

Sunway Construction (SCGB MK)

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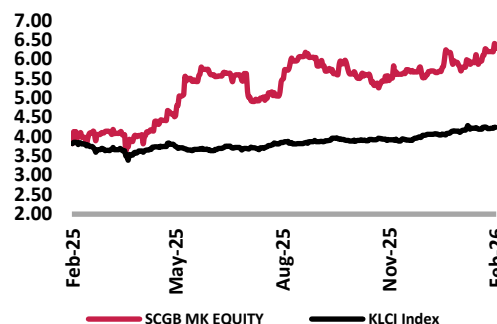
BUY ◀▶

Share Price **RM6.27**
Target Price **RM7.65** +22.0%

Strong Finish Caps Record Year

- Above Expectations.** SunCon reported 4QFY25 PATMI of RM118.4mn (+41.3% QoQ, +71.2% YoY), lifting FY25 PATMI to RM361.8mn (+93.6% YoY). Adjusting for exceptional items and forex effects totalling RM35.8mn, 4QFY25 core PATMI strengthened to RM154.2mn (+63.1% QoQ, +111.5% YoY). This brings full-year FY25 core PATMI to RM425.3mn (+148.2% YoY), surpassing both our and consensus FY25 forecasts by 16.4% and 23.9%, respectively. FY25 earnings exceeded our expectations, driven by accelerated execution across hyperscale data centre (DC) packages and margin recalibration reflecting cost savings from early project completion. Group PBT margin expanded to 16.0% in 4QFY25 (3QFY25: 8.8%; 4QFY24: 7.9%), marking the strongest quarterly margin on record.
- Dividend surprises continue on the upside.** The group declared a fourth interim dividend of 9.0 sen, lifting total FY25 dividends to 50.5 sen (including the 23.0 sen special dividend paid in January 2026), significantly higher than FY24's 8.5 sen. The fourth interim dividend will go ex on 16 March 2026, with an entitlement date of 17 March 2026. This materially exceeded our expectations, with the payout already surpassing 100% of YTD PATMI and well above SunCon's historical payout ratio of ~60%, supported by its net-cash position and strong operating cash flow.
- FY26 order replenishment target raised to RM6.0bn.** As at December 2025, SunCon's outstanding order book stood at RM5.67bn (vs. RM5.44bn in June 2025), supported by RM5.21bn of new orders secured during FY25, marking the highest replenishment level on record and within its RM4.5–6.0bn guidance range for FY25. The order book composition is balanced, with approximately 41% from nine ongoing data centre projects, 43% from internal Sunway Group projects, and 14% from Singapore Precast works. SunCon has completed 156MW of data centre capacity, with 162MW currently under construction and over 700MW in ongoing tenders. Looking ahead, management has raised its FY26 order replenishment target to RM6.0bn, reflecting confidence in its RM17.5bn active tender book.
- Construction segment continues to drive earnings.** As expected, the construction segment remained the principal earnings driver despite 4QFY25 revenue moderated to RM940.8mn (-32.2% QoQ, -30.5% YoY) as certain existing data centre projects reached substantial completion and newly secured projects remained at early stages of construction. Nonetheless, profitability improved on the back of cost efficiencies and margin recalibration. Meanwhile, the precast segment also showed improvement, recording 4QFY25 revenue of RM75.3mn (+62.3% YoY) and PBT of RM7.3mn (>100% YoY), supported by higher contributions from its new Integrated Construction & Prefabrication Hub (ICPH) located in Pulau Punggol Barat, Singapore as well as the ramp-up of newly secured jobs.
- Earnings revision.** We revise our FY26F–FY27F earnings upward by 6.9% to 14.0% to reflect stronger progress recognition from hyperscale DC projects and higher FY26 order replenishment assumption. Following the upward revisions, our **TP is raised to RM7.65** (from RM6.86), derived by pegging FY26F EPS of 31.9 sen to a 24x P/E—equivalent to +0.5SD above its 10-year historical mean. We maintain our **BUY recommendation**.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	8.1	13.6	51.8
vs FBM KLCI	6.0	3.6	32.9

Stock Data

ESG Rating	Good
Mkt Cap (RM mn)	8,292.2
Adjusted Beta	1.0
Free float (%)	80.5
Issued shares (mn)	1,322.5
52w H/L (RM)	6.5 / 3.577
3m avg daily volume	3,038,648

Major Shareholders (%)

