

Malaysia

May 18, 2026 - 5:26 PM

ADD (no change)

Consensus ratings*: Buy 14 Hold 2 Sell 0

Current price:	RM7.12
Target price:	RM7.90
Previous target:	RM7.90
Up/downside:	11.0%
CGSI / Consensus:	0.5%
Reuters:	SCOG.KL
Bloomberg:	SCGB MK
Market cap:	US\$2,393m
	RM9,464m
Average daily turnover:	US\$5.17m
	RM20.43m
Current shares o/s	1,325m
Free float:	45.6%
*Source: Bloomberg	

Key financial forecasts

	Dec-26F	Dec-27F	Dec-28F
Net Profit (RMm)	436.4	498.8	547.9
Normalised EPS (RM)	0.33	0.38	0.41
Normalised EPS Growth	19.2%	14.3%	9.8%
FD Normalised P/E (x)	21.61	18.91	17.21
Recurring ROE	40.1%	41.2%	37.2%
P/BV (x)	8.68	7.06	5.86
DPS (RM)	0.34	0.19	0.21
Dividend Yield	4.74%	2.71%	2.98%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.3	14.8	43.3
Relative (%)	-0.1	14.8	32.7

Major shareholders	% held
Sunway Berhad	54.4

Analyst(s)

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Sunway Construction Group

Strong 1Q margins with special dividends

- 1Q26 results met expectations with strong construction margins; Suncon declares dividend of 22.8 sen (special: 15.2 sen, interim: 7.6 sen).
- Suncon on track to meet and potentially exceed FY26F RM6bn new order win target.
- Reiterate Add and TP of RM7.90.

1Q26 results met expectations; special dividend announced

- Sunway Construction (Suncon) announced 1Q26 core net profit of RM98m (+19% yoy). We deem this to have met expectations at 22%/24% of our/Bloomberg consensus' FY26F forecasts, factoring in a stronger 2H as recent data centre (DC) wins would contribute more significantly then.
- Suncon declared a first interim dividend of 7.6 sen (vs. 5 sen in 1Q25), together with a special dividend of 15.2 sen, bringing total dividend to 22.8 sen. The special dividend was not previously guided and a surprise to us. Suncon has committed to quarterly dividends and a 100% payout in FY26F.
- The key highlight in 1Q26 was the still-high construction pretax margins of 15.6% (vs. 1Q25's 8.2% and 4Q25's 16.5%) due to the finalisation of accounts for two DCs in Johor. 1Q26 construction pretax profit was up 33% yoy at RM149m, but revenue eased by 31% yoy to RM951m.
- 1Q26 precast revenue was RM72m (+136% yoy), due to the ramp-up of newly secured projects and its orderbook of RM690m as at Mar 26. 1Q26 precast margin was 8.3% (1Q25: 4.1%).
- Balance sheet was in a net cash position of RM1.2bn as at Mar 26 (RM1.7bn as at Dec 25).

YTD wins likely to exceed target of RM6bn for FY26F

- Suncon's YTD May 26 wins now amount to RM3.6bn, with its orderbook at RM8.2bn (as at Mar 26). DCs now account for 64% of this orderbook.
- We believe that Suncon's FY26 order win target of RM6bn could surprise on the upside if the conversion of the larger DC upsizing for JHB1XO Building 2 (piling works completed) is awarded in 2H26F, while we are also expecting another DC award by 1HCY26F.
- It won a DC project worth RM1.75bn, from a new US MNC in Apr 26; we think Suncon could potentially build on this, given the visible project pipeline from this US client.
- With its orderbook now at RM8.2bn (vs. RM5.7bn in Dec 25), Suncon has better revenue visibility beyond just FY26F.
- In our view, there is tighter contractor capacity now. With its completion of 180MW of DC capacity (commissioning of 3 DCs) as of May 26, we think Suncon stands out as a strong DC contractor and is in good position to further add to its DC orderbook in FY26F.
- Its tenderbook as at Apr 26 is now at RM15.3bn (RM17.5bn in Feb 25). Suncon said it will continue to bid for new DC jobs as and when tenders are open.

Reiterate Add and TP of RM7.90

- We keep our Add call and GGM-derived TP of RM7.90 (LTG: 4.5%, COE: 7.9%, ROE: 34.4%). We like Suncon as the strongest proxy to the DC theme in Malaysia.
- Downside risks: slower recognition of existing DC projects and higher costs. Re-rating catalysts: winning a new DC client and award of government infrastructure contracts.

