Sunway Construction

More than one way to build

2027 Extel
Asia Equity Research Survey
VOTE
Voting Open Nov 10th - Nov 27th
Please vote for J.P. Morgan (5 stars)



SCGB's risk-reward is increasingly attractive, as market concerns over project pipeline and earnings sustainability appear manageable. Management has not seen a pullback from existing hyperscaler clients, while progressive billing and upfront payments help protect cost recovery. Meanwhile, growth opportunities are broadening (e.g. renewable energy, Singapore district cooling, semiconductor foundry) providing additional avenues for order-book replenishment. At 16x FY27E PER on our above-consensus forecasts, rising to 17x after stress-testing on a scenario of RM4bn DC award delays, the valuation looks reasonable given its strong orderbook and additional earnings opportunities not in our forecasts. We maintain our RM10.90 PT and OW rating.

- **US chip-control concerns have yet to affect its DC pipeline, contract terms are on progressive billing.** Management indicated no pullback among existing hyperscaler clients, with on-the-ground work still BAU. SCGB is also targeting another DC win by FY26, while its tenderbook is increasingly focused on Western hyperscaler exposure. On execution risk, even if a project is canceled mid-build, upfront advances, direct billing for long-lead equipment and progressive billing protect recovery of work completed.
- **Building new growth avenues beyond DC.** Singapore district cooling could be SCGB's next growth leg, with a potential ~RM1bn first contract as early as 2027, while semiconductor foundry opportunities remain at the design-development stage, with earnings contribution mainly from FY28 if converted. More immediately, renewable energy CRESS offers sizeable opportunity where SCGB's RE100-linked client base implies ~15% market share, translating into ~RM5bn of potential CRESS EPCC wins, which are not yet included in our forecasts. Each RM1bn of CRESS wins could add ~4%/5% to our FY27/28E earnings, providing meaningful upside to our forecasts, although management expects initial contributions to remain relatively small.
- **Valuations reflect some growth, and earnings sensitivity is manageable.** SCGB trades at 16x FY27E PER on our above-consensus forecasts. Removing RM4bn of assumed DC awards reduces FY27E earnings by ~6-9%, lifting the PER to 17x. This compares with its pre-DC boom average of 15-16x, although SCGB now has a substantially larger order book and broader growth opportunities. Importantly, this sensitivity analysis assumes no replacement wins from the diversification optionality discussed above, leaving room for earnings upside as new contracts materialise.

Overweight

SCOG.KL, SCGB MK
Price (20 Nov 26):RM6.92
Price Target (Dec-27):RM10.90

Head of Malaysia Research, Healthcare, Construction, Consumer and Conglomerates

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (RM)	0.33	0.32	-3.8%
Adj. EPS - 27E (RM)	0.45	0.48	5.7%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	59	49	59	37	41
Growth	13	33	25	43	25
Momentum	15	3	3	17	93
Quality	9	31	31	25	65
Low Vol	73	81	83	53	43

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	22.3%	-7.5%	-15.1%	20.8%
Rel	29.7%	-4.8%	-4.7%	24.7%

Company Data

Shares O/S (mn)	1,304
52-week range (RM)	8.58-5.37
Market cap ($ mn)	2,195
Exchange rate	4.11
Free float (%)	39.5%
3M ADV (mn)	3.96
3M ADV ($ mn)	7.4
Volatility (90 Day)	37
Index	FBMKLCI - FTSE BURSA MALAYSIA KLCI
BBG ANR (Buy | Hold | Sell)	16|2|0

Key Metrics (FYE Dec)

RM in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	5,339	4,357	8,800	10,954
Adj. EBITDA	470	544	888	928
Adj. EBIT	448	519	862	901
Adj. net income	361	420	624	658
Adj. EPS	0.28	0.32	0.48	0.50
BBG EPS	0.27	0.34	0.42	0.44
Cashflow from operations	1,617	867	1,847	1,044
FCFF	1,582	784	1,788	978
Margins and Growth				
Revenue Growth Y/Y (%)	51.6%	(18.4%)	102.0%	24.5%
EBITDA margin	8.8%	12.5%	10.1%	8.5%
EBITDA Growth Y/Y (%)	65.8%	15.7%	63.3%	4.5%
EBIT margin	8.4%	11.9%	9.8%	8.2%
Net margin	6.8%	9.6%	7.1%	6.0%
Adj. EPS growth	91.0%	15.9%	48.6%	5.4%
Ratios				
Adj. tax rate	23.5%	22.0%	24.0%	24.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	22.8%	28.5%	42.8%	40.5%
ROE	36.8%	37.5%	50.8%	47.3%
Valuation				
FCFF yield	17.5%	8.7%	19.7%	10.8%
Dividend yield	7.3%	3.9%	5.1%	5.4%
EV/Revenue	1.4	1.6	0.6	0.5
EV/EBITDA	15.8	12.8	6.4	5.6
Adj. P/E	25.0	21.6	14.5	13.8

