

Sunway Construction (SCGB MK)

4Q25: Significantly Beats Expectations

Highlights

- 4Q25 earnings surpassed expectations, making up 119% and 124% of our and consensus full-year estimates, respectively. The results beat was mainly due to margin expansion in the construction segment for DC projects.
- Positive surprise on dividends, bringing 2025 dividends to 50.5 sen which implies a lush dividend yield of 8.0%.
- **Maintain BUY with higher target price of RM7.40**, which implies 22x 2026F PE (+1SD above five-year mean of 18x) on revised higher earnings.

4Q25 Results

Year to 31 Dec (RMm)	4Q25	qoq % chg	yoy % chg	2025	yoy % chg	Comments
Revenue	1,016.1	(29.7)	(27.4)	5,338.7	51.6	Lower progress billing
- Construction	940.8	(32.2)	(30.5)	5,131.6	54.2	
- Precast Concrete	75.3	30.2	62.1	207.1	6.3	Ramp up of newly-secured projects
Operating profit	128.5	34.3	40.2	448.2	71.0	
- Construction	125.7	30.0	45.2	446.4	86.3	
- Precast Concrete	2.8	377.0	(44.2)	1.8	(92.0)	
Pre-tax Profit	162.6	28.0	47.1	525.5	92.5	Lifted by higher construction margin
PATAMI	118.4	41.3	71.2	361.8	93.6	
Core PATAMI	154.2	63.0	142.9	425.1	154.1	
Margins	%	+/-ppt	+/-ppt	%	+/-ppt	
EBIT:	12.6	6.0	6.1	8.4	1.0	
- Construction	13.4	6.4	7.0	8.7	1.5	Higher DC margins
- Precast Concrete	3.8	5.5	-7.2	0.9	-10.7	Improved contract replenishment
PBT	16.0	7.2	8.1	9.8	2.1	
Core PATMI	15.2	8.6	10.6	8.0	3.2	

Source: Sunway Construction Group, UOB Kay Hian

Analysis

- **Impressive 4Q25, exceeding expectations.** Sunway Construction's (Suncon) 4Q25 core net profit came in at RM154.2m (+63% qoq, +143% yoy), despite lower revenue of RM1.02b (-30% qoq, -27% yoy). 2025 earnings made up 119% and 124% of our and consensus full-year estimates.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,521.7	5,338.7	5,336.7	5,476.2	5,580.0
EBITDA	279.4	469.2	483.0	487.3	514.1
Operating profit	262.2	448.2	453.9	461.7	490.9
Net profit (rep./act.)	186.9	361.8	434.7	448.8	479.8
Net profit (adj.)	167.2	425.1	434.7	448.8	479.8
EPS	13.0	33.0	33.7	34.8	37.2
PE (x)	48.6	19.1	18.7	18.1	17.0
P/B (x)	9.3	7.5	7.5	7.6	7.6
EV/EBITDA (x)	28.3	13.9	13.6	13.4	12.6
Dividend yield (%)	1.4	8.0	5.4	5.6	6.0
Net margin (%)	5.3	6.8	8.2	8.2	8.6
Net debt/(cash) to equity (%)	(32.5)	(156.4)	(152.2)	(159.9)	(165.3)
Interest cover (x)	n.a	n.a	n.a	n.a	n.a
ROE (%)	24.7	42.0	50.6	52.5	56.3
Consensus net profit	n.a	n.a	343.2	348.4	371.4
UOBKH/Consensus (x)	n.a	n.a	1.3	1.3	1.3

Source: Sunway Construction Group, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM6.31
Target Price	RM7.40
Upside	17.3%
Previous TP	RM6.66

Analyst(s)

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	SCGB MK
Shares issued (m)	1,322.0
Market cap (RM\$m)	8,196.7
Market cap (US\$m)	2,101.7
3-mth avg daily t'over (US\$m):	4.5

Price Performance (%)

