

# Sunway Construction (SCOG.KL)

**FY25 significantly beat expectations; FY26 set up for an even stronger year**

## CITI'S TAKE

SunCon's FY25 results significantly exceeded expectations, with core net profit of RM392m (+122% YoY). Full year PBT margins expanded to 10% (versus 8% in FY24) resulting from the higher mix of accelerated progress data center jobs. Outlook for 2026 remains robust – expecting an even stronger year in terms of contract flows, with targeted replenishment set at RM6bn (versus 2025 of RM5.2bn). Current order book stands at RM5.7bn, with tender book of RM17.5bn – both largely unchanged from last quarter. Overall, we continue to like SunCon, which remains our **best pick for the data center play within the Malaysian construction space**. Maintain Buy with a higher TP of RM8.10, backed by dividend yields of ~5-6%.

## Buy

### Catalyst Watch: Upside

Price (23 Feb 26 17:00)	RM6.31
Target price	RM8.10↑ from RM7.00
Expected share price return	28.4%
Expected dividend yield	4.6%
Expected total return	33.0%
Market Cap	RM8,345M US\$2,138M

**FY25 results beat expectations** — SunCon's FY25 core net profit of RM392m (+122% YoY; adjusted for net impairments) firmly beat expectations – coming in +32%/+15% above ours/BBGe full year earnings forecasts. Particularly, 4Q25 saw a huge jump with core net profit of RM141m (+107% YoY, +59% QoQ), despite the weaker revenue, due to recalibration of margins to reflect cost savings arising from accelerated progress in data center projects. For the full year of FY25, PBT margins also saw an expansion to 10% (from 8% in FY24, and 7% in FY23), reflecting the gradually increasing data center job mix, resulting in accelerated progression.

**Stronger project awards in 2026** — For 2026, targeted order book replenishment is at RM6bn, versus RM5.2bn actual orders secured in 2025, suggesting an even stronger year for contract flows. We believe the group should comfortably meet (or even beat) the aforementioned order book replenishment target, as we anticipate sizable order flows to be recognized within 1H26. Current order book stands at RM5.7bn, up slightly from RM5.4bn last quarter, with tender book also remaining relatively unchanged at RM17.5bn, versus RM18.2bn from last quarter.

Steven Chan<sup>AC</sup>

## Earnings Summary

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2024A	176	0.13	2.3	47.3	9.5	20.8	1.3
2025A	392	0.30	122.1	21.3	7.7	39.9	8.0
2026E	390	0.29	-0.5	21.4	7.6	35.8	4.6
2027E	430	0.33	10.3	19.4	7.7	39.4	5.2
2028E	481	0.36	11.9	17.3	7.6	44.2	5.7

Source: Powered by dataCentral

## See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

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**Implications** — Post-results, we raise FY26E/FY27E earnings by +17%/+22%, while introducing FY28E numbers. Subsequently, our TP is also raised to RM8.10 (from RM7.00 previously), pegged at 25x P/E on FY27E EPS – in-line with peers and roughly at +0.5SD above its mean valuations. Dividend yield of ~5-6% also acts as a support for the stock, in our view, as we anticipate the group to sustain payout ratio of >100% going forward, versus ~50-60% in prior years. **We continue to like the name as the best data center play within the Malaysia construction space.** Maintain Buy.

Figure 1. Results Summary

FYE Dec (RM'mil)	4Q24	1Q25	2Q25	3Q25	4Q25	YoY	QoQ	FY2024	FY2025	YoY
Revenue	1,400.3	1,400.5	1,476.9	1,445.2	1,016.1	-27%	-30%	3,521.7	5,338.7	52%
Operating expenses	(1,319.3)	(1,295.9)	(1,363.3)	(1,350.6)	(866.4)	-34%	-36%	(3,310.5)	(4,876.2)	47%
Other operating income	9.5	4.8	4.0	5.9	1.2	-88%	-80%	40.6	15.9	-61%
Net impairment	1.1	0.0	(3.0)	(4.9)	(22.3)	-2219%	356%	10.5	(30.2)	-388%
<b>Profit from operations</b>	<b>91.6</b>	<b>109.5</b>	<b>114.6</b>	<b>95.7</b>	<b>128.5</b>	<b>40%</b>	<b>34%</b>	<b>262.2</b>	<b>448.2</b>	<b>71%</b>
Finance income	33.2	14.3	18.0	39.6	37.0	11%	-7%	75.7	108.8	44%
Finance costs	(14.6)	(12.9)	(12.8)	(13.6)	(7.6)	-48%	-44%	(65.2)	(46.9)	-28%
JV & associates	0.3	2.3	2.9	5.4	4.7	1483%	-13%	0.3	15.3	N.M.
<b>Profit before tax</b>	<b>110.6</b>	<b>113.2</b>	<b>122.6</b>	<b>127.1</b>	<b>162.6</b>	<b>47%</b>	<b>28%</b>	<b>273.0</b>	<b>525.5</b>	<b>93%</b>
Income tax expense	(32.7)	(27.5)	(28.4)	(30.7)	(36.9)	13%	20%	(75.9)	(123.5)	63%
Non-controlling interests	(8.7)	(10.0)	(10.3)	(12.6)	(7.3)	-16%	-42%	(10.1)	(40.3)	298%
<b>Net profit</b>	<b>69.2</b>	<b>75.7</b>	<b>83.9</b>	<b>83.8</b>	<b>118.4</b>	<b>71%</b>	<b>41%</b>	<b>186.9</b>	<b>361.8</b>	<b>94%</b>
<b>Core net profit</b>	<b>68.1</b>	<b>75.7</b>	<b>86.9</b>	<b>88.7</b>	<b>140.7</b>	<b>107%</b>	<b>59%</b>	<b>176.4</b>	<b>391.9</b>	<b>122%</b>
<i>Operating margins</i>	7%	8%	8%	7%	13%			7%	8%	
<i>PBT margins</i>	8%	8%	8%	9%	16%			8%	10%	
<i>Net margins</i>	5%	5%	6%	6%	12%			5%	7%	
<i>Core net margins</i>	5%	5%	6%	6%	14%			5%	7%	
<i>Effective tax rate</i>	30%	24%	23%	24%	23%			28%	23%	

