

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction



Maintain BUY

Unchanged Target Price **RM4.82**

Momentum Builds as SunCon Bags RM1.5b Contract

Maintain BUY. We maintain our **BUY** call on Sunway Construction Group Berhad (SunCon) with an unchanged target price of RM4.82, pegging its FY26F EPS of 20.1 sen to a PER of 24x, which is +1SD above its five-year mean. We are also maintaining our earnings estimates as this project win has already been factored into our forecasts going forward. With RM1.7b in new project wins secured YTD in FY25, SunCon is well positioned to achieve its replenishment target of RM4.5b–6.0b for the year. The group continues to benefit from a strong mix of in-house and external projects, leveraging its strategic role in transit-oriented developments (TODs) while maintaining a diversified pipeline across infrastructure, data centres, and industrial projects. SunCon remains actively engaged in bidding for key mega projects, major industrial infrastructure contracts and numerous data centre projects which could drive further order book expansion. Backed by a disciplined approach to bidding, strong execution track record, and robust financial standing, we continue to view SunCon as a top construction sector pick with compelling growth prospects.

RM1.5b Contract Win. On 5 March 2025, SunCon, via its wholly-owned subsidiary Sunway Construction Sdn Bhd (SCSB), secured a RM1.5b contract from Sunway Integrated Properties Sdn Bhd (SIPSB), an indirect wholly-owned subsidiary of Sunway Berhad. The contract is for the construction works of the Bukit Chagar RTS TOD, a landmark mixed-use development integrated with the Johor Bahru-Singapore RTS Link. Work commenced on Wednesday, with partial completion by Nov-26 and full completion by Nov-27. This contract marks one of SunCon's largest in-house awards and strengthens its portfolio in urban infrastructure and TOD projects.

The project is divided into two parts:

- **Phase A:**
 - Multi-storey park-and-ride facility with 850 car park bays and 1,015 motorcycle parking spaces
 - Drop-off and pick-up areas
 - Connection to the Immigration, Customs, and Quarantine Complex (ICQ)
 - Perimeter ring road and retaining walls
- **Phase B:**
 - Retail mall, podium, and top-side property at Bukit Chagar Station
 - Subject to a subsequent Notice to Proceed (NTP), with commencement date yet to be determined

Boosting Order Book to RM7.6b. With this award, SunCon has secured RM1.7b worth of new projects YTD FY25, setting a strong trajectory toward its FY25 replenishment target of RM4.5b–6.0b. The group's outstanding order book as at Mar-25 now stands at RM7.6b, providing a robust pipeline of earnings over the next three years. Apart from leveraging in-house contracts, SunCon is expected to continue securing external projects, particularly in infrastructure, high-rise construction, and industrial segments. Construction will only commence in Mar-25. However, progressive earnings recognition from FY25 onward will contribute positively to the group's top line and profitability.

RETURN STATISTICS

Price @ 6 March 2025 (RM)	4.36
Expected share price return (%)	+10.6
Expected dividend yield (%)	+1.9
Expected total return (%)	+12.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	12.3	14.3
3months	-5.2	2.9
12 months	72.2	69.3

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	3521.7	3964.86	4163.10
Operating Profit	262.16	303.69	333.05
Profit Before Tax	272.96	318.60	337.21
Core Net Profit	179.90	240.03	259.80
Core EPS (sen)	13.9	18.6	20.1
DPS (sen)	8.5	7.0	7.0
Dividend Yield	1.9%	1.6%	1.6%

KEY STATISTICS

FBM KLCI	1,558.91
Issued shares (m)	1289.36
Estimated free float (%)	26.46
Market Capitalisation (RM'm)	5,660.33
52-wk price range	RM2.51 - RM5.3
3-mth average daily volume (m)	5.57
3-mth average daily value (RM'm)	22.34
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	54.56
Sungei Way Corp Sdn Bhd	10.08
Employees Provident Fund Board	6.88

Analyst

MIDF Research
research@midf.com.my

In-house projects from Sunway typically offer stable margins, and SunCon's historical operating profit margins of approximately 5-8% is expected to be maintained for this contract. The project's phased structure (Part A & Part B) will allow for efficient cash flow management and milestone-based revenue recognition.

