

Sunway Construction SCOG.KL SCGB MK

EQUITY: ENGINEERING & CONSTRUCTION

1Q26 beat, special div, more DC jobs

Quick Note

1Q26 earnings above estimates: SunCon's 1Q26 reported net income at MYR118mn, while flat q-q, is still a beat at 29%/28% of our/Bloomberg consensus estimates. Finalization of accounts from the JHB1X0 project resulted in increased savings, helping SunCon to maintain the level of its record quarterly earnings from 4Q25 into 1Q26.

Two other positives: We think investors should also note two other positives: 1) On top of a 7.6 sen first interim dividend, SunCon declared a 15.2 sen special dividend too (it had last declared a special dividend in 3Q25). Note that while we had *expected* another special dividend in FY26F, the timing is earlier than expected, but understandable given SunCon had a high cash balance in the end of FY25F. 2) In their results presentation, SunCon announced that it has secured preliminary data center contracts (Project Services Request or PSR) for two new shell buildings (JB01 and JB02) from an unnamed multinational company, worth MYR 153+88 mn, or MYR 241mn in total. We believe this is a positive indication of follow-up job opportunities for the remainder of the core and shell project from the client. SunCon also indicated ongoing data centre (DC) tenders of >800MW which it is participating in, up from >700MW in Dec-2025. This suggests a strong tender pipeline ahead for DC jobs for SunCon.

We are hosting a post-results conference call (virtual) with SunCon's management on 19 May (Tuesday) at 2:00 pm MYT. Please contact us if you would like to attend the call.

Reiterate Buy: Management targets MYR 6bn of orderbook this year, of which MYR3.6bn is already secured; we think this should be achievable with several DC tenders outstanding, some with existing clients who are likely to prefer continuity in contractor for successive phases. We reiterate our Buy rating on the stock, and our TP of MYR8.30 is based on FY26F target P/E of 27x (EPS: 31sen, current P/E: 23.2x).

Construction segment outlook: Construction revenue for 1Q26 was up 1% q-q while PBT was down 4% q-q, with PBT margin at 15.6% vs 16.5% in 4Q25. The margin remained high due to the finalization of accounts for the completed JHB1X0 DC project. Going forward, we expect the margins to normalize slightly lower in the absence of these savings. New orderbook replenishment in YTD 2026 stood at MYR3.6bn with management targeting MYR6bn for FY26E on the back of an active tender book of MYR15.3bn. SunCon has an outstanding orderbook of MYR8.1bn. As per management, most of the new DC project awards are based on cost plus model and therefore the margins on its majority of its outstanding DC orderbook will not be impacted by ongoing rising costs of construction inputs.

Pre-cast segment review: Precast revenue/PBT for 1Q26 came in at MYR72mn/MYR6mn (-4%/ -18% q-q). PBT margin was at 8.3% vs 9.6% in 4Q25.

Rating Remains	Buy
Target price Remains	MYR 8.30
Closing price 18 May 2026	MYR 7.10

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Fig. 1: SunCon – 1Q26 results snapshot

MYR mn	1Q26	NMR FY26F	as % of NMR	Cons FY26F	as % of cons
Revenue	1,023	5,657	18%	5,832	18%
Adj PBT	155	583	27%	574	27%
Adj NPATAMI	118	405	29%	417	28%
Reported NPATAMI	118	405	29%	414	29%

Source: Company data, Bloomberg Finance L.P., Nomura estimates

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Fig. 2: SunCon – 1Q26 results review

MYR mn	1Q26	1Q25	% chg y-y	4Q25	% chg q-q	FY26F	as % of FY26F
Revenues	1,023	1,401	(27%)	1,016	1%	5,657	18%
Construction	951	1,370	(31%)	941	1%	5,184	18%
Precast concrete	72	31	136%	75	(4%)	473	15%
Operating profit	135	110	23%	129	5%	482	28%
Construction	131	109	20%	126	4%		
Precast concrete	4	1	655%	3	45%		
Adjusted Pretax profit	155	113	37%	163	(5%)	583	27%
Construction	149	112	33%	155	(4%)	554	27%
Precast concrete	6	1	379%	7	(18%)	28	21%
Core PAT	117	86	37%	126	(7%)	445	26%
Core PAT - equityholders	118	76	56%	118	0%	405	29%
Other one-off charges	0	0	NM	0	NM	0	NM
Headline NPAT - equityholders	118	76	56%	118	0%	405	29%
Adj Pretax margins	15.1%	8.1%	7 ppt	16.0%	-1 ppt	10.3%	
Construction	15.6%	8.2%	7 ppt	16.5%	-1 ppt	10.7%	
Precast concrete	8.3%	4.1%	4 ppt	9.6%	-1 ppt	6.0%	

