Shariah Compliant

Construction

Malaysia

Sunway Construction Group (SCGB MK)

Strong earnings, stronger pipeline ahead

Maintain BUY call and MYR9.62 TP

We gather that 3Q26 net profit may remain >MYR100m and expect 3Q26 DPR to revert to ≥100%. Going forward, we identified 'high conviction' potential data centre job wins of MYR1.7b in 4Q26 and c.MYR10b in FY27E plus c.MYR2b in potential CRESS job wins in FY27E. Our earnings estimates which are based on MYR8.0b annual job wins are unchanged. We only trimmed FY27E DPS to reflect the lower-than-expected 2Q26 DPR of 51%. Our unchanged TP of MYR9.62 is premised on 21x FY27E P/E. SCGB remains our top construction pick.

3Q26 earnings may remain elevated

SCGB has delivered 3 consecutive quarters of >10% EBIT margins and >MYR100m net profit, supported by early completion bonuses on data centre projects, value engineering and procurement savings. We expect this momentum to continue in 3Q26 with net profit staying above MYR100m, driven by continued cost savings. With revenue recognition from hyperscale data centre contracts (70% of order book) yet to ramp up, we gather that earnings growth will accelerate in 4Q26 and FY27E.

Job wins visibility stretching deep into FY27E

For 4Q26, SCGB is targeting another MYR1.7b Serendah data centre job win that can potentially lift its FY26E job wins to MYR8.6b or 8% above our forecast. For FY27E, we identify c.MYR10b of 'high conviction' potential data centre job wins plus c.MYR2b in potential CRESS job wins (Fig. 4). This supports our MYR8.0b annual job wins assumption, with upside from other tenders. Longer term, SCGB stated that it is also eyeing Singapore's Jurong Island data centre EPCC market.

≥100% DPR with or without CRESS investments

We also remain positive on SCGB's dividends despite its lower 2Q26 DPS of 4sen (51% DPR), as it conserved cash for potential CRESS investments. While capital commitments could reach MYR2.0b, ≥70% debt financing could limit equity requirements. Assuming a 50%-owned JV for the CRESS project, SCGB's equity contribution would be MYR300.0m, equivalent to just 25% of its end-2Q26 net cash. Hence, SCGB maintains that a 100% DPR remains feasible with or without CRESS investments. Our DPS estimates are premised on 100% DPR.

FYE Dec (MYR m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	3,522	5,339	5,757	8,452	9,387
EBITDA	279	465	527	737	816
Core net profit	187	362	446	593	649
Core EPS (sen)	14.5	27.7	33.9	45.0	49.2
Core EPS growth (%)	28.8	91.4	22.1	32.8	9.4
Net DPS (sen)	8.5	50.5	43.7	45.0	49.2
Core P/E (x)	31.9	20.4	22.3	16.8	15.3
P/BV (x)	6.8	9.5	15.2	15.2	15.2
Net dividend yield (%)	1.8	8.9	5.8	6.0	6.5
ROAE (%)	21.8	43.2	61.5	89.7	98.2
ROAA (%)	5.6	9.0	10.0	11.0	10.0
EV/EBITDA (x)	20.5	12.4	15.7	10.0	8.6
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	437	528	551
MIBG vs. Consensus (%)	-	-	2.1	12.4	17.7

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BUY

Share Price	MYR 7.54
12m Price Target	MYR 9.62 (+33%)
Previous Price Target	*MYR 9.62*

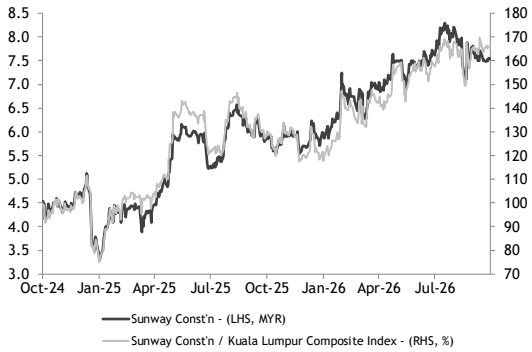
Company Description

Sunway Construction Group offers integrated construction services and has precast concrete business in Singapore.

Statistics

52w high/low (MYR)	8.29/5.53
3m avg turnover (USDm)	6.4
Free float (%)	34.3
Issued shares (m)	1,332
Market capitalisation	MYR10.0B
	USD2.5B
Major shareholders:	
Sunway Bhd.	53.2%
Active Equity Sdn. Bhd.	7.3%
Employees Provident Fund	5.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(3)	(1)	30
Relative to index (%)	1	4	30