Strategic importance – part of Sunway Berhad's RM2.6b master development. The RM1.5b contract secured by SunCon is a key component of Sunway's larger RM2.6b Bukit Chagar mixed-use development, which was announced in Feb-25. While Sunway is leading the overall project, SunCon has been awarded the construction portion, which accounts for approximately 60% of the total gross development value (GDV). The remaining RM1.1b is allocated to non-construction costs, including land acquisition, consultant fees, regulatory approvals, and other development-related expenses. The Bukit Chagar RTS TOD is designed as a comprehensive transit-oriented development (TOD) that will complement the Johor Bahru-Singapore RTS Link. SunCon's scope of work—focusing on the park-and-ride facility, perimeter infrastructure, and eventual retail podium—plays a critical role in anchoring the transit integration aspects of the project. This strengthens SunCon's capabilities in large-scale TODs, reinforcing its ability to undertake urban infrastructure and transit-linked developments. This contract also reaffirms management's previous guidance that SunCon's tender book and order book replenishment going forward will be partially fuelled from in-house projects along with data centres and other key infrastructure projects.

Risks and execution strategy. While project execution risks such as material price fluctuations and potential construction delays exist, SunCon's extensive experience in large-scale infrastructure and TOD developments puts it in a strong position to mitigate these risks. The company's proactive procurement strategies and established relationships with suppliers should help control cost volatility, while its strong project management track record ensures adherence to timelines and quality standards. Additionally, given that this is an in-house contract from Sunway, payment risk is minimised, providing greater cash flow stability throughout the project duration. The structured phased execution (Part A & Part B) further allows for risk containment, as the second phase will only commence upon securing an additional Notice to Proceed (NTP).

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F	Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	2,155.23	2,671.23	3,521.69	3,964.86	4,163.10	PBT	184.1	188.6	273.0	232.3	262.7
Net operating expenses	(1,991.72)	(2,500.98)	(3,270.44)	(3,484.59)	(3,642.71)	Depreciation & amortisation	23.8	21.0	18.9	28.8	27.4
Operating profit	186.51	224.27	262.16	303.69	333.05	Changes in working capital	-382.1	-516.6	-534.9	-23.9	-16.7
Profit before tax	184.06	188.65	272.96	318.60	337.21	Operating cash flow	-215.0	-299.4	716.7	297.7	286.1
Net profit	135.18	145.11	186.91	240.03	259.80	Capital expenditure	-1.9	-16.4	115.3	-25.0	-30.0
Core net profit	134.44	143.90	179.90	240.03	259.80	Investing cash flow	608.1	-62.9	138.6	184.8	189.8
Core EPS (sen)	10.4	11.1	13.9	18.6	20.1	Debt raised/(repaid)	233.4	420.9	-167.0	-145.4	-145.4
DPS (sen)	5.5	6	8.5	7.0	7.0	Dividends paid	-90.3	-71.6	-116.0	-77.4	-77.4
Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F	Financing cash flow	-41.7	337.4	-303.2	-222.8	-222.8
Fixed assets	107.6	98.6	85.4	130.6	124.1	Net cash flow	351.4	-24.8	552.1	259.8	253.1
Other investments and assets	491.1	745.1	588.4	518.9	532.0	Beginning cash flow	60.6	407.7	384.0	936.3	1196.0
Non-current assets	598.7	843.7	673.9	649.6	656.1	Ending cash flow	407.7	384.0	936.3	1196.0	1449.2
Cash	491.6	470.4	1,015.8	548.3	520.8	Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
Trade debtors	988.7	1,595.6	1,843.1	1,304.2	1,369.4	Operating profit margin	8.7%	8.4%	7.4%	7.7%	8.0%
Current assets	1,637.4	2,239.2	2,922.4	2,013.5	2,051.3	PBT margin	8.5%	7.1%	7.8%	10.7%	11.3%
Trade creditors	916.8	1,242.5	1,912.7	1,277.4	1,335.4	PAT margin	6.3%	5.4%	5.3%	8.1%	8.7%
Short-term debt	172.2	438.2	730.6	197.6	217.3	Core PAT margin	6.2%	5.4%	5.1%	7.7%	8.0%
Current liabilities	1,103.3	1,701.8	2,656.6	1,491.6	1,569.4						
Long-term debt	308.5	487.7	0.0	150.6	118.3						
Non-current liabilities	311.9	489.1	1.2	155.4	122.1						
Share capital	258.6	258.6	258.6	258.6	258.6						
Retained earnings	515.9	590.0	660.9	757.4	757.4						
Equity	737.1	892.0	938.5	1,016.0	1,016.0						

Source: Bloomberg,
MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology