

HLIB Research

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Edwin Woo, CFA
ckwoo@hlib.hongleong.com.my

(603) 2083 1718

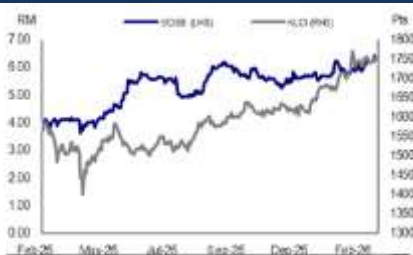
BUY (Maintain)

Target Price: RM7.00
Previously: RM6.35
Current Price: RM6.31

Capital upside	10.9%
Dividend yield	3.2%
Expected total return	14.1%

Sector coverage: Construction

Company description: SunCon is involved in construction and precast products.

Share price


Historical return (%)	1M	3M	12M
Absolute	9.0	12.6	46.8
Relative	7.0	3.9	33.2

Stock information

Bloomberg ticker	SCGB MK
Bursa code	5263
Issued shares (m)	1,323
Market capitalisation (RM m)	8,345
3-mth average volume ('000)	3,039
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

Sunway Berhad	54.6%
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Earnings summary

FYE (Dec)	FY25	FY26f	FY27f
PATMI - core (RM m)	425.6	362.6	433.8
EPS - core (sen)	32.2	27.4	32.8
P/E (x)	19.6	23.0	19.2

Sunway Construction Group

Strong close to an exceptional year

SunCon reported FY25 earnings of RM425.6m, more than doubling its previous record high since listing. Earnings beat on stronger than expected profitability for DC projects. DPS of 9.0 sen was declared for the quarter bringing FY25 DPS to 50.5 sen. Tenders remain sizable at RM17.5bn, backed by >700MW of DC tenders. We expect SunCon to capitalise on competitor's hiccup in the DC space. Recalibrate FY26f/27f core PATAMI forecasts by -2.2%/+13.5%. Maintain BUY with higher TP of RM7.00.

Beat by some margin. SunCon reported 4QFY25 results with revenue of RM1.02bn (-29.7% QoQ, -27.4% YoY) and core PATAMI of RM154.1m (+61.2% QoQ, +109.5% YoY). This brings FY25 core PATAMI to RM425.6m, increasing by 146.1%. Results came in above our and consensus expectations at 123%/124% of full year forecasts. Earnings beat on stronger than expected construction margins with top-line coming in within estimates.

Els. 4QFY25 core PATAMI is adjusted for: (i) FV loss on ESOS – RM10.0m, (ii) allowance for impairment of financial assets – R22.3m, and (iii) forex loss – RM4.4m.

Dividends. Fourth interim DPS of 9.0 sen going ex. on 16-March-26 was declared. Total DPS declared in FY25 is now 50.5 sen. As highlighted previously, SunCon is accelerating return of capital to shareholders amid record earnings and ballooning cash pile.

QoQ. Core PATAMI grew by 61.2% mainly driven by higher construction segment PBT margin (+7.6ppts). Though the construction division saw revenue tapering off as certain DC projects have achieved advanced completion rates, segmental earnings jumped on the back of project margin recalibration. We gather that the quarter saw partial recognition of early completion incentives for its key DC project. Sequentially, SunCon's precast division saw a top-line surge (+30.3%) due to higher contribution from ICPH projects with new projects also ramping up.

YoY/YTD. Core PATAMI surged by 109.5% and 146.1% respectively on the back of strong recognition cycle seen at its construction segment driven by accelerated progress across DC projects while 4QFY25 was also further boosted by margin recalibration for key DC projects.

Orderbook and net cash. Latest unbilled orderbook stands at RM5.67bn (1.1x cover on FY25 revenue). Meanwhile, net cash stayed sizable at RM1.7bn.