Source: FactSet

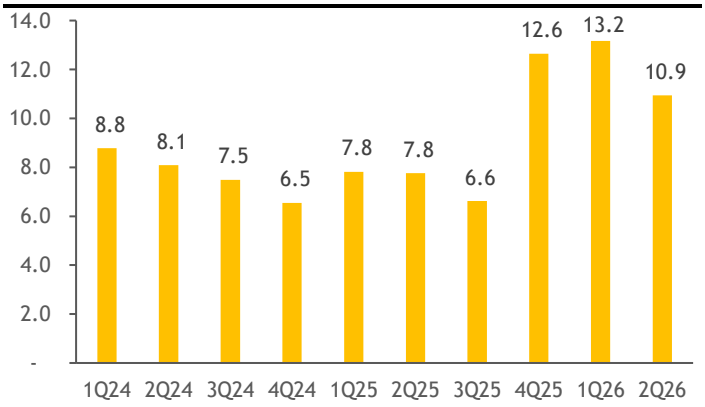
ESG@MAYBANK IBG
Tear Sheet Insert

3Q26 earnings may remain elevated

Recall that SCGB has enjoyed 3 consecutive quarters of >10% EBIT margin thanks to:- (i) early completion bonuses from data centre projects; and (ii) cost savings from value engineering and procurement savings, which have yielded 3 consecutive quarters of >MYR100m net profit (Fig. 1). Recall that 2Q26 and 6M26 revenue of MYR1.0b (-31% YoY) and MYR2.0b (-29% YoY) respectively were below our expectations but 2Q26 and 6M26 net profit of MYR103.6m (+24% YoY) and MYR222.0m (+39% YoY) were within our expectations on better-than-expected margins.

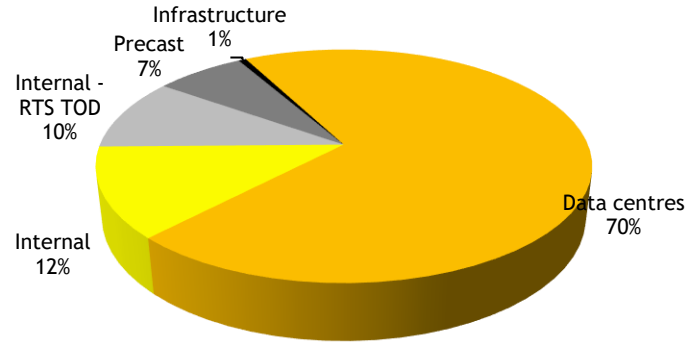
We understand that this streak of better-than-expected margins is set to continue in 3Q26 thanks to cost savings from value engineering and procurement savings. Taking this into account, we expect SCGB to deliver still robust 3Q26 net profit, which we gather will remain >MYR100m. This is despite revenue recognition from hyperscale data centre contracts (70% of orderbook) not having gathered momentum yet. This implies to us that revenue and net profit will ramp up further in 4Q26 and FY27E once progress billings from hyperscale data centres accelerate.

Figure 1: Quarterly EBIT margin



Source: Company

Figure 2: Outstanding orderbook of MYR10.5b as at end-2Q26



Source: Company

Job wins visibility stretching deep into FY27E

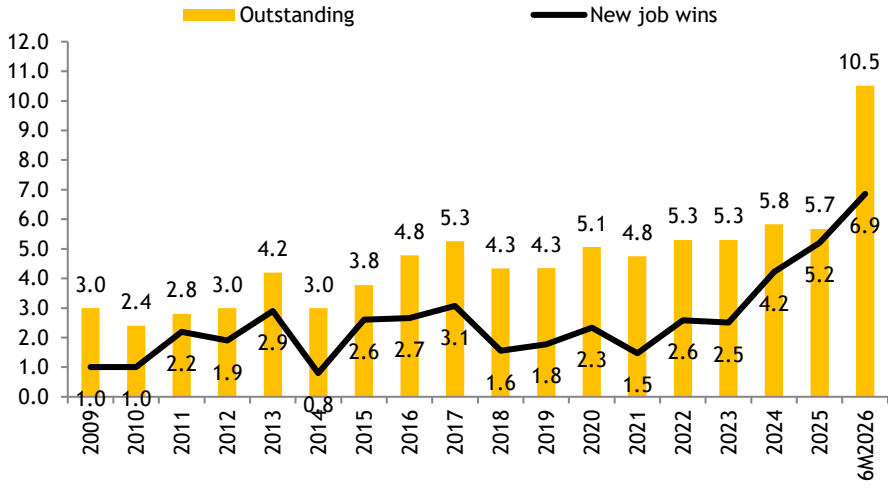
Recall that YTD job wins stand at MYR6.9b and SCGB revised its FY26 job wins target to MYR7.0b-MYR9.0b from MYR6.0b during its 2Q26 earnings presentation (Fig. 3). SCGB aims to secure a second hyperscale data centre job win in Serendah from an existing client, an American search engine giant, worth a similar MYR1.7b by Nov 2026 to bring FY26 job wins to MYR8.6b or close to the upper end of its revised FY26 job wins target of MYR7.0b-MYR9.0b. Going into FY27E, SCGB hopes to secure a third and fourth hyperscale data centre job win in Serendah from the same client worth a collective MYR3.4b-MYR3.5b.

At the same time, we understand another existing client, an American provider of on-demand cloud computing platforms and application programming interface, is keen to commence construction on another 2 hyperscale data centres at its existing campuses at Cyberjaya and Bukit Jalil in FY27E. Judging from SCGB's history of job wins from this client, we gather that the aforementioned job win could be worth MYR2.2b. We understand that another client, an American multinational technology conglomerate, will call for tenders to build 2 hyperscale data centres in Johor Bahru worth c.MYR3.0b in FY27E. SCGB secured a MYR664.4m job wins from this client in Jun 2026 for substation works.

We understand that all 3 clients stated above are 'Magnificent Seven' companies and the hyperscale data centres they are building are for their own use. Notwithstanding, we understand another existing client, an American co-location data centre operator, is also keen to expand its data centre campus in Johor Bahru in FY27E. To date, this client has awarded MYR1.6b in job wins to SCGB. We

understand that future job wins from this client would be in a similar range. All in all, we estimate that there is c.MYR10b worth of 'high conviction' job wins that SCGB could secure from its existing data centre clientele in FY27E.