Summary Investment Thesis and Valuation

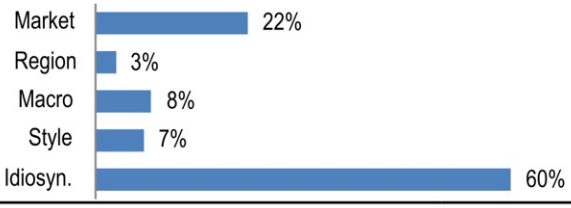
Investment Thesis

SCGB has built strong credibility as a DC contractor, and its tender book stood at RM14.2bn, of which >90% was DC-related. We expect it to win RM13bn. Beyond DC, we expect opportunities in both local/overseas infrastructure and internal jobs (e.g., hospitals) in the medium term. SCGB's improved balance sheet, with a net cash position, provides financial flexibility and may support participation in future infrastructure cycles.

Valuation

Our Dec-27 PT of RM10.90 is based on 22x FY28E earnings, which is towards the upper end of its historical trading range, supported by improving earnings visibility.

Performance Drivers

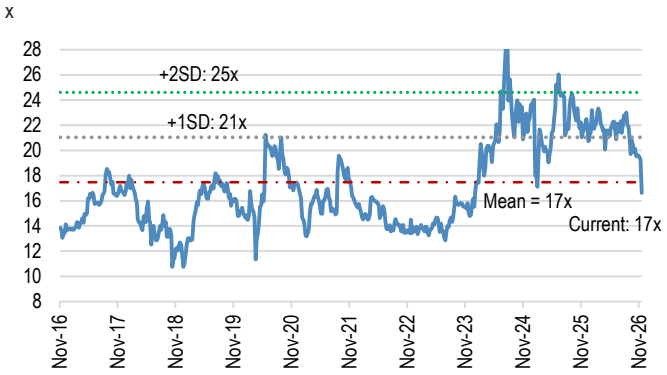


Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.45	0.47
Region: Malaysia	-0.06	-0.20
Macro:		
Emerging Central Bank Rate	0.08	0.25
Emerging Economies CPI(YoY)	0.03	-0.18
US 10 Year Yield	-0.16	-0.17
Quant Styles:		
Value	-0.31	-0.28
DivYld	-0.22	-0.27
Growth	0.22	0.21

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

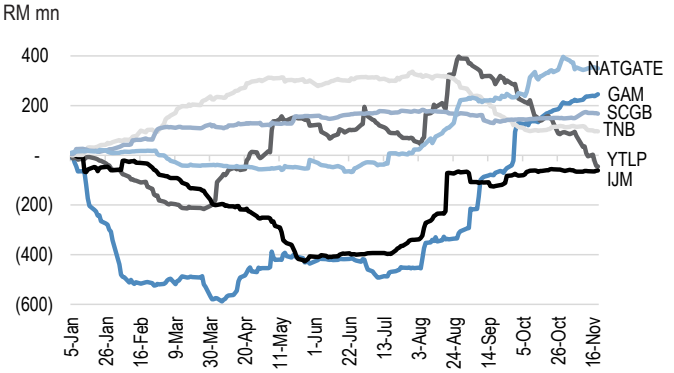
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Figure 1: SCGB's 12m forward P/E



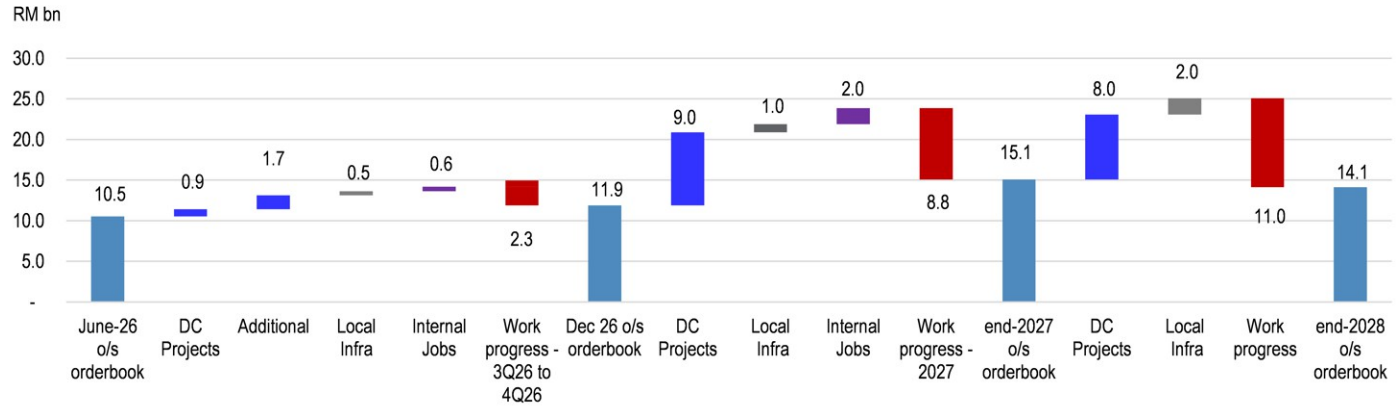
Source: Bloomberg Finance L.P.