Source: Company data, Nomura estimates

Fig. 3: SunCon's outstanding orderbook

As of end-1Q26

MYR mn	Contract Sum	Outstanding order book
Infrastructure/Piling		
RTS Link Package 1B and 5	558	28
Building		
Oxley Tower + VO	73	6
Daiso	285	25
Data Centre		
JHB1X0 - Data Centre & TIW	4,135	51
JHB1X0 - Building 2	196	130
JHB01 - Core & Shell Works	539	472
General contractor Works - Shell 1 MNC	1,546	1,039
General contractor Works - Shell 2 MNC	1,532	1,362
PSR - MNC	778	124
PSR - MNC - JB01	153	153
PSR - MNC - JB02	88	88
K2 Building 4 + VO	458	53
Data centre - Serendah	1,750	1,750
India		
Thorapalli Agraharam - Jittandahalli	508	63
Internal		
South Quay Square - Superstructure + VO	1,134	124
SMC4 Phase 3 - Fit-out	80	15
SW Ipoh Mall	721	477
RTS Transit Oriented Development Project	1,500	1,185
Sunway Ipoh Mall Extension - Hotel	224	224
Sunway Ipoh Mall Extension - Office	63	63
Singapore		
Precast	967	690
External - New order 2026	35	35
Total	17,322	8,157

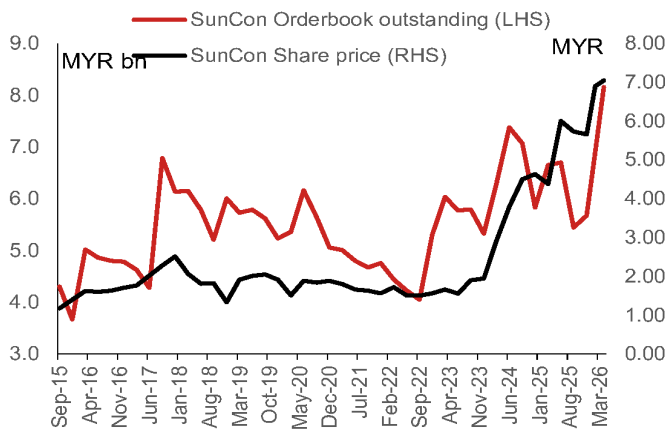
Source: Company data, Nomura research

Fig. 4: YTD 2026 orderbook replenishment

Project	Duration	Contract Sum (MYR mn)
1Q26		
JHB1X0 - Tenant improvement works	Feb-26	16
General contractor Works - Shell 2 - Package A	May-27	574
General contractor Works - Shell 2 - Package B	May-27	572
JHB1X0 - Building 2	May-26	171
Data centre - Serendah	Jul-28	1,750
Precast - Large Panel Slab & Nursing Home	4Q28	35
General contractor Works - Shell 1 - Package A	Apr-27	116
General contractor Works - Shell 1 - Package B	Apr-27	116
PSR - JB01	Apr-28	153
PSR - JB02	Nov-27	88
Total		3,590