Figure 3: Outstanding orderbook vs. new job wins (MYRb)



Note: Including precast, adjusted for revised value of KVLRT3 project

Source: Company

Other than data centres, SCGB is exploring EPCC contracts from the Corporate Renewable Energy Supply Scheme (CRESS) programme. We understand that the Sunway Group is exploring investing in CRESS programmes with JV partners. Currently, it involves a 300MWac with battery energy storage system (BESS) development to cater to its existing data centre clientele. At this point, it has not been determined if **Sunway Berhad (SWB MK, BUY, CP: MYR4.24, TP: MYR5.70)** or SCGB will be the one owning a stake in the JV but both are in agreement that SCGB will be awarded the EPCC contract if the JV progresses. We understand that the job win potential from this development is c.MYR2b.

If offtake is secured, SCGB expects EPCC works to commence in FY27E. All in all, we estimate that there is c.MYR12b worth of 'high conviction' job wins that SCGB could secure from data centre and CRESS jobs (Fig. 4). This does not take into account other 'medium conviction' job win opportunities that could materialise. Thus, we rate our annual job wins assumption of MYR8.0b as reasonable with potential for positive surprises to the upside. Longer term, SCGB is exploring expanding into the Singaporean data centre EPCC market (specifically Jurong Island) after it secured a construction license there during the COVID-19 pandemic (see page 4).

Figure 4: Potential job wins pipeline

Period	Description	Value (MYRb)
4Q26	**Second hyperscale data centre in Serendah**	**1.7**
FY27E	Third hyperscale data centre in Serendah	1.7
FY27E	Fourth hyperscale data centre in Serendah	1.7
FY27E	2 hyperscale data centres in Cyberjaya and Bukit Jalil	2.2
FY27E	2 hyperscale data centres in Johor Bahru	3.0
FY27E	Co-location data centre expansion in Johor Bahru	1.6
FY27E	CRESS programme	2.0
FY27E total		**12.2**

Source: Company

Jurong Island data centre park

Developed by JTC Corporation, the 20-hectare park will have the capacity to accommodate up to 700MW of data centre power demand, making it Singapore's largest planned low carbon data centre development. The project aims to capitalise on Jurong Island's existing power generation, utilities and energy infrastructure while incorporating energy efficient cooling systems and low carbon technologies.

Singapore's Economic Development Board and Infocomm Media Development Authority provisionally allocated an initial 200MW of data centre capacity in Aug 2026, comprising 50MW each to Digital Realty, Equinix, Keppel Data Centres and ST Telemedia Global Data Centres. All 4 operators intend to develop facilities on Jurong Island, establishing a tangible pipeline of projects that could progressively enter the construction tendering stage.



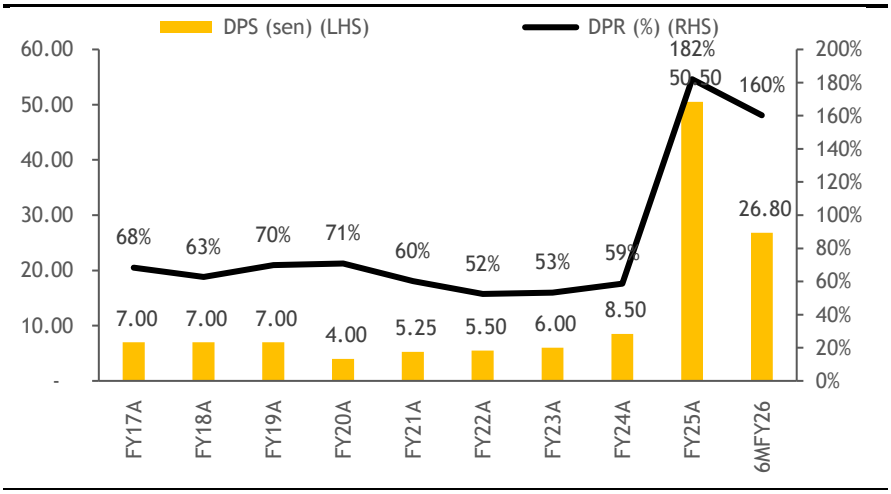
The initial allocation of 200MW represents less than one third of Jurong Island data centre park's ultimate 700MW capacity, suggesting considerable longer term development potential, subject to subsequent regulatory approvals and market demand. In our view, the potential contract values could be substantial, considering the capital-intensive nature of Singapore's data centre developments.

As a reference point, Keppel has disclosed an expected investment ≥SGD1.0b for its proposed 50MW Keppel DC Singapore 11 facility on Jurong Island. While this represents total project investment rather than the construction contract value, it demonstrates the scale of potential opportunities available to contractors.

≥100% DPR with or without CRESS investments

We also remain positive on SCGB's dividend prospects. Recall that it declared 4sen 2Q26 DPS which translated into 51% DPR (6M26: 26.8sen or 160% DPR) as it explained that it was conserving cash to explore investing in CRESS programmes. As stated above, SWB or SCGB may form JVs with third parties to invest in CRESS programmes. While the capital commitment for CRESS programmes may amount to c.MYR2.0b, SCGB expects them to be largely debt financed at ≥70%. Thus, SCGB does not expect to inject much equity financing into these JVs. Assuming SCGB forms a 50%-owned JV to invest MYR2.0b into a CRESS programme which is 70% debt financed, we estimate that the equity financing requirement from SCGB will only amount to MYR300.0m or 25% of its net cash position as at end-2Q26. Thus, SCGB has indicated that a 100% DPR remains feasible with or without investing in CRESS programmes (Fig. 5).