Figure 2: Net Insti flows - AI/DC Theme



Source: Dibots. Note: Data as of 19 Nov 2026

Figure 3: SCGB orderbook



Source: Company data, J.P. Morgan estimates.

Figure 4: JPMe vs. Street

	FYE Dec-2026			FYE Dec-2027			FYE Dec-2028		
	JPM	Consensus	% variance	JPM	Consensus	% variance	JPM	Consensus	% variance
Revenue	**4,357**	**5,355**	**-19%**	**8,800**	**7,406**	**19%**	**10,954**	**8,108**	**35%**
PBT	**599**	**604**	**-1%**	**913**	**780**	**17%**	**962**	**844**	**14%**
% margin	13.7%	11.3%		10.4%	10.5%		8.8%	10.4%	
PATMI	**420**	**438**	**-4%**	**624**	**559**	**12%**	**658**	**599**	**10%**
% margin	9.6%	8.2%		7.1%	7.5%		6.0%	7.4%	

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Sunway Construction *(Overweight; Price Target: RM10.90)*

Investment Thesis
SCGB has built strong credibility as a DC contractor, and its tender book stood at RM14.2bn, of which >90% was DC-related. We expect it to win RM13bn. Beyond DC, we expect opportunities in both local/overseas infrastructure and internal jobs (e.g., hospitals) in the medium term. SCGB's improved balance sheet, with a net cash position, provides financial flexibility and may support participation in future infrastructure cycles.

Valuation
Our Dec-27 PT of RM10.90 is based on 22x FY28E earnings, which is towards the upper end of its historical trading range, supported by improving earnings visibility.

Risks to Rating and Price Target
Downside risks include: (1) the late delivery of projects, which could deter revenue recognition, limit the ability to take on new projects and negatively impact the company's credibility; (2) margin compression due to intensifying competition and/or higher input costs; (3) delays in project awards for public infrastructure projects; (4) slower-than-expected award timing; (5) faster margin normalization; (6) competitive pricing pressure; and (7) engineer/labor shortages.

Upside catalysts include: (1) higher-than-expected project wins; and (2) faster conversion of the tenderbook into the orderbook.

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Sunway Construction: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**3,522**	**5,339**	**4,357**	**8,800**	**10,954**
COGS	(2,994)	(4,410)	(3,471)	(7,179)	(9,092)
Gross profit	**528**	**929**	**886**	**1,621**	**1,862**
SG&A	(302)	(466)	(367)	(759)	(962)
Adj. EBITDA	**284**	**470**	**544**	**888**	**928**
D&A	(21)	(22)	(25)	(26)	(28)
Adj. EBIT	**262**	**448**	**519**	**862**	**901**
Net Interest	11	62	80	51	61
Adj. PBT	**273**	**525**	**599**	**913**	**962**
Tax	(76)	(123)	(132)	(219)	(231)
Minority Interest	(10)	(40)	(47)	(70)	(73)
Adj. Net Income	**187**	**361**	**420**	**624**	**658**
Reported EPS	0.14	0.28	0.32	0.48	0.50
Adj. EPS	**0.14**	**0.28**	**0.32**	**0.48**	**0.50**
DPS	**0.09**	**0.51**	**0.27**	**0.35**	**0.37**
Payout ratio	58.6%	182.4%	83.5%	74.0%	74.0%
Shares outstanding	1,289	1,304	1,309	1,309	1,309

