15.1	13.6	13.1
P/E (UBS, diluted)	14.8	15.6	25.2	19.2	15.7	15.1	13.6	13.1
P/CEPS	12.6	13.6	23.1	18.1	14.9	14.3	13.0	12.4
Equity FCF (UBS) yield %	(12.1)	(14.7)	15.6	(3.7)	5.1	6.0	7.0	7.6
Dividend yield (net) %	3.5	3.4	2.3	3.1	3.8	4.0	4.4	4.6
P/BV	2.7	2.8	5.4	5.4	4.7	4.2	3.7	3.4
EV/revenues (core)	0.9	0.8	1.3	1.1	1.0	0.9	0.9	0.9
EV/EBITDA (UBS core)	9.0	9.1	16.5	13.0	11.0	10.5	9.3	9.1
EV/EBIT (core)	10.1	9.9	17.6	13.6	11.5	10.9	9.7	9.4
EV/OpFCF (core)	10.3	9.8	17.1	13.9	11.6	11.0	9.8	9.5
EV/op. invested capital	5.9	2.9	6.3	7.5	5.4	5.0	4.7	4.6
<b>Enterprise value (RMm)</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>	<b>12/25E</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>	<b>12/29E</b>
Market cap.	2,008	2,270	4,728	5,327	5,327	5,327	5,327	5,327
Net debt (cash)	16	142	50	(98)	58	(21)	(134)	(134)
Buy out of minorities	84	72	61	67	74	82	90	99
Pension provisions/other	0	0	0	0	0	0	0	0
<b>Total enterprise value</b>	<b>2,109</b>	<b>2,484</b>	<b>4,839</b>	<b>5,295</b>	<b>5,459</b>	<b>5,387</b>	<b>5,283</b>	<b>5,291</b>
Non core assets	(223)	(253)	(225)	(225)	(225)	(226)	(226)	(226)
<b>Core enterprise value</b>	<b>1,885</b>	<b>2,230</b>	<b>4,614</b>	<b>5,070</b>	<b>5,234</b>	<b>5,161</b>	<b>5,057</b>	<b>5,065</b>
<b>Growth (%)</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>	<b>12/25E</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>	<b>12/29E</b>
Revenue	24.6	23.9	31.8	25.5	13.5	11.5	3.0	3.0
EBITDA (UBS)	26.0	16.7	13.9	39.3	22.0	3.7	10.1	3.1
EBIT (UBS)	33.8	20.2	16.9	42.3	22.5	3.6	10.3	3.0
EPS (UBS, diluted)	20.1	7.3	28.8	48.2	22.1	3.9	10.9	4.1
Net DPS	4.8	9.1	41.7	51.7	22.1	3.9	10.9	4.1
<b>Margins &amp; Profitability (%)</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>	<b>12/25E</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>	<b>12/29E</b>
Gross profit margin	17.0	8.2	6.5	16.5	17.1	16.4	17.0	17.0
EBITDA margin	9.8	9.2	7.9	8.8	9.5	8.8	9.4	9.4
EBIT (UBS) margin	8.7	8.4	7.4	8.4	9.1	8.5	9.1	9.1
Net earnings (UBS) margin	6.3	5.4	5.3	6.3	6.7	6.3	6.8	6.8
ROIC (EBIT)	57.9	29.3	36.0	55.2	47.5	46.1	48.7	48.9
ROIC post tax	43.5	23.1	26.0	42.0	36.1	35.0	37.0	37.1
ROE (UBS)	18.6	18.5	22.0	29.6	31.9	29.4	29.0	27.0
<b>Capital structure &amp; Coverage (x)</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>	<b>12/25E</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>	<b>12/29E</b>
Net debt / EBITDA	(0.5)	1.6	(1.0)	0.2	0.1	(0.1)	(0.4)	(0.6)
Net debt / total equity %	(12.0)	42.9	(30.3)	8.3	2.4	(5.3)	(13.0)	(20.5)
Net debt / (net debt + total equity) %	(13.6)	30.0	(43.4)	7.7	2.3	(5.6)	(15.0)	(25.9)
Net debt/EV %	0.8	5.7	1.0	(1.9)	1.1	(0.4)	(2.5)	(5.1)
Capex / depreciation %	114.1	84.4	53.3	154.0	139.7	129.9	122.9	117.8
Capex / revenue %	1.3	0.7	0.3	0.6	0.5	0.4	0.4	0.4
EBIT / net interest	45.3	9.8	-	-	-	-	-	-
Dividend cover (UBS)	1.9	1.9	1.7	1.7	1.7	1.7	1.7	1.7
Div. payout ratio (UBS) %	52.5	53.3	58.6	60.0	60.0	60.0	60.0	60.0
<b>Revenues by division (RMm)</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>	<b>12/25E</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>	<b>12/29E</b>
Others	2,155	2,671	3,522	4,421	5,018	5,594	5,760	5,933
<b>Total</b>	<b>2,155</b>	<b>2,671</b>	<b>3,522</b>	<b>4,421</b>	<b>5,018</b>	<b>5,594</b>	<b>5,760</b>	<b>5,933</b>
<b>EBIT (UBS) by division (RMm)</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24</b>	<b>12/25E</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>	<b>12/29E</b>
Others	187	224	262	373	457	473	522	538
<b>Total</b>	<b>187</b>	<b>224</b>	<b>262</b>	<b>373</b>	<b>457</b>	<b>473</b>	<b>522</b>	<b>538</b>

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.