52-week high/low	RM6.3/RM3.7			
1mth	3mth	6mth	1yr	YTD
4.7	12.7	20.1	47.2	9.5

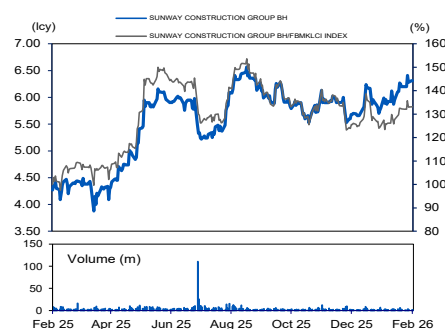
Major Shareholders

	%
Sunway Holdings Sdn Bhd	53.2
Sungei Way Corp Sdn Bhd	7.1
Employees Provident Fund Board	4.2

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	0.8
FY26 Net Debt/Share (RM)	(1.3)

Price Chart



Source: Bloomberg

Company Description

A leading construction company in Malaysia.

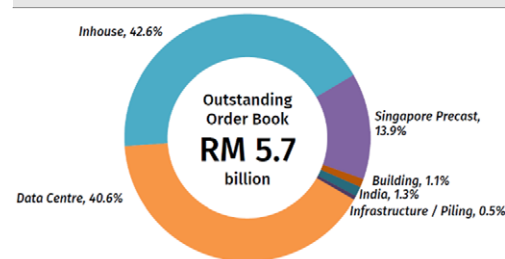
- **Rewarding shareholders with full-year dividends of 50.5 sen.** Notably, Suncon declared a 9 sen interim dividend, bringing 2025 dividend to 50.5 sen (2024: 8.4 sen). This implies a payout ratio of 153% and 8.0% yield.
- **Construction segment: Earnings improvement premised on meaningful margin uptick.** The construction division's operating profit (EBIT) surged to RM126m (+45% yoy, +30% qoq) despite a lower revenue of RM1.02b (-27% yoy, -30% qoq) in 4Q25. While revenue declined due to lower progress billing from the RTS Link and several DC projects, the impressive EBIT growth mainly reflects a significant margin expansion (+7.0ppt yoy) due to various cost savings in certain DC projects following the ramp-up into latter stages.
- **Multi-year earnings visibility fuelled by strong orderbook replenishment targets...** Suncon reported solid new job wins of RM5.2b in 2025, meeting management's guidance. Its 2026-27 earnings growth remains supercharged, leveraging on healthy outstanding orderbook of about RM5.7b (>1x revenue cover). Management also guided for an orderbook target of RM6b in 2026, which is highly attainable in our opinion.
- **...and resilient tenderbook pipelines.** While Suncon's tenderbook further increased to about RM17.5b as of 4Q25, we remain optimistic that the group is well positioned to clinch more contracts in 2026-27. Notable contract opportunities for 2026 include: a) multiple data centre contracts (RM4b-6b), b) internal project flows from parent company Sunway Berhad (Sunway) (RM1b), and c) public infrastructure projects such as Penang LRT and MRT 3 civil packages (landbank acquisition completing in end-26).
- **Riding on the era of DC-powered growth.** Suncon secured three DC contracts worth RM1.94b in 2025. The group currently has one completed and nine ongoing DC projects with combined 318MW IT load, with DC works making up 41% of total outstanding orderbook (as of 4Q25). Of the current tenderbook of about RM17.5b, around 80% or RM15b are DC-related. Suncon is also still bidding for a few DC projects with a combined IT load of over 700MW (estimated value of RM15b-16b) that may be awarded within 2026-27. Overall, we assess that Suncon is in a good position to win several DC bids within 2026-27. This will lift the group's overall margins as a DC has a shorter construction period and better profit margins.
- **Valuations remain palatable with compelling yield and capital management upside.** Suncon is in a net cash position of about RM1.7b currently, reflecting an improving trend over the last two years following better earnings and improved cash flow conversion. Adjacent with the yoy earnings growth, we forecast a 100% dividend payout ratio in 2026-28, implying a lush prospective yield of 5.4-6.0%. We also do not rule out potential special dividends as the group has sufficient room for better capital management.