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Source: Citi Research, Bursa Malaysia

## Bull/Bear: Sunway Construction

RM **10.32**



▲ 64% Upside

RM **8.10**



▲ 28% Upside

RM **2.95**



▼ 53% Downside



Spread 117pp  
Current Price and expected returns (upside/downside) as of 23 Feb 2026



### BULL Assumptions

- Based on 35x P/E



### BASE Assumptions

- Based on 27x P/E



### BEAR Assumptions

- Based on 10x P/E

# Sunway Construction

## Valuation

We value Suncon based on 25x FY2025E P/E, at roughly +0.5SD from its 5-year mean, for a target price of RM8.10. We feel a premium is warranted for Suncon's valuations as we remain overwhelmingly bullish on the Malaysian data center space, highlighting Suncon as the best play for this thematic.

## Risks

Possible downside risks to our target price include (i) slowdown in DC investments in Malaysia, especially on the back of heightened geopolitical tensions or policies, (ii) job execution risks, given the high working capital requirement, (iii) delay in roll-out of Malaysian infrastructure jobs, and (iv) slowdown of in-house jobs.

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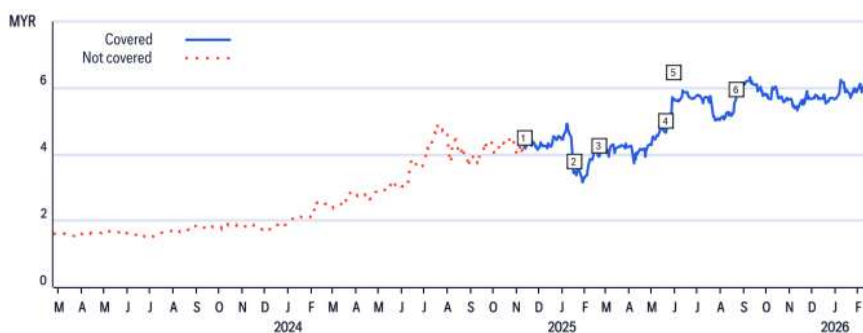
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Ratings and Target Price History  
Fundamental Research

Analyst: Steven Chan



Date	Rating	Target Price	Closing Price
1 11-Nov-24 07:20:49	*1	*5.10	4.20
2 17-Jan-25 18:31:51	1	*4.20	3.49

Date	Rating	Target Price	Closing Price
3 20-Feb-25 13:08:39	1	*5.00	3.96
4 20-May-25 09:55:33	1	*5.70	4.69

Date	Rating	Target Price	Closing Price
5 29-May-25 13:21:57	1	*6.70	5.61
6 21-Aug-25 10:01:31	1	*7.00	5.63

\*Indicates Change

Rating/target price changes above reflect Eastern Time

#### Sunway Construction (SCOG.KL)

Short-Term View/Catalyst Watch Research

Analyst: Steven Chan



Date	Action	Expected Direction	Duration	Closing Price
1 19-Aug-25 01:01:00	Add STV	Upside	90 Days	5.54
2 17-Nov-25 23:14:47	Remove STV	Upside	90 Days	5.63

Date	Action	Expected Direction	Duration	Closing Price
3 20-Nov-25 04:39:06	Add STV	Upside	90 Days	5.51
4 18-Feb-26 23:13:03	Remove STV	Upside	90 Days	6.20

CW - Catalyst Watch, STV - Short-Term View

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