## Forecast returns

Forecast price appreciation	26.2%
Forecast dividend yield	3.1%
Forecast stock return	29.3%
Market return assumption	8.9%
Forecast excess return	20.5%

## Company Description

Sunway Construction is the largest pure-play construction group in Malaysia in terms of revenue and is the flagship construction arm for Sunway Berhad, a prominent property developer. It has over 40 years of experience in the construction industry and provides a full range of integrated design and construction services, including building, infrastructure, foundation and geotechnical engineering; mechanical, electrical and plumbing (MEP) services; manufacturing and sales of precast concrete products; as well as renewable energy services.

## Valuation Method and Risk Statement

Sunway Construction: We base our price target on FY25E PE, corresponding to its long-term historical PE.

We think the main downside risks to our earnings estimates, price target and rating are any abrupt changes in new construction job flows that could affect sentiment and construction progress. Other risks are raw material prices and labour costs, which are the key drivers of construction margins. We believe risks to our earnings estimates, price target and rating include abrupt changes in: 1) the momentum of new construction job flow; 2) raw material and labour costs, which could materially affect construction margins. Upside risks include new orders and margins beating our forecasts.



## Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on [qa@ubs.com](mailto:qa@ubs.com). A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

## Sunway Construction

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of: (1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	N/A
11. What is the catalyst?	

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12-Month Rating	Definition	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	FSR is > 6% above the MRA.	51%	24%
Neutral	FSR is between -6% and 6% of the MRA.	41%	20%
Sell	FSR is > 6% below the MRA.	8%	22%
Short-Term Rating	Definition	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 December 2024.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

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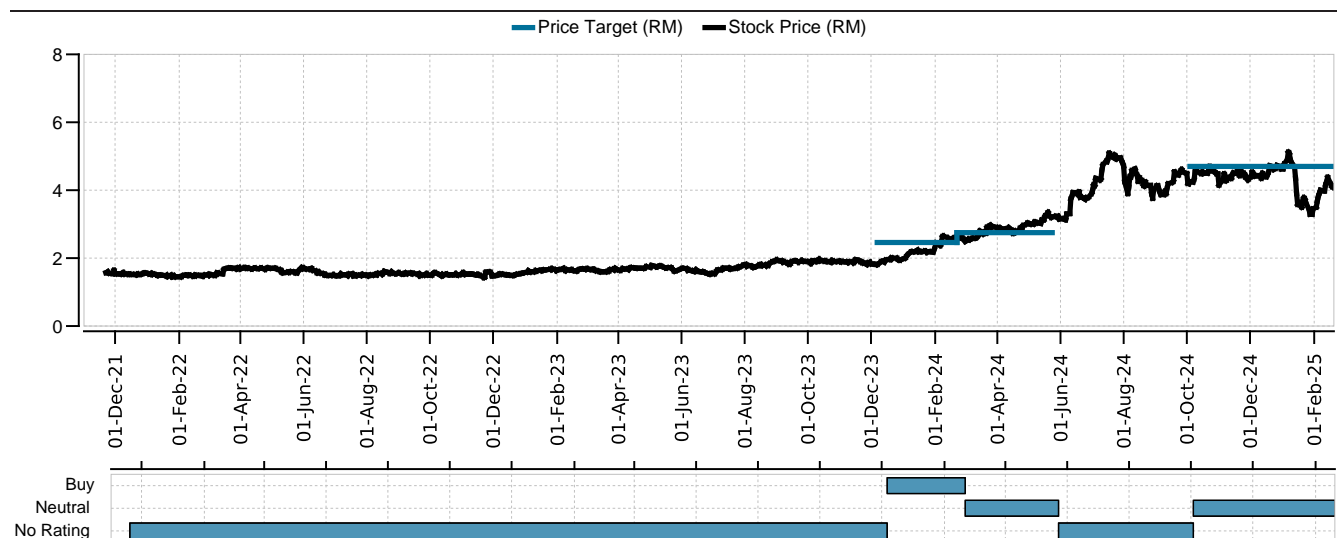
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Company Name	Reuters	12-month rating	Price	Price date
Sunway Construction	SCOG.KL	Neutral	RM4.12	20 Feb 2025

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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## Sunway Construction (RM)



Date	Stock Price (RM)	Price Target (RM)	Rating
2021-11-19	1.55	-	No Rating
2023-12-06	1.81	2.46	Buy
2024-02-21	2.61	2.75	Neutral
2024-05-23	3.20	-	No Rating
2024-10-03	4.19	4.70	Neutral

Source: UBS Global Research; LSEG Eikon as of 20-Feb-2025. All prices as of local market close. Ratings as of date shown.



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