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,016	2,000	2,489	3,848	4,379
Accounts receivable	1,501	1,311	1,245	2,514	3,130
Inventories	43	60	58	120	152
Other current assets	1,859	1,646	1,578	2,909	3,556
Current assets	**2,874**	**3,646**	**4,067**	**6,757**	**7,936**
PP&E	85	122	118	111	104
LT investments	224	208	208	208	208
Other non current assets	637	656	656	656	656
Total assets	**3,596**	**4,424**	**4,841**	**7,525**	**8,696**
Short term borrowings	731	158	158	158	158
Payables	1,564	2,364	2,670	5,128	6,061
Other short term liabilities	362	581	581	581	581
Current liabilities	**2,657**	**3,103**	**3,409**	**5,867**	**6,800**
Long-term debt	0	143	143	143	143
Other long term liabilities	1	153	152	152	152
Total liabilities	**2,658**	**3,256**	**3,561**	**6,019**	**6,952**
Shareholders' equity	878	1,087	1,152	1,308	1,472
Minority interests	61	81	128	198	271
Total liabilities & equity	**3,596**	**4,424**	**4,841**	**7,525**	**8,696**
BVPS	**0.68**	**0.83**	**0.87**	**0.99**	**1.11**
y/y Growth	*7.0%*	*22.4%*	*4.2%*	*13.5%*	*12.6%*
Net debt/(cash)	(285)	(1,700)	(2,189)	(3,548)	(4,079)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**716**	**1,617**	**867**	**1,847**	**1,044**
o/w Depreciation & amortization	0	64	25	26	28
o/w Changes in working capital	535	1,133	375	1,127	286
Cash flow from investing activities	**138**	**(27)**	**(20)**	**(20)**	**(20)**
o/w Capital expenditure	0	0	(20)	(20)	(20)
as % of sales	*0.0%*	*0.0%*	*0.5%*	*0.2%*	*0.2%*
Cash flow from financing activities	**(303)**	**(608)**	**(355)**	**(468)**	**(493)**
o/w Dividends paid	(116)	(275)	(355)	(468)	(493)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	0	0	0	0	0
Net change in cash	**552**	**977**	**491**	**1,359**	**531**
Adj. Free cash flow to firm	**722**	**1,582**	**784**	**1,788**	**978**
y/y Growth	*(357.4%)*	*119.3%*	*(50.4%)*	*128.0%*	*(45.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	15.0%	17.4%	20.3%	18.4%	17.0%
EBITDA margin	8.1%	8.8%	12.5%	10.1%	8.5%
EBIT margin	7.4%	8.4%	11.9%	9.8%	8.2%
Net profit margin	5.3%	6.8%	9.6%	7.1%	6.0%
ROE	22.0%	36.8%	37.5%	50.8%	47.3%
ROA	5.6%	9.0%	9.1%	10.1%	8.1%
ROCE	11.3%	22.8%	28.5%	42.8%	40.5%
SG&A/Sales	8.6%	8.7%	8.4%	8.6%	8.8%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	1.1	1.3	0.9	1.4	1.4
Assets/Equity (x)	3.9	4.1	4.1	5.0	5.8
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	53.1%	137.0%	(86.3%)	64.9%	18.5%
Tax rate	27.8%	23.5%	22.0%	24.0%	24.0%
Revenue y/y Growth	31.8%	51.6%	(18.4%)	102.0%	24.5%
EBITDA y/y Growth	15.7%	65.8%	15.7%	63.3%	4.5%
EPS y/y Growth	28.8%	91.0%	15.9%	48.6%	5.4%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	47.7	25.0	21.6	14.5	13.8
P/BV (x)	10.2	8.3	8.0	7.0	6.2
EV/EBITDA (x)	31.0	15.8	12.8	6.4	5.6
Dividend Yield	1.2%	7.3%	3.9%	5.1%	5.4%

Source: Company reports and J.P. Morgan estimates.
Note: RM in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Sunway Construction (SCOG.KL, SCGB MK) Price Chart



Date	Rating	Price (RM)	Price Target (RM)
03-Sep-24	N	4.13	4.1
17-Jan-25	UW	3.58	2.5
25-Feb-25	UW	4.27	2.8
20-May-25	UW	4.84	3.3
16-Jul-25	N	5.92	6
17-Dec-25	N	6.00	5.8
24-Feb-26	OW	6.31	7.5
20-May-26	OW	7.30	9.5
01-Jul-26	OW	7.43	10.5
26-Aug-26	OW	8.08	10.9

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 03, 2024. All share prices are as of market close on the previous business day.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	53%	35%	12%
IB clients**	83%	81%	72%
JPMS Equity Research Coverage*	51%	37%	12%
IB clients**	95%	93%	88%

***Please note that the percentages may not add to 100% because of rounding.**
****Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.**
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