

Sunway Construction (SCOG.KL)

1Q26 Results Slight Beat; Special Dividends Positive Surprise

CITI'S TAKE

Suncon's 1Q26 core net profit of RM98m (+29% YoY; -30% QoQ) is deemed to be a slight beat, with the stronger YoY results driven by data center projects and RTS link. QoQ earnings dipped as newly secured projects were still in early ramp-up, although we do not thin this is alarming given Suncon's typical seasonal 4Q strength. Total dividend payout of 22.8 sen per share (>100% payout ratio; includes special dividend of 15.2 sen) was a standout positive surprise. Looking ahead, Suncon remains on track for a strong 2026 – YTD wins of RM3.6bn against RM6bn replenishment target. Order book stands at RM8.2bn, with tender book of RM15.3bn. Maintain Buy and TP of RM8.10.

Buy

Catalyst Watch: Upside, expires 27-MAY-26

Price (18 May 26 17:00)	RM7.10
Target price	RM8.10
Expected share price return	14.1%
Expected dividend yield	6.8%
Expected total return	20.8%
Market Cap	RM9,437M
	US\$,389M

Strong 1Q26 earnings with special dividend surprise — 1Q26 core net profit came in at RM98m (+29% YoY; adjusted for impairments) – deemed as a slight beat. Stronger YoY results was primarily driven by data center projects and RTS link. However, QoQ saw core earnings dipped -30% amidst lower margins as newly secured projects were still in early ramp-up phase. We also do note that Suncon typically reports seasonally stronger 4Q, hence a QoQ dip in 1Q is not too alarming, in our view. However, total dividend payout this quarter of 22.8 sen per share was an upside surprise (>100% payout ratio; includes special dividend of 15.2 sen).

On track for a strong 2026 — Order book replenishment target for 2026 remains at RM6bn – with YTD already securing RM3.6bn worth of new contracts (almost entirely from data centers). For the remainder of the year, we see data center projects to still be the main driver of new contract wins, with a small mixture of in-house Sunway projects. Current order book stands at RM8.2bn (64% from data centers), while tender book stands at RM15.3bn (majority from data centers).

Implications — Post-results, we raise our FY26E earnings by +11% to account for higher margin mix. No changes to valuations, RM8.10 TP and Buy rating.

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Earnings Summary

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2024A	176	0.13	2.3	53.2	10.7	20.8	1.2
2025A	392	0.30	122.1	24.0	8.6	39.9	7.1
2026E	433	0.33	10.6	21.7	10.6	44.0	6.8
2027E	430	0.33	-0.7	21.8	10.7	48.9	4.6
2028E	481	0.36	11.9	19.5	10.7	54.7	5.1

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

Figure 1. Results Summary

FYE Dec (RM'mil)	1Q25	2Q25	3Q25	4Q25	1Q26	YoY	QoQ
Revenue	1,400.5	1,476.9	1,445.2	1,016.1	1,022.7	-27%	1%
Operating expenses	(1,295.9)	(1,363.3)	(1,350.6)	(866.4)	(910.6)	-30%	5%
Other operating income	4.8	4.0	5.9	1.2	2.1	-56%	84%
Net impairment	0.0	(3.0)	(4.9)	(22.3)	20.4	N.M.	N.M.
Profit from operations	109.5	114.6	95.7	128.5	134.7	23%	5%
Finance income	14.3	18.0	39.6	37.0	22.5	58%	-39%
Finance costs	(12.9)	(12.8)	(13.6)	(7.6)	(4.4)	-66%	-42%
JV & associates	2.3	2.9	5.4	4.7	1.9	-16%	-59%
Profit before tax	113.2	122.6	127.1	162.6	154.7	37%	-5%
Income tax expense	(27.5)	(28.4)	(30.7)	(36.9)	(37.7)	37%	2%
Non-controlling interests	(10.0)	(10.3)	(12.6)	(7.3)	1.4	-114%	-119%
Net profit	75.7	83.9	83.8	118.4	118.4	56%	0%
Core net profit	75.7	86.9	88.7	140.7	98.0	29%	-30%
<i>Operating margins</i>	8%	8%	7%	13%	13%		
<i>PBT margins</i>	8%	8%	9%	16%	15%		
<i>Net margins</i>	5%	6%	6%	12%	12%		
<i>Core net margins</i>	5%	6%	6%	14%	10%		
<i>Effective tax rate</i>	24%	23%	24%	23%	24%		

