

Sunway Construction Group Berhad

TP: RM7.28 (+15.4%)
FY25 Earnings Smash Expectations
Last Traded: RM6.31
Buy (ESG: ★★★★★)

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Results Review

- Excluding the one-off expense of RM59.0mn and non-controlling interest, SUNCON delivered FY25 core earnings of RM420.7mn, which beat both our and consensus expectations, coming in at 121.6% of our full-year forecast and 122.9% of consensus estimates. The earnings outperformance was primarily driven by faster-than-expected progress billings from several data centre (DC) projects and RTS project that are at the peak of execution, alongside stronger-than-expected contributions from its precast segment (+30.6% YoY).
- YoY, group revenue rose sharply to RM5.3bn (+51.6%), underpinned by a stronger order book burn rate across both the construction division (+54.2%) and the precast division (+6.3%). Consequently, adjusted core earnings surged by 152.6% to RM420.7mn (from RM166.6mn in FY24). Similarly, PBT margin expanded by 210bps to 9.8% (from 7.8%), supported by cost savings from accelerated execution of selected DC projects, higher interest income (+43.8%), and lower finance costs (-28.1%).
- QoQ, revenue declined by 29.7%, mainly due to the completion of several major projects in the preceding quarter and the early-stage progress of newly commenced jobs. Nonetheless, the PBT rose 28.0%, thanks to a lower interest expense (-44.5%) and higher operating margin (+600bps).
- A fourth interim dividend of 9.0sen/share was declared, bringing FY25 total dividend payout to 50.5sen/share (FY24: 8.5sen/share). This translates into an attractive dividend yield of 8.0% based on yesterday closing price.

Impact

- We take the opportunity to fine-tune our progress billing assumptions amid the improving project execution and progress billings from the existing DC projects. Besides, we also raise our PAT margin assumption to 7.2% (from 6.0% previously) for FY26-27, underpinned by the accelerating contribution from higher-margin DC jobs and continued cost-saving from improved execution efficiency of its existing DC projects. In addition, we also have lifted our FY27 new order book replenishment assumption to RM5.5bn (from RM5.0bn) to account for the expanding DC tender pipeline and a growing pipeline of in-house property projects. Collectively, these revisions have lifted our earnings forecasts by 5.8%/8.9% for FY26-27F.
- We have also introduced our FY28 earnings forecast, assuming new job wins of RM6.0bn and a PAT margin of 7.2%, which translates into c.3.0% YoY earnings growth.

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1322.5
Market Cap (RMmn)	8345.0
52-wk Hi/Lo (RM)	6.32/3.577
12-mth Avg Daily Vol ('000 shrs)	4592.8
Estimated Free Float (%)	34.7
Beta	1.00

Major Shareholders (%)

Sunholdings	- 53.3
Sungei Way Corp Sdn Bhd	- 7.1
Employee Provident Fund	- 4.2
Amanah Saham Nasional Bhd	- 2.4

Forecast Revision

	FY26	FY27
Forecast Revision (%)	5.8	8.9
Net profit (RMm)	378.0	412.2
Consensus	348.5	371.8
TA's / Consensus (%)	108.5	110.8
Previous Rating	Buy (Maintained)	
Consensus Target Price	6.31	

SCORECARD (%)

vs TA	121.6	Above
vs Consensus	122.9	Above

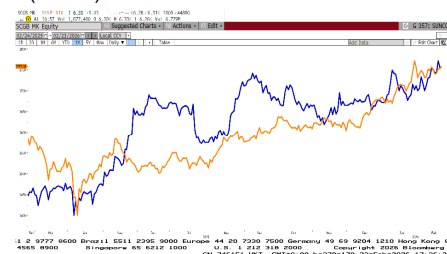
Financial Indicators

	FY26	FY27
Net Debt / Equity (%)	(157.4)	(189.8)
CFPS (sen)	11.0	42.9
Price / CFPS (x)	57.3	14.7
ROA (%)	7.8	7.5
NTA/Share (sen)	91.2	98.4
Price/NTA (x)	6.9	6.4

Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	8.8	2.2
3 mth	13.1	8.7
6 mth	7.7	10.0
12 mth	47.4	10.5

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Outlook

- In FY25, SUNCON has secured RM5.2bn in new order book, boosting its total outstanding unbilled orderbook to RM5.7bn, translating into a healthy 1.1x cover its FY25 revenue. This should provide SUNCON earnings visibility for the next 3 years.
- For FY26, management has set an internal order book replenishment target of RM6.0bn, which we view as achievable. Our confidence is underpinned by the potential for in-house construction awards from Sunway Berhad's upcoming property development pipeline, with RM4.0bn of GDV launches targeted for CY26. Key projects in the pipeline include Bukit Chagar TOD (estimated GDV: RM2.6bn), the Chuan Grove residential project in Singapore (estimated GDV: RM4–5bn), as well as subsequent phases of Klang Valley developments, namely Sunway Serene 2 (Kelana Jaya), Sunway Flora 2 (Bukit Jalil) and Cochrane Residence (Cheras). Assuming a conservative gross development cost of 50%, these planned launches could translate into c.RM2.0bn of potential new construction jobs opportunity for SUNCON, strengthening its job replenishment visibility into FY26.
- For its DC pipeline, SUNCON has an on-going tender book of more than 700MW across Klang Valley and Johor. Based on the rule of thumb of RM30-35mn/MW construction cost and a conservative success rate of 30%, we estimate that the current pipeline translates into a potential DC construction opportunity of RM6.3bn to RM7.4bn for SUNCON.