Figure 5: DPS and DPR



Source: Company

Earnings estimates unchanged, only trim FY27E DPS by 11%

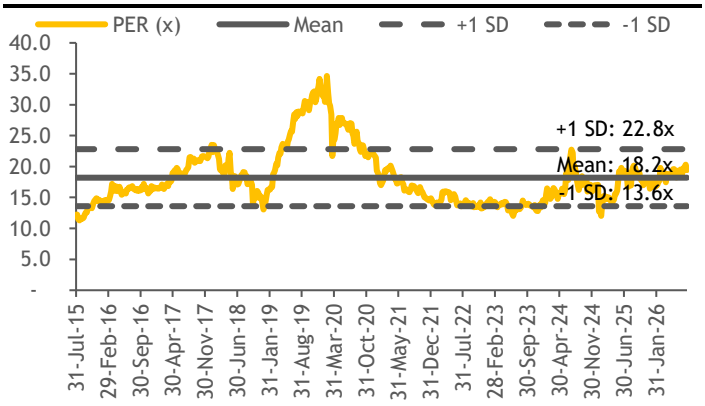
As stated above, we are comfortable with our annual job wins assumption of MYR8.0b. Thus, our earnings estimates are unchanged. We only trim our FY27E DPS forecast by 11% to 43.7sen from 49.1sen to account for the 2Q26 DPS of 4sen. Otherwise, our FY28E and FY29E DPS forecasts which are premised on 100% DPR are unchanged. Consequently, we maintain our MYR9.62 TP which is premised on 21x FY27E P/E or +0.5SD to long term 12M forward P/E mean. SCGB remains our top pick in the construction sector.

Figure 6: Major assumptions and estimates

	FY26E	FY27E	FY28E
Unchanged			
Job wins (MYRb)	8.0	8.0	8.0
Net profit (MYRm)	446.3	592.9	648.9
Revised			
DPS sen (revised)	43.7	45.0	49.2
DPS sen (previous)	49.1	45.0	49.2
% change	-10.9%	0.0%	0.0%

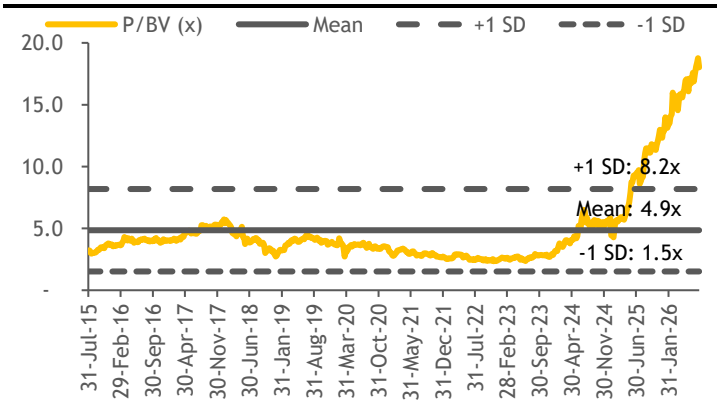
Source: Maybank IBG Research

Figure 7: 12M forward PER (x)



Source: Bloomberg, Maybank IBG Research

Figure 8: 12M forward P/B (x)

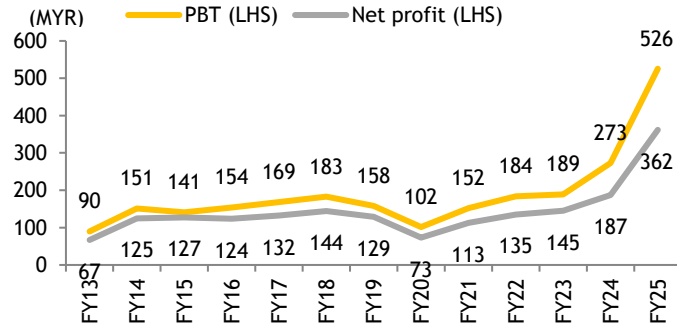


Source: Bloomberg, Maybank IBG Research

Value Proposition

- Malaysia's largest pure play construction group with an established brand name having commenced operations in 1981 with a cumulative revenue of >MYR45b.
- Operates on a fully integrated business model with 6 core operations: - (i) building construction; (ii) civil & infrastructure; (iii) foundation & geotechnics; (iv) mechanical, electrical & plumbing; (v) precast concrete products manufacturing; and (vi) sustainable energy.
- Completed special purpose building projects include KL Convention Centre, Sunway Shopping Mall.
- Completed civil projects include SILK, MEX, SKVE, BRT, KVMRT 1&2 and KVLRT.
- Experienced senior management team and support from the Sunway Group add onto its value proposition.