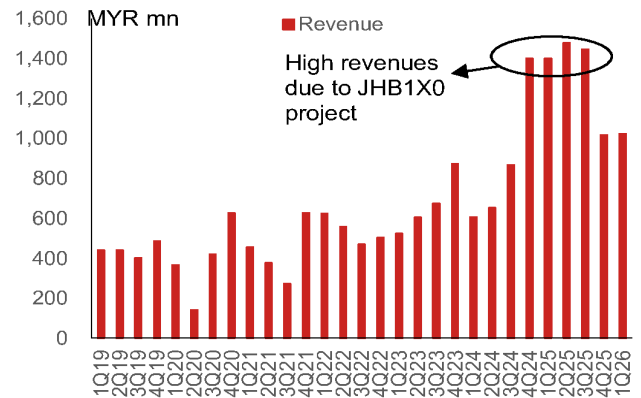
Source: Company data, Nomura research

Fig. 5: SunCon: Orderbook vs share price



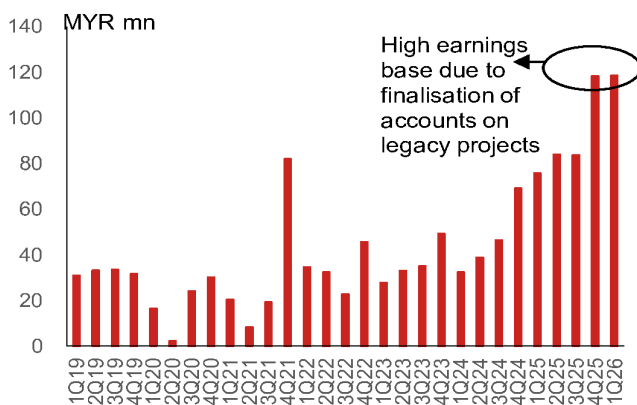
Source: Company data, Bloomberg, Nomura research

Fig. 6: SunCon: Quarterly revenue trend



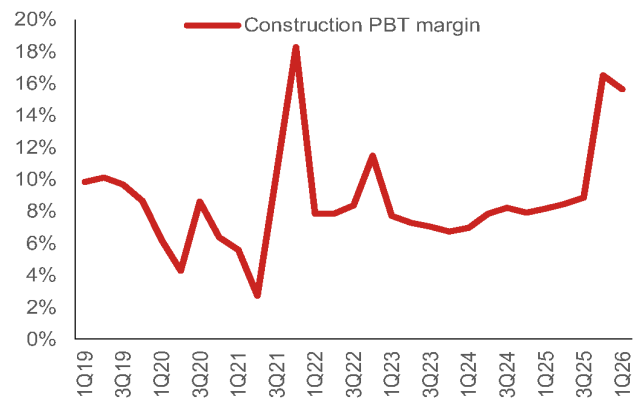
Source: Company data, Nomura research

Fig. 7: SunCon: Quarterly net income trend



Source: Company data, Nomura research

Fig. 8: SunCon: Quarterly construction PBT margin trend



Source: Company data, Nomura research

Fig. 9: SunCon: earnings summary

MYR mn	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F
Revenues	1,881	1,917	1,789	2,076	2,257	1,769	1,553	1,729	2,155	2,671	3,522	5,339	5,657	5,572	5,689
Construction	1,626	1,664	1,502	1,931	2,123	1,619	1,455	1,606	1,974	2,381	3,327	5,132	5,184	5,089	5,317
Precast concrete	255	253	287	145	134	150	97	123	182	290	195	207	473	483	371
% breakdown															
Construction	86%	87%	84%	93%	94%	92%	94%	93%	92%	89%	94%	96%	92%	91%	93%
Precast concrete	14%	13%	16%	7%	6%	8%	6%	7%	8%	11%	6%	4%	8%	9%	7%
Core PBT	148	137	137	167	189	158	102	170	184	189	273	526	583	526	549
Construction	49	60	78	139	188	155	99	166	173	170	260	512	554	497	527
Precast concrete	99	77	58	28	1	3	3	3	11	19	13	14	28	29	22
% breakdown															
Construction	33%	44%	57%	83%	99%	98%	97%	98%	94%	90%	95%	97%	95%	94%	96%
Precast concrete	67%	56%	43%	17%	1%	2%	3%	2%	6%	10%	5%	3%	5%	6%	4%
PBT margins	7.9%	7.2%	7.6%	8.0%	8.4%	8.9%	6.5%	9.8%	8.5%	7.1%	7.8%	9.8%	10.3%	9.4%	9.7%
Construction	3.0%	3.6%	5.2%	7.2%	8.8%	9.6%	6.8%	10.3%	8.8%	7.1%	7.8%	10.0%	10.7%	9.8%	9.9%
Precast concrete	39.0%	30.4%	20.3%	19.0%	0.8%	1.8%	2.8%	2.8%	5.9%	6.5%	6.4%	6.6%	6.0%	6.0%	6.0%
Construction orderbook (MYR bn)		3.7	4.8	6.1	6.0	5.2	5.1	4.8	5.3	5.3	5.8	5.7	6.8	6.3	5.8
Orderbook replenishment (MYR bn)	0.8	2.6	2.7	3.7	1.6	1.8	2.3	1.5	2.6	2.5	4.2	5.2	6.8	6.3	5.8