Outstanding Orderbook As Of End-4Q25

Projects	(RMm)
JHB1X0 Data Centre	613
K2 Phase 2 Data Centre	162
RTS Link Package 1B & 5	28
Daiso Warehouse	57
PSR -MNC	203
ECI & Work Order - MNC	5
General DC Contractor Work - MNC	1,007
India Highways	77
Others	316
Total External (A)	2,307
RTS TOD	1,295
Sunway Square Superstructure+VO	108
SW Flora	5
SW Ipoh Mall	961
Sunmed PH2 and PH3 fit-out	49
Total Internal (B)	2,417
Precast Concrete (C)	787
Grand Total (A+B+C)	5,442

Source: Suncon

Orderbook



Source: Suncon

Segmental Forecasts

(RMm)	2024	2025	2026F
Revenue	3,522	5,339	5,337
- Construction	3,327	5,132	5,013
- Precast Concrete	195	207	324
Operating profit	262	448	454
- Construction	240	446	418
- Precast Concrete	22	2	36
Orderbook replenishment assumptions			
- Construction	4,200	5,200	6,000
- Precast Concrete	200	300	300

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM7.40 (from RM6.66)**, which is pegged to 22x 2026F PE (+1SD above five-year mean of 18x). We deem this valuation as fair given Suncon's record-high orderbook and tenderbook which anchor multi-year growth ahead.

Earnings Revision/Risk

- **We raised our 2026-27F earnings by 11% and 8% respectively** to reflect better-than-expected DC contracts' profitability margin.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	5,339	5,337	5,476	5,580
EBITDA	469	483	487	514
Deprec. & amort.	21	29	26	23
EBIT	448	454	462	491
Associate contributions	15	17	19	20
Net interest income/(expense)	62	95	104	113
Pre-tax profit	526	566	584	624
Tax	(123)	(124)	(129)	(137)
Minorities	(40)	(7)	(7)	(7)
Net profit	362	435	449	480
Net profit (adj.)	425	435	449	480

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	122	111	103	99
Other LT assets	656	759	778	797
Cash/ST investment	2,000	1,895	1,917	1,912
Other current assets	1,646	1,600	1,597	1,582
Total assets	4,424	4,370	4,399	4,393
ST debt	158	131	105	79
Other current liabilities	2,945	2,936	3,016	3,062
LT debt	143	119	95	71
Other LT liabilities	10	10	10	10
Shareholders' equity	1,087	1,080	1,074	1,066
Minority interest	81	88	95	102
Total liabilities & equity	4,424	4,370	4,399	4,393

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1,617	490	546	551
Pre-tax profit	526	566	584	624
Tax	(107)	(124)	(129)	(137)
Deprec. & amort.	21	29	26	23
Associates	(15)	(17)	(19)	(20)
Working capital changes	1,133	37	84	61
Other operating cashflows	60	0	0	0
Investing	(27)	(18)	(18)	(19)
Capex (growth)	(44)	(18)	(18)	(19)
Proceeds from sale of assets	24	0	0	0
Others	(7)	0	0	0
Financing	(608)	(491)	(506)	(537)
Dividend payments	(305)	(441)	(456)	(487)
Proceeds from borrowings	(422)	(50)	(50)	(50)
Others/interest paid	119	0	0	0
Net cash inflow (outflow)	982	(19)	22	(5)
Beginning cash & cash equivalent	936	1,914	1,895	1,917
Changes due to forex impact	(5)	0	0	0
Ending cash & cash equivalent	2,000	1,895	1,917	1,912

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.8	9.0	8.9	9.2
Pre-tax margin	9.8	10.6	10.7	11.2
Net margin	6.8	8.2	8.2	8.6
ROA	11.4	13.8	14.2	15.2
ROE	42.0	50.6	52.5	56.3
Growth				
Net profit (adj.)	154.2	2.2	3.2	6.9
Leverage				
Debt to total capital	25.7	21.4	17.1	12.9
Debt to equity	27.6	23.2	18.6	14.1
Net debt/(cash) to equity	(156.4)	(152.2)	(159.9)	(165.3)

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