Positioned for wins reacceleration in FY26. SunCon finished FY25 with RM5.2bn wins, in-line with guidance of RM4.5-6.0bn. The company has reiterated FY26 wins target of RM4.5bn to RM6.0bn and we believe the robust DC pipeline amplifies upside risks. The company's tenderbook remains sizable at RM17.5bn this quarter with >700MW of DC tenders in the pipeline. We anticipate resumption in the DC award cycle once tender evaluation period ends (3-5 months period). There remains several critical outstanding tenders for multiple DCs some of which are high certainty existing clients. We do not view ongoing merger between parent-co and IJM as distractive to the rollout of internal projects in 2026. In any case, we view this as an opportune time to capitalise on external opportunities including DCs now that a major competitor is side-tracked by the merger and ongoing MACC investigation.

Forecast. We tweak FY26f/27f core PATAMI by -2.2%/+13.5% recalibrating our project recognition assumptions while also raising our FY26 wins assumptions from RM5.2bn to RM6.0bn in light of strong replenishment prospects.

Maintain BUY, TP: RM7.00. Maintain BUY with higher TP of RM7.00 (from RM6.35) post earnings adjustments and rolling over our base year to FY27 – we view this as more reflective of SunCon’s earnings potential considering our expectations of a temporary dip in FY26. Our TP is derived by pegging FY27 EPS to 20.1x (unchanged) based on +0.5SD over the 3 year range including an assumed net cash per share of RM0.40. In our view, SunCon’s premium valuation is justified given superior earnings delivery as well as solid prospects and ROEs (30-40%). Downside risks include: slower wins in the DC space.

Figure #1 Quarterly results comparison

FYE Dec (RM m)	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	1,400.3	1,445.2	1,016.1	(29.7)	(27.4)	3,521.7	5,338.7	51.6
EBIT	96.0	107.5	165.3	53.8	72.1	248.2	511.4	106.1
Finance income	33.2	39.6	35.9	(9.3)	8.1	75.7	109.5	44.7
Finance cost	(14.6)	(13.6)	(7.6)	(44.5)	(47.9)	(65.2)	(46.9)	(28.1)
PBT	115.0	138.9	198.3	42.8	72.5	259.0	589.4	127.6
PAT	82.3	108.2	161.4	49.2	96.2	183.0	465.9	154.5
Core PATMI	73.6	95.6	154.1	61.2	109.5	172.9	425.6	146.1
Reported PATMI	69.2	83.8	118.4	41.3	71.2	186.9	361.8	93.6
Core EPS (sen)	5.7	7.4	11.9	61.2	109.5	13.4	32.9	146.1
EBIT margin (%)	6.9	7.4	16.3			7.0	9.6	
PBT margin (%)	8.2	9.6	19.5			7.4	11.0	
PATMI margin (%)	5.3	6.6	15.2			4.9	8.0	

HLIB Research, Bursa

Figure #2 Financial forecast

FYE Dec (RM m)	FY23	FY24f	FY25	FY26f	FY27f
Revenue	2,671.2	3,521.7	5,338.7	4,593.2	5,676.8
EBITDA	251.8	271.1	528.6	466.8	540.0
EBIT	230.8	253.8	511.4	443.3	515.1
PBT	195.1	254.2	589.4	473.6	567.3
PAT	152.3	183.0	465.9	371.6	444.7
PATMI – Core	151.6	172.9	425.6	362.6	433.8
PATMI – Reported	145.1	186.9	361.8	362.6	433.8
Core EPS (sen)	11.5	13.1	32.2	27.4	32.8
P/E (x)	55.0	48.3	19.6	23.0	19.2
EV/EBITDA (x)	34.2	31.8	17.3	18.4	15.9
DPS (sen)	5.5	6.0	50.5	20.0	20.0
Yield (%)	0.9%	1.0%	8.0%	3.2%	3.2%
BVPS (RM/share)	0.6	0.7	0.8	0.6	0.8
P/B (x)	10.2	9.5	7.7	10.8	8.1
ROE (%)	19%	20%	40%	47%	42%
Net Gearing (%)	56%	CASH	CASH	CASH	CASH

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Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.