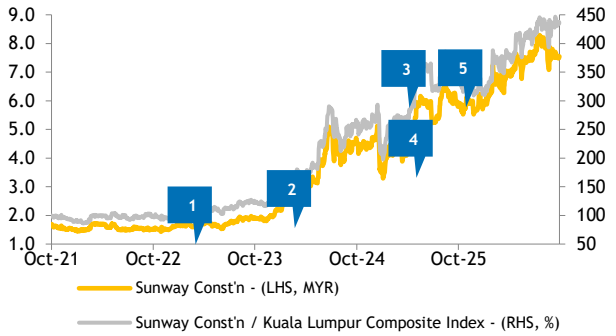
Pretax profit and net profit (since relisting on 28 Jul 2015)



Source: Company

Price Drivers

Historical share price trend



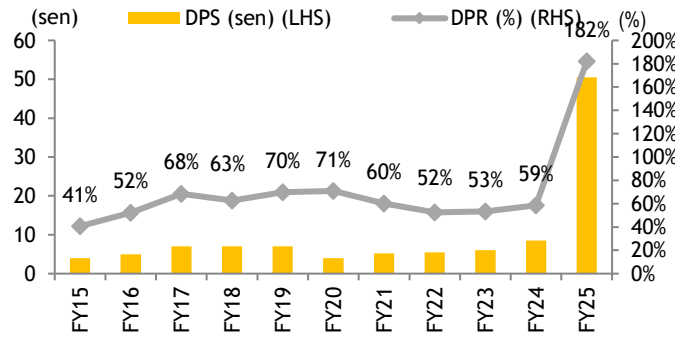
Source: Company, Maybank IBG Research

1. Secured MYR2.58b of net contracts in 2022, including its first data centre construction job.
2. Secured MYR2.51b of new contracts in 2023, including its second data centre construction job.
3. Secured MYR4.22b of new contracts in 2024, a record high.
4. US' AI Diffusion Rule, rise of DeepSeek and tariffs cast doubts on the viability of data centres.
5. Malaysian Anti-Corruption Commission initiated an inquiry against an employee.

Financial Metrics

- 2 main earnings growth drivers are major new contracts and higher margins which may come from value engineering.
- ROEs of >20% since its relisting in 2015 are above peers, but this suffered a set-back in FY20A and FY21A due to the COVID-19 pandemic.
- ROEs rebounded to 19% in FY22A, 19% in FY23A, 22% in FY24A and 37% in FY25AA.
- DPR is a minimum 35% of PATMI. Since its relisting on 28 Jul 2015, SCGB has paid up to 182% (FY25AA).

Dividends per share and dividend payout ratio



Source: Company

Swing Factors

Upside

- Larger-than-expected orderbook replenishment could lift sentiment on the stock although the earnings impact will only be felt in full at least a year later.
- Significant margin expansion for its existing orderbook coming from value engineering breakthrough.
- Government policy on high usage of IBS will be positive for SCGB's precast concrete products operation.

Downside

- Slower-than-expected work progress at existing projects will affect the timing of earnings recognition.
- The timing of mega infrastructure project roll-outs by the Government could affect orderbook replenishment.
- At the precast segment, significant increase in steel prices and stiffer competition could affect margins.

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Risk Rating & Score[1]	28.0 (Medium)
Score Momentum[2]	-2.3
Last Updated	7 Nov 2025
Controversy Score[3] (Update: 22 Sep 2024)	1 - Business Ethics Incidents - Business Ethics

Business Model & Industry Issues

- As an industry leader, SCGB has built a track record in constructing Green Building Index (GBI) certified buildings and also offers sustainable energy services.
- SCGB targets to achieve Net Zero Carbon Emissions by 2050 and has established its Future Value Goals 2030 (in 2020) to measure its ESG performance on a yearly basis.
- On labour matters, SCGB complies with Act 446, which extends to centralized labour quarters (CLQ)/workers accommodation of its business partners.
- To mitigate bribery and corruption risks, its Anti-Bribery and Corruption Policy and Anti-Money Laundering Policy were rolled out in 2020.
- Overall, SCGB's ESG risks are manageable, in our view. As SCGB continues to build on these efforts, its value proposition and investment case should strengthen further.
- SCGB scores above average in our proprietary ESG scoring methodology (see next page) with an overall score of 75/100 (70/100 previously). The higher overall score is on account of lower GHG emissions.

Material E issues

- Committed to decarbonisation and targets to achieve Net Zero by 2050.
- Future Value Goals 2030 was established in 2020 to measure ESG performance on a yearly basis.
- In FY25A, SCGB's total GHG emissions (Scope 1, 2 & 3) was flattish YoY at 268,526 MT (244,802 MT after carbon offset).
- Targets 5% annual reduction in Scope 1 and Scope 2 emissions.
- SCGB has built a track record in designing GBI certified buildings with 10 ongoing projects as at end-2025.
- It also offers sustainable energy services and has participated in the tender of large scale solar.
- In FY25A, SCGB secured a 11.8 MWac quota under the Corporate Green Power Programme (CGPP).
- Together with its existing solar installations, this initiative will increase its total solar capacity to 5.48 MWp.
- In Jan 2021, SCGB signed up as an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).
- SCGB achieved zero environmental compounds and fines in FY20, FY21, FY22, FY23, FY24A and FY25A.
- In FY25A, 100% of its operations were ISO 14001:2015 Environmental Management System certified.

Material S issues

- Women made up just 18% of SCGB's workforce in FY25A (FY24A: 16%) due to the nature of its operations.
- Yet, women made up a higher 30% at the management level in FY25A (FY23: 31%).
- Average training hours per employee eased to 32.1 hours in FY25A (FY24A: 37.6 hours).
- In FY25A, 100% of its operations were ISO 45001:2018 Occupational Safety & Health Management System certified.
- Complies with Act 446 - Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019.
- This extends to CLQ/workers accommodation of its business partners.
- In FY25A, SCGB contributed MYR2.53m (-12% YoY) to the community via the Jeffrey Cheah Foundation.