Figure 1: Sector comparison

Company	Bloomberg Tickers	Rec. (lcl curr)	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US\$ m)	Core P/E (x)		PEG (x)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY26F	CY27F		CY26F	CY27F	CY26F	CY27F	CY26F	CY27F
Gamuda	GAM MK	Add	4.50	5.78	6,782	22.6	18.2	1.0	2.05	1.89	9.2%	10.8%	2.2%	2.2%
IJM Corp Bhd	IJM MK	Add	2.18	3.42	1,932	16.6	14.3	0.7	0.72	0.70	4.3%	5.0%	2.7%	2.7%
WCT Holdings	WCTHG MK	Add	0.49	1.12	193	11.0	9.5	0.3	0.19	0.19	1.7%	2.0%	0.0%	0.0%
Sunway Construction Group	SCGB MK	Add	7.12	7.90	2,393	21.6	18.9	1.7	8.68	7.06	39.4%	41.2%	4.7%	2.7%
Muhibbah Engineering	MUHI MK	Add	0.55	0.81	101	7.4	6.4	-1.8	0.28	0.27	3.8%	4.3%	4.8%	6.3%
HSS Engineers	HSS MK	Add	0.45	0.81	57	8.2	5.7	0.2	0.75	0.68	9.4%	12.7%	2.7%	3.9%
YTL Corporation	YTL MK	Add	2.15	2.68	6,318	16.3	15.1	-13.3	1.53	1.43	9.0%	9.8%	2.3%	2.3%
Malayan Cement Bhd	LMC MK	Add	7.28	10.10	2,568	11.1	10.2	0.7	1.25	1.14	11.6%	11.7%	2.3%	2.5%
Sunway Bhd	SWB MK	Hold	5.46	5.95	9,333	28.0	26.1	5.9	2.17	2.06	7.8%	8.1%	1.7%	1.8%
Econpile Holdings Bhd	ECON MK	Add	0.16	0.24	57	32.9	15.9	0.2	0.62	0.60	1.9%	3.8%	0.0%	1.6%
Kumpulan Kitacon Bhd	KITACON MK	Add	0.68	1.26	86	6.6	6.1	0.5	0.84	0.78	13.4%	13.4%	4.5%	4.8%
Construction sector						16.6	13.3	-0.33	1.73	1.53	10.1%	11.2%	2.5%	2.8%

SHARE PRICES AS AT 18 MAY 2026

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 2: Suncon's 1QFY26 results comparison, yoy and qoq

	1QFY26	1QFY25	% change yoy	4QFY25	% change qoq
	RMm	RMm		RMm	
Revenue	1,022.7	1,400.5	-27%	1,016.1	1%
Other operating income	2.1	4.8	-56%	1.2	84%
Other operating expense	(890.1)	(1,295.9)	-31%	(888.7)	0%
EBIT	134.7	109.5	23%	128.5	5%
Finance income	22.5	14.3	58%	37.0	-39%
Finance cost	(4.4)	(12.9)	-66%	(7.6)	-42%
Share of JV profits	1.9	2.3	-16%	4.7	-59%
Profit before taxation	154.7	113.2	37%	162.6	-5%
Taxation	(37.7)	(27.5)	37%	(36.9)	2%
Net income	117.0	85.7	37%	125.7	-7%
Minority interest	1.4	(10.0)	-114%	(7.3)	-119%
Atributed to shareholders	118.4	75.7	56%	118.4	0%
Less: Exceptional Items	20.4	(6.6)	-409%	(35.8)	-157%
Core net profit	98.0	82.3	19%	154.2	-36%
	1QFY26	1QFY25	% change yoy	4QFY25	% change qoq
	RMm	RMm		RMm	
Construction	950.6	1,369.9	-31%	940.8	1%
Precast Concrete	72.1	30.6	136%	75.3	-4%
Revenue	1,022.7	1,400.5	-27%	1,016.1	1%
Construction	148.7	112.0	33%	155.4	-4%
Precast Concrete	6.0	1.2	379%	7.2	-18%
Profit before taxation	154.7	113.2	37%	162.6	-5%
Construction pretax margins	15.6%	8.2%	91%	16.5%	-5%
Precast concrete pretax margins	8.3%	4.1%	103%	9.6%	-31%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Net Revenues	5,324	6,261	6,636	6,814
Gross Profit	1,108	1,207	1,290	1,359
Operating EBITDA	465	557	634	697
Depreciation And Amortisation	(17)	(26)	(31)	(35)
Operating EBIT	448	532	604	662
Financial Income/(Expense)	62	60	69	77
Pretax Income/(Loss) from Assoc.	15	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	526	593	674	740
Exceptional Items	64	0	0	0
Pre-tax Profit	589	593	674	740
Taxation	(123)	(154)	(175)	(193)
Exceptional Income - post-tax				
Profit After Tax	466	439	499	548
Minority Interests	(40)	(3)	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	425	436	499	548
Normalised Attributable Profit	362	436	499	548

Balance Sheet

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Cash And Equivalents	2,000	2,249	2,594	2,920
Total Debtors	1,567	1,883	1,966	2,049
Inventories	60	78	82	84
Total Other Current Assets	19	19	19	19
Total Current Assets	3,646	4,228	4,691	5,072
Fixed Assets	122	146	166	181
Total Investments	208	208	208	208
Intangible Assets	403	403	403	403
Total Other Non-Current Assets	45	45	45	45
Total Non-current Assets	778	802	822	837
Short-term Debt	158	158	158	158
Current Portion of Long-Term Debt				
Total Creditors	2,891	3,445	3,627	3,700
Other Current Liabilities	54	54	54	54
Total Current Liabilities	3,103	3,657	3,839	3,911
Total Long-term Debt	143	193	243	293
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	143	193	243	293
Total Provisions	10	10	10	10
Total Liabilities	3,256	3,860	4,092	4,214
Shareholders' Equity	1,087	1,087	1,336	1,610
Minority Interests	81	84	84	84
Total Equity	1,168	1,171	1,421	1,695