Valuation

- Rolling forward our base year valuation to CY27 and incorporating the earnings forecast changes, we raise our target price to **RM7.28** (previously RM6.31), based on the same 22x CY27 earnings with 3% ESG premium in consistent with our ESG rating to 4-star.
- We continue to favour SUNCON for:- (i) its strong position as a contender for mega infrastructure projects, namely Johor EART and Penang LRT Segment 2, and (ii) its leading position in securing new contracts within the thriving ATP industry.
- Key downside risk includes: (i) Slower-than-expected new order book win; (ii) Delay in large-scale infrastructure job roll-out; and (iii) Weaker-than-expected property sales.

Exhibit 1: Earnings Summary (RM mn)

FYE Dec (RMmn)	2024	2025	2026F	2027F	2028F
Revenue	3,521.7	5,338.7	5,847.8	6,362.1	6,550.0
Gross profit	581.1	880.9	964.9	1,049.7	1,080.8
EBITDA	279.4	465.4	505.3	558.4	578.5
EBITDA margin (%)	7.9	8.7	8.6	8.8	8.8
EBIT	262.2	448.2	486.2	537.5	555.8
PBT	273.0	525.5	567.7	619.0	637.3
PAT	186.9	361.8	378.0	412.2	424.3
Core net profit	166.6	420.7	378.0	412.2	424.3
Core EPS (sen)	13.0	32.8	29.5	32.1	33.1
PER (x)	48.6	19.2	21.4	19.6	19.1
Gross dividend (sen)	8.5	50.5	23.0	25.0	25.0
Dividend yield (%)	1.3	8.0	3.6	4.0	4.0
ROE (%)	22.0	36.8	33.5	33.9	32.3

Source: TA Research

Exhibit 2: 12MFY25 Results Analysis (RM mn)

FYE Dec	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)	12MFY24	12MFY25	YoY (%)
Revenue	1400.3	1445.2	1016.1	(29.7)	(27.4)	3521.7	5338.7	51.6
- Construction	1353.9	1387.4	940.8	(32.2)	(30.5)	3326.9	5131.6	54.2
- Precast	46.4	57.8	75.3	30.2	62.1	194.8	207.1	6.3
Operating profit	91.6	95.7	128.5	34.3	40.3	262.2	448.2	71.0
Finance income	33.2	39.6	37.0	(6.6)	11.3	75.7	108.8	43.8
Finance costs	(14.6)	(13.6)	(7.6)	44.5	47.9	(65.2)	(46.9)	28.1
Profit before taxation	110.6	127.1	162.6	28.0	47.1	273.0	525.5	92.5
- Construction	107.2	123.0	155.4	26.3	45.0	260.4	511.8	96.5
- Precast	3.4	4.0	7.2	79.5	111.7	12.5	13.7	9.5
Income tax expense	(32.7)	(30.7)	(36.9)	(20.4)	(12.9)	(75.9)	(123.5)	(62.6)
Non-controlling interests	8.7	12.6	7.3	(41.9)	(16.0)	10.1	40.3	298.4
Net profit	69.2	83.8	118.4	41.3	71.2	186.9	361.8	93.6
- Construction	65.8	80.8	111.4	37.8	69.2	177.7	349.7	96.8
- Precast	3.3	2.9	7.0	138.7	110.3	9.2	12.1	30.6
Core net profit	67.8	94.6	149.8	58.3	120.8	166.6	420.7	152.6
Reported EPS (sen)	5.3	6.4	9.0	40.9	69.3	14.3	27.6	92.6
Core EPS (sen)	5.2	7.2	11.4	57.8	118.5	12.8	32.1	151.2
Dividend (sen)	2.5	29.3	9.0	(69.2)	260.0	8.5	50.5	494.1
Margin (%):				% pts	% pts			% pts
- Operating	6.5	6.6	12.6	6.0	6.1	7.4	8.4	1.0
- Construction	6.4	7.0	13.4	6.4	7.0	7.2	8.7	1.5
- Precast	10.9	(1.8)	3.8	5.5	(7.2)	11.5	0.9	(10.7)
- PBT	7.9	8.8	16.0	7.2	8.1	7.8	9.8	2.1
- PAT	5.6	6.7	12.4	5.7	6.8	4.7	7.9	1.9
- Core PAT	4.8	6.5	14.7	8.2	9.9	4.7	7.9	3.2
- Effective tax rate	29.6	24.1	22.7	(1.4)	(6.9)	27.8	23.5	(4.3)

Source: TA Research

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
Scoring	★★★★	★★★★	★★★★★	★★★★
Remark	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 whistle-blower 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 Tuesday, February 24, 2026, the analyst, Ng Hong Tong, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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