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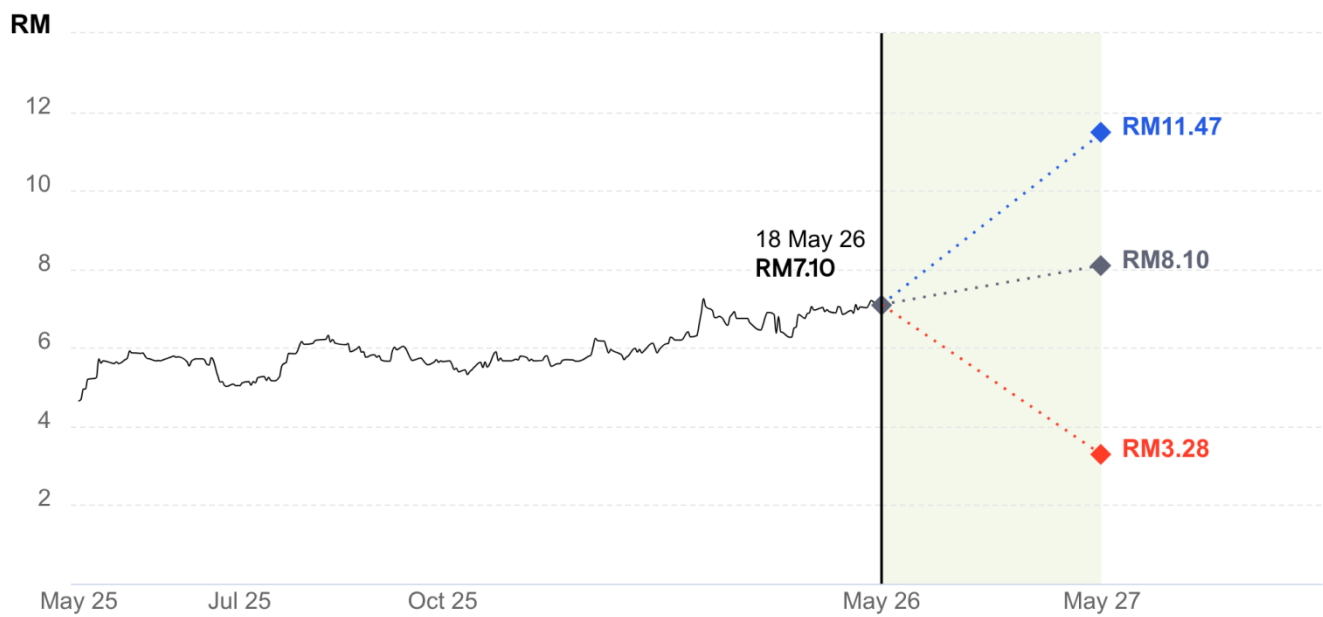
Source: Citi Research, Company Reports

Bull/Bear: Sunway Construction

RM 11.47
▲ 62% Upside

RM 8.10
▲ 14% Upside

RM 3.28
▼ 54% Downside



Spread 115pp
Current Price and expected returns (upside/downside) as of 18 May 2026

BULL Assumptions

- Based on 35x P/E

BASE Assumptions

- Based on 27x P/E

BEAR Assumptions

- Based on 10x P/E

Sunway Construction

Valuation

We value Suncon based on 25x P/E, at roughly +0.5SD from its 5-year mean, for a target price of RM8.10. We feel a premium is warranted for Suncon's valuations as we remain overwhelmingly bullish on the Malaysian data center space, highlighting Suncon as the best play for this thematic.

Risks

Possible downside risks to our target price include (i) slowdown in DC investments in Malaysia, especially on the back of heightened geopolitical tensions or policies, (ii) job execution risks, given the high working capital requirement, (iii) delay in roll-out of Malaysian infrastructure jobs, and (iv) slowdown of in-house jobs.

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Appendix A-1

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Ratings and Target Price History
Fundamental Research

Analyst: Steven Chan



Date	Rating	Target Price	Closing Price
1 11-Nov-24 07:20:49	*1	*5.10	4.20
2 17-Jan-25 18:31:51	1	*4.20	3.49
3 20-Feb-25 13:08:39	1	*5.00	3.96

Date	Rating	Target Price	Closing Price
4 20-May-25 09:55:33	1	*5.70	4.69
5 29-May-25 13:21:57	1	*6.70	5.61
6 21-Aug-25 10:01:31	1	*7.00	5.63

Date	Rating	Target Price	Closing Price
7 23-Feb-26 10:16:12	1	*8.10	6.31

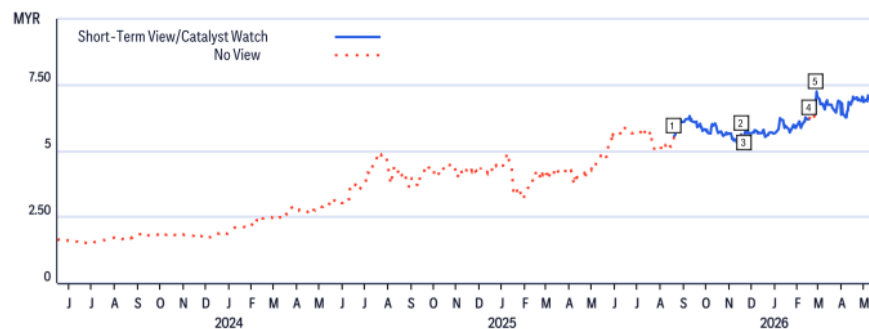
*Indicates Change

Rating/target price changes above reflect Eastern Time

Sunway Construction (SCOG.KL)

Short-Term View/Catalyst Watch Research

Analyst: Steven Chan



Date	Action	Expected Direction	Duration	Closing Price
1 19-Aug-25 01:01:00	Add STV	Upside	90 Days	5.54
2 17-Nov-25 23:14:47	Remove STV	Upside	90 Days	5.63

Date	Action	Expected Direction	Duration	Closing Price
3 20-Nov-25 04:39:06	Add STV	Upside	90 Days	5.51
4 18-Feb-26 23:13:03	Remove STV	Upside	90 Days	6.20

Date	Action	Expected Direction	Duration	Closing Price
5 24-Feb-26 23:01:11	Add CW	Upside	90 Days	6.59

CW - Catalyst Watch, STV - Short-Term View

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Data current as of 01 Apr 2026	12 Month Rating			Catalyst Watch		
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