Sunway Holdings Sdn	11.3
ASNB	4.2
Generasi Setia	4.1

Nabil Zainoodin, CFA, CA

nfikri@bankislam.com.my
+(603) 2707 1570

Table 1: Results Review

Sunway Construction FYE 31 Dec (RM mn)	Quarterly			Change		Cumulative		YTD Chg
	4Q24	3Q25	4Q25	QoQ	YoY	FY24	FY25	
Revenue	1,400.3	1,445.2	1,016.1	-29.7%	-27.4%	3,521.7	5,338.7	51.6%
EBIT	91.6	95.7	128.5	34.3%	40.3%	262.2	478.4	82.5%
Other income	9.5	5.9	37.0	524.2%	288.1%	40.6	15.9	-60.8%
Finance Income	33.2	39.6	37.0	-6.6%	11.3%	75.7	108.8	43.8%
Finance Cost	(14.6)	(13.6)	(7.6)	-44.5%	-47.9%	(65.2)	(46.9)	-28.1%
Associates & JV	0.3	5.4	4.7	-13.4%	1482.6%	0.3	15.3	5048.0%
Exceptional gain/(loss)	3.7	10.7	35.8	233.6%	867.6%	15.0	63.5	322.2%
Pretax Profit	110.6	127.1	162.6	28.0%	47.1%	273.0	525.5	92.5%
Taxation	(32.7)	(30.7)	(36.9)	20.4%	12.9%	(75.9)	(123.5)	62.6%
Net Profit	69.2	83.8	118.4	41.3%	71.2%	186.9	361.8	93.6%
Core net profit	72.9	94.5	154.2	63.1%	111.5%	171.3	425.3	148.2%
				Chg (ppts)				Chg (ppts)
EBIT margin	6.5%	6.6%	12.6%	6.0	6.1	7.4%	9.0%	1.5
Pretax margin	7.9%	8.8%	16.0%	7.2	8.1	7.8%	9.8%	2.1
Core net margin	5.2%	6.5%	15.2%	8.6	10.0	4.9%	8.0%	3.1
Effective tax rate	-29.6%	-24.1%	-22.7%	1.4	6.9	-27.8%	-23.5%	4.3

Table 2: Segmental Performance

Sunway Construction FYE 31 Dec (RM mn)	Quarterly			Change		Cumulative		YTD Chg
	4Q24	3Q25	4Q25	QoQ	YoY	1H24	1H25	
Revenue								
Construction	1353.9	1387.4	940.8	-32.2%	-30.5%	1141.2	2803.4	145.7%
Precast	46.4	57.8	75.3	30.3%	62.3%	74.0	74.0	0.0%
Total Revenue	1400.3	1445.2	1016.1	-29.7%	-27.4%	1215.2	2877.4	136.8%
Pretax profit								
Construction	107.2	123.1	155.3	26.2%	44.9%	84.7	233.4	175.4%
Precast	3.4	4.0	7.3	82.5%	114.7%	7.1	2.5	-65.4%
Total Pretax Profit	110.6	127.1	162.6	27.9%	47.0%	91.9	235.8	156.7%
				Chg (ppts)				Chg (ppts)
Pretax margin (%)								
Construction	7.9%	8.9%	16.5%	7.6	8.6	7.4%	8.3%	12.1%
Precast concrete	7.3%	6.9%	9.7%	2.8	2.4	9.6%	3.3%	-65.4%
Total	7.9%	8.8%	16.0%	7.2	8.1	7.6%	8.2%	8.4%

Source: Company, BIMB Securities

Table 3: Earnings forecasts

FYE 31 Dec (RM m)	2024	2025	2026F	2027F	2027F
Revenue	3521.7	5338.7	5998.7	6578.0	7070.0
Pre-tax profit	273.0	525.5	539.9	591.2	628.0
Core net profit	171.3	425.3	419.9	421.5	447.7
Core EPS (sen)	13.3	32.3	31.9	32.7	34.7
Core EPS growth (%)	13.3	142.8	-1.3	2.6	6.2
PER (x)	34.8	19.6	19.8	19.3	18.2
BVPS (sen)	0.7	0.6	0.6	0.8	0.9
P/B (x)	9.3	11.5	9.9	8.2	7.0
DPS (sen)	8.5	50.5	27.5	27.5	27.5
Div. Yield (%)	1.3	8.0	4.4	4.4	4.4
Net gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Key Ratios (%)					
ROE	22.0	47.9	48.5	46.6	41.6
Pretax margin	7.8	9.8	9.0	9.0	8.9
Core net margin	5.3	8.0	7.0	6.4	6.3

Source: Company, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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A Participating Organisation of Bursa Malaysia Securities Berhad

Level 34, Menara Bank Islam

No 22, Jalan Perak,

50450 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>

Mohd Redza Abdul Rahman
Director of Research