Key G metrics and issues

- BOD comprises 8 Directors in FY25A, of which 5 or 63% are independent (including the Chairman).
- There are presently 3 women on the BOD (43% representation). All 3 are INEDs.
- Audit, Nomination & Remuneration, Risk Management and Sustainability Committees are all chaired by INEDs.
- FY25A directors' remuneration grew 73% YoY to MYR12.5m but still accounted for <3% of pre-tax profit.
- Financial statements have been audited by BDO PLT since FY15, at least.
- An Anti-Bribery and Corruption Policy was rolled out in Jan 2020 to all staff and business associates.
- Also established an Anti-Money Laundering (AML) Policy in 2020.
- On 21 Nov 2024, the AML Policy was revised to align with the Securities Commission Malaysia's Guidelines.
- The AML Policy was renamed as Anti-Money Laundering, Countering Financing of Terrorism and Countering Proliferation Financing Policy.
- In May 2025, attained the ISO 37001:2016 Anti-Bribery Management Systems (ABMS) certification
- Transactions with related parties within the Sunway Group have been on arm's length terms.
- Construction contracts from the Sunway Group have also been secured on an arm's length basis.
- On 21 Jul 2025, the Malaysian Anti-Corruption Commission (MACC) initiated an inquiry against an employee.
- This was in relation to his engagements with unnamed subcontractors.
- On 18 Aug 2025, SCGB received an official written confirmation from the MACC that its investigations focus solely on the aforementioned employee and not SCGB.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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	Quantitative Parameters (Score: 58)					
	Particulars	**Unit**	**2023**	**2024**	**2025**	**IJM MK (FY3/25)**
E	Scope 1 emissions	tCO2e	7,440	12,283	7,285	21,445
	Scope 2 emissions	tCO2e	3,692	2,327	2,793	49,472
	Total	**tCO2e**	**11,132**	**14,610**	**10,078**	**70,917**
	Scope 3 emissions	tCO2e	314,414	248,951	234,724	1,006,340
	Total	**tCO2e**	**325,546**	**263,561**	**244,802**	**1,077,256**
	GHG intensity (Scope 1 & 2)	tCO2e/MYR'm revenue	123	76	46	NA
	Energy consumed	MWh	37,406	57,644	89,969	155,479
	Share of renewable energy use in operations	%	1.0%	0.6%	0.1%	4.2%
	Water recycled	%	12.2%	15.9%	23.9%	NA
	Waste diversion from landfill	%	19.9%	26.0%	63.2%	8.3%
	Cases of environmental non-compliance	number	0	0	0	0
S	% of women in workforce	%	15.5%	16.5%	18.2%	33.7%
	% of women in management	%	26.9%	30.6%	30.2%	33.3%
	Lost time injury rate (LTIR)	per 1,000 workers	0.15	0.00	0.26	0.40
	Employee turnover rate	%	19%	20%	15%	NA
	Avg. no. of training hours per employee	hours	35.7	37.6	32.1	NA
	% of spending on local suppliers	%	61%	99%	85%	99%
	Corporate philanthropy contribution	MYR'm	2.63	2.86	2.53	3.72
G	MD/CEO remuneration as % of pre-tax profit	%	1.56%	1.50%	1.14%	0.43%
	Board (ex-CEO) remuneration as % of pre-tax profit	%	1.35%	1.15%	1.24%	0.35%
	Independent directors on the Board	%	63%	67%	63%	55%
	Female directors on the Board	%	25%	33%	43%	27%

Qualitative Paramaters (Score: 100)

a) Is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?
Yes, SCGB has a Sustainability Policy. The Sustainability Committee comprises 3 INEDs and group deputy managing director to assist the BOD in overseeing matters pertaining to sustainability and climate change. The Sustainability Committee is further supported by a Sustainability Working Group.

b) Is the senior management salary linked to fulfilling ESG targets?
Yes, SCGB integrated sustainability in Executive Directors and senior management's performance evaluation which are linked to remuneration. The sustainability category of performance KPIs carries a 10% weighting.

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?
Yes - it used to. In FY25A, its climate related disclosures were further aligned with ISSB IFRS S1 and S2 which build on the TCFD recommendations.

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?
Yes, SCGB currently focuses on 6 out of 15 parameters (i.e. purchased goods & services, waste generated in operations, business travel, employee commuting, upstream transportation and distribution and downstream transportation and distribution).

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?
Use of solar energy as alternate energy source at building assets (precast plant in Senai, Sunway Enterprise Park, Sunway City); water recycling which includes using water from silt traps and reusing water from wheel washing bays; construction waste recycling (concrete waste is used as crusher run, timber waste is reused for signage, storage facilities).

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?
Yes, SCGB leverages on carbon offset credits generated by its solar investment projects, as a carbon reduction strategy.