Source: Company data, Nomura estimates

Appendix A-1

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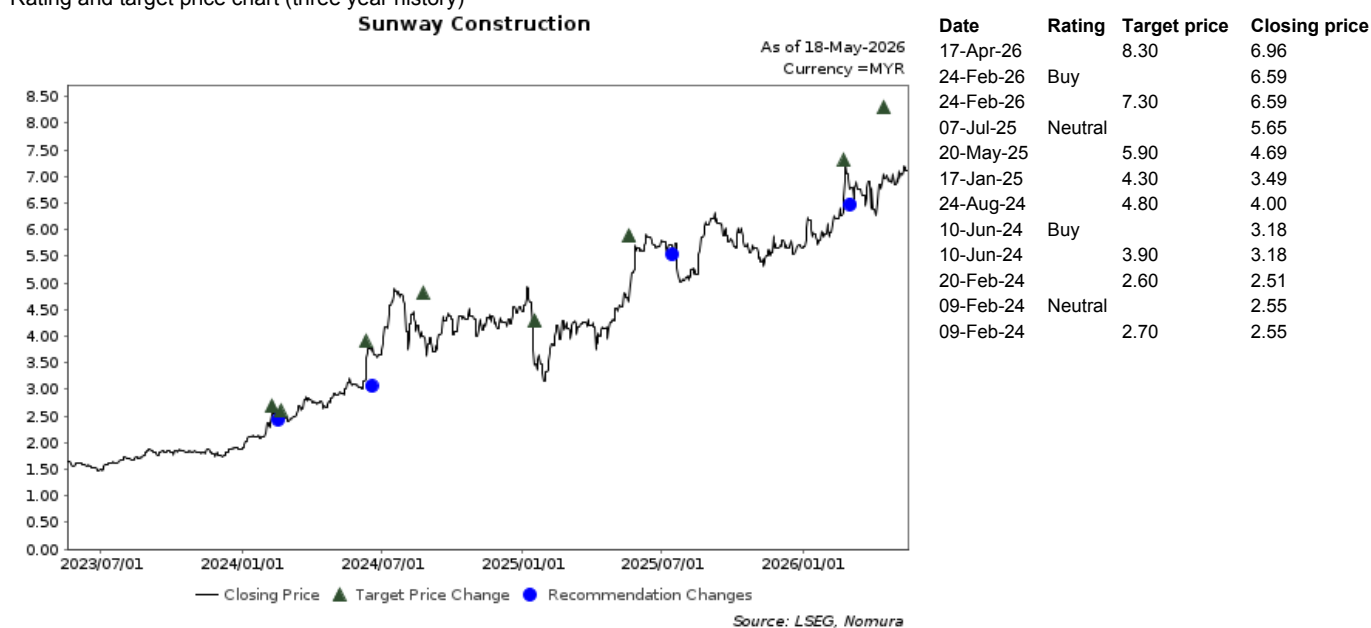
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sunway Construction	SCGB MK	MYR 7.10	18-May-2026	Buy	N/A	

Sunway Construction (SCGB MK)

MYR 7.10 (18-May-2026) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value SunCon at a target P/E of 27x on FY26F earnings estimate of MYR405mn. We arrive at our TP of MYR8.30. The benchmark index for the stock is FTSE Bursa Malaysia KLCI Index.

Risks that may impede the achievement of the target price Downside risk to our view are: 1) delays in construction project awards; 2) lower-than-expected margins due to cost escalation; 3) lower pre-cast earnings; 4) a lack of new infra/DC projects; 5) risk of project cancellation, delays or arbitration, 6) delay in monetisation of receivables.

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As at 31 March 2026.

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