Cash Flow

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
EBITDA	465.4	557.5	634.4	696.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1,237.3	220.1	65.5	16.9
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(31.5)	(28.3)	(33.3)	(38.3)
Other Operating Cashflow	7.3	0.0	0.0	0.0
Net Interest (Paid)/Received	61.9	59.9	68.7	76.8
Tax Paid	(123.5)	(154.3)	(175.3)	(192.5)
Cashflow From Operations	1,617.0	654.9	560.1	559.6
Capex	(43.7)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	16.7	0.0	0.0	0.0
Cash Flow From Investing	(27.0)	(50.0)	(50.0)	(50.0)
Debt Raised/(repaid)	(430.4)	50.0	50.0	50.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(274.8)	(436.4)	(249.4)	(274.0)
Preferred Dividends				
Other Financing Cashflow	99.5	30.0	35.0	40.0
Cash Flow From Financing	(605.7)	(356.4)	(164.4)	(184.0)
Total Cash Generated	984.3	248.5	345.7	325.6
Free Cashflow To Equity	1,159.6	654.9	560.1	559.6
Free Cashflow To Firm	1,636.9	634.9	545.1	549.6

Key Ratios

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue Growth	51.6%	17.0%	6.0%	2.7%
Operating EBITDA Growth	66.5%	19.8%	13.8%	9.8%
Operating EBITDA Margin	8.7%	8.9%	9.6%	10.2%
Net Cash Per Share (RM)	1.28	1.43	1.66	1.86
BVPS (RM)	0.82	0.82	1.01	1.22
Gross Interest Cover	9.56	17.71	17.23	16.54
Effective Tax Rate	21.0%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	184%	100%	50%	50%
Accounts Receivables Days	116.6	100.8	106.9	108.9
Inventory Days	4.47	5.00	5.49	5.59
Accounts Payables Days	207.9	228.8	241.4	245.8
ROIC (%)	104%	(73%)	(65%)	(68%)
ROCE (%)	35.4%	41.3%	42.1%	39.1%
Return On Average Assets	8.48%	8.02%	8.16%	8.25%

12-mth Fwd FD P/E (x) - Sunway Construction Group



Key Drivers

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
New order wins	400.0	6,500.0	6,500.0	6,500.0
Construction revenue	5,131.6	5,830.2	6,161.9	6,300.0
Precast revenue	207.1	417.0	460.0	500.0
Construction EBIT margins	8.7	8.4	9.0	9.7
Precast EBIT margins	0.9	10.0	10.0	10.0

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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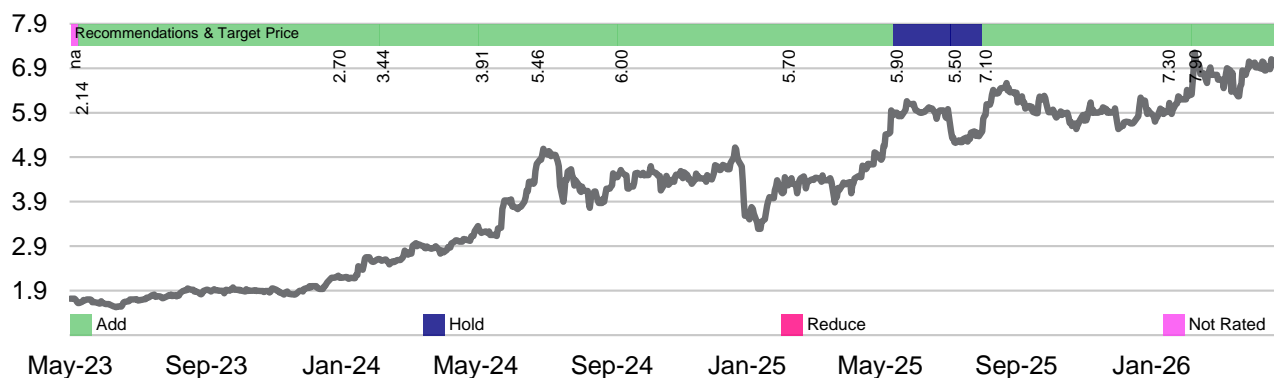
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2026		
502 companies under coverage for quarter ended on 31 March 2026		
	Rating Distribution (%)	Investment Banking clients (%)
Add	72.5%	1.8%
Hold	20.1%	0.6%
Reduce	7.4%	0.2%

Spitzer Chart for stock being researched (2-year data)

Sunway Construction Group (SCGB MK)

— Price Close



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.