Target (Score: 84)		
Particulars	**Target**	**Achieved**
Net zero carbon emissions by 2050	Net 0	NA
"G" target - No confirmed major non-compliance to all SunCon Code of Conducts	0	0
"G" target - Maintain 100% employees trained in compliance (including new hires)	100%	100%
"G" target - Zero confirmed bribery and corruption incidents	0	1
"G" target - Achieve 100% compliance rate in due diligence for all new employees and associates	100%	100%
"G" target - Zero confirmed incidents on breach of customer privacy and losses of customer data	0	0
"G" target - Suppliers and subcontractors to complete Environmental and Social Assessment	N/	NA
"G" target - 100% of new suppliers screened using environmental and social criteria	100%	100%
"G" target - Zero noncompliance to all regulatory requirements and guidelines	0	12
"E" target - Zero non-compliance on ambient air quality	0	0
"E" target - Zero non-compliance on noise quality	0	0
"E" target - Zero non-compliance on vibration level	0	0
"E" target - Achieve environmental monthly inspection score of 80%	80%	86%
"E" target - 40% reduction in Scope 1 emission by 2030 (vs. 2020)	-40%	-25%
"E" target - 40% reduction in Scope 2 emission by 2030 (vs. 2020)	-40%	-25%
"E" target - 20% waste diversion from landfill by 2030	20%	63%
"E" target - 30% reduction in portable water usage by 2030 (vs. 2020)	-30%	-39%
"E" target - Alternate water source (rainwater harvesting / water recycling) of at least 10% of total water withdrawn by 2030	10%	25%
"E" target - Zero non-compliance on water discharge quality	0	0
"E" target - Zero environmental incidents with severe environmental damage	0	0
"S" target - Increase average Learning and Development (L&D) hours to 40 hours per employee by 2030	40.0	32.1
"S" target - Maintain 100% engagement with direct workers annually on matters related to terms of employment	100%	100%
"S" target - Zero confirmed incidents on human rights violation	0	0
"S" target - Zero fatalities in all activities for employees and subcontractors	0	0
"S" target - Lost Time Injury Rate (LTIR) less than 0.3	0	0
"S" target - 90% worker consultation & participation in ESH related events	90%	100%
"S" target - Safety & Health monthly inspection score of 80%	80%	86%
"S" target - Zero incidents of non-compliance with regulations concerning quality of our products and services	0	0
"S" target - Achieved overall average satisfaction score of 80% and above	80%	83%
"S" target - QLASSIC score: 83% and above for all relevant building projects	83%	83%
"S" target - Supports communities through social impact projects and initiatives in encouraging inclusive growth	N/A	MYR2.53m

Impact

NA

Overall Score: 75

As per our ESG matrix, Sunway Construction (SCGB MK) has an overall score of 75.

ESG score	Weights	Scores	Final Score
Quantitative	50%	58	29
Qualitative	25%	100	25
Target	25%	84	21
Total			**75**

As per our ESG assessment, SCGB has an established framework, internal policies, and tangible mid/long-term targets. SCGB's overall ESG score is 75, which makes its ESG rating above-average, in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

FYE 31 Dec	FY24A	FY25A	FY26E	FY27E	FY28E
Key Metrics					
P/E (reported) (x)	25.2	19.0	22.3	16.8	15.3
Core P/E (x)	31.9	20.4	22.3	16.8	15.3
P/BV (x)	6.8	9.5	15.2	15.2	15.2
P/NTA (x)	6.8	9.5	15.2	15.2	15.2
Net dividend yield (%)	1.8	8.9	5.8	6.0	6.5
FCF yield (%)	11.8	21.3	6.5	15.3	10.5
EV/EBITDA (x)	20.5	12.4	15.7	10.0	8.6
EV/EBIT (x)	21.9	12.9	16.3	10.4	8.9
INCOME STATEMENT (MYR m)					
Revenue	3,521.7	5,338.7	5,757.1	8,451.9	9,386.6
EBITDA	279.4	465.4	527.4	737.1	816.3
EBIT	262.2	448.2	508.8	709.9	786.1
Net interest income /(exp)	10.5	61.9	80.8	81.5	81.9
Associates & JV	0.3	15.3	15.3	15.3	15.3
Pretax profit	273.0	525.5	605.0	806.7	883.4
Income tax	(75.9)	(123.5)	(142.1)	(189.5)	(207.5)
Minorities	(10.1)	(40.3)	(16.5)	(24.3)	(27.0)
Reported net profit	186.9	361.8	446.3	592.9	648.9
Core net profit	186.9	361.8	446.3	592.9	648.9
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	1,015.8	2,000.1	2,063.7	2,984.3	3,374.2
Accounts receivable	1,795.1	1,567.1	1,690.0	2,481.0	2,755.3
Inventory	43.3	60.1	64.8	95.2	105.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	85.4	122.1	128.5	126.3	121.1
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	224.4	208.2	223.5	238.9	254.2
Other assets	432.3	466.5	373.6	280.7	187.8
Total assets	**3,596.2**	**4,424.0**	**4,544.2**	**6,206.3**	**6,798.4**
ST interest bearing debt	732.1	165.4	165.4	159.8	157.7
Accounts payable	1,911.3	3,186.4	3,419.5	5,044.3	5,603.7
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1.1	152.3	144.7	142.5	142.5
Other liabilities	13.0	55.0	63.0	84.0	91.0
Total Liabilities	**2,657.7**	**3,558.7**	**3,792.3**	**5,430.2**	**5,995.3**
Shareholders Equity	877.9	783.9	653.9	653.9	653.9
Minority Interest	60.6	81.4	97.9	122.2	149.2
Total shareholder equity	**938.5**	**865.3**	**751.9**	**776.1**	**803.1**
Total liabilities and equity	**3,596.2**	**4,424.0**	**4,544.2**	**6,206.3**	**6,798.4**
CASH FLOW (MYR m)					
Pretax profit	273.0	525.5	605.0	806.7	883.4
Depreciation & amortisation	17.3	17.2	18.5	27.2	30.2
Adj net interest (income)/exp	0.2	(13.1)	0.0	0.0	0.0
Change in working capital	534.7	1,134.9	198.4	896.4	367.4
Cash taxes paid	(88.6)	(104.0)	(134.0)	(168.8)	(199.6)
Other operating cash flow	(20.0)	58.6	(15.3)	(15.3)	(15.3)
Cash flow from operations	716.4	1,619.1	672.7	1,546.2	1,065.9
Capex	(9.4)	(44.1)	(25.0)	(25.0)	(25.0)
Free cash flow	707.0	1,575.0	647.7	1,521.2	1,040.9
Dividends paid	(116.0)	(274.8)	(576.3)	(592.9)	(648.9)
Equity raised / (purchased)	0.0	106.4	0.0	0.0	0.0
Change in Debt	(167.2)	(422.0)	(7.7)	(7.7)	(2.1)
Other invest/financing cash flow	127.6	(2.2)	0.0	0.0	0.0
Effect of exch rate changes	0.8	(5.1)	0.0	0.0	0.0
Net cash flow	552.3	977.3	63.7	920.6	389.9

FYE 31 Dec	FY24A	FY25A	FY26E	FY27E	FY28E
Key Ratios					
Growth ratios (%)					
Revenue growth	31.8	51.6	7.8	46.8	11.1
EBITDA growth	13.9	66.6	13.3	39.8	10.7
EBIT growth	16.9	71.0	13.5	39.5	10.7
Pretax growth	44.7	92.5	15.1	33.3	9.5
Reported net profit growth	28.8	93.6	23.4	32.8	9.4
Core net profit growth	28.8	93.6	23.4	32.8	9.4
Profitability ratios (%)					
EBITDA margin	7.9	8.7	9.2	8.7	8.7
EBIT margin	7.4	8.4	8.8	8.4	8.4
Pretax profit margin	7.8	9.8	10.5	9.5	9.4
Payout ratio	58.6	182.0	129.1	100.0	100.0
DuPont analysis					
Net profit margin (%)	5.3	6.8	7.8	7.0	6.9
Revenue/Assets (x)	1.0	1.2	1.3	1.4	1.4
Assets/Equity (x)	4.1	5.6	6.9	9.5	10.4
ROAE (%)	21.8	43.2	61.5	89.7	98.2
ROAA (%)	5.6	9.0	10.0	11.0	10.0
Liquidity & Efficiency					
Cash conversion cycle	17.6	(54.5)	(100.1)	(87.4)	(99.3)
Days receivable outstanding	173.3	113.4	101.8	88.8	100.4
Days inventory outstanding	4.6	3.5	3.9	3.4	3.8
Days payables outstanding	160.3	171.3	205.9	179.7	203.5
Dividend cover (x)	1.7	0.5	0.8	1.0	1.0
Current ratio (x)	1.1	1.1	1.1	1.1	1.1
Leverage & Expense Analysis					
Asset/Liability (x)	1.4	1.2	1.2	1.1	1.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	2.6	0.7	0.6	0.4	0.4
Capex/revenue (%)	0.3	0.8	0.4	0.3	0.3
Net debt/ (net cash)	(282.5)	(1,682.4)	(1,753.7)	(2,681.9)	(3,074.0)

Source: Company; Maybank IBG Research

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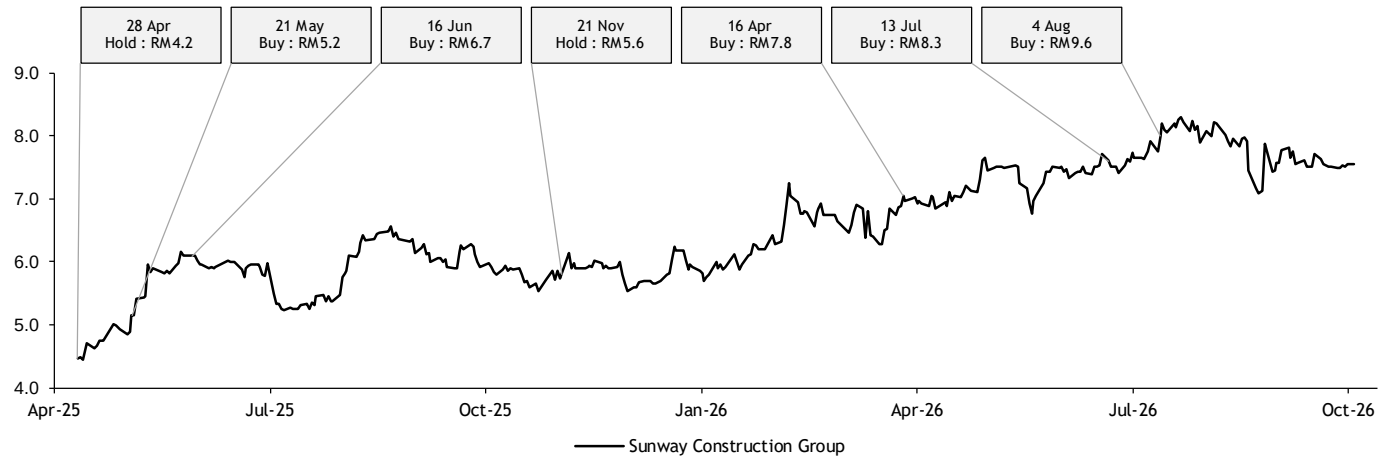
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