

"Strongest ever set of results"

Share price performance



	1M	6M	12M
Absolute (%)	8.8	3.6	41.8
Rel KLCl (%)	6.8	(5.6)	28.7

	BUY	HOLD	SELL
Consensus	11	4	0

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,322.5
MCap (RMm/US\$m)	8,345/2,138
Avg daily vol (m)	19.2
52-wk range (RM)	3.9-6.6
Est free float	34.7%
Stock Beta	0.99
Net cash/(debt)	1,699.82
ROE (CY26E)	46.8
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good	Yes
Constituent	
FBM EMAS (Top)	Top 26-50%
ESG Rank	
ESG Risk Rating*	31.0 (3.7 yoy)

Key Shareholders

Sunway Berhad	60.3%
EPF	4.2%
ASN	2.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics
*Full ESG commentary inside

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Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +27%

Price Target: RM8.00

Previous Target (Rating): RM6.70 (Buy)

Consistently outperforming

- Sunway Construction's (SunCon) 2025 core net profit surged 2.6x yoy to RM425m, comfortably beating expectations
- SunCon set a RM6bn replenishment target for 2026E, underpinned by a robust RM17.5bn tender book with >90% from DCs; repeat jobs from clients undergoing expansions will likely anchor major wins for this year
- We suggest sticking with the biggest winner of the DC theme and lift our 2026-27E earnings by 31% on faster billings and higher margins; maintain our BUY call with RNAV-based TP lifted to RM8.00, implying target 2026E PER of 22x

A sound beat

SunCon's 2025 core net profit surged 2.6x yoy to RM425.1m, soundly beating both our and consensus estimates by 23-24%, respectively. The outperformance was margin-led, as construction PBT margins reached c.10%, well above management's typical 6-8% guidance, while revenue rose 52% yoy to RM5.3bn on higher progress billings. Sequentially, core earnings climbed 63% qoq and 127% yoy despite revenue contracting 30% qoq and 27% yoy in 4Q25, which we attribute to cost savings from early completion of the JHB1X0 project. Total dividends amounted to 50.5 sen (incl. 23 sen special dividend), implying a trailing yield of c. 8%; with management committed to a 100% payout ratio, we estimate sustainable yields of c. 6% for FY27-28E.

Tailwinds aligning for SunCon

Looking ahead to 2026, SunCon is guiding for RM6bn in new contract wins after achieving RM5.2bn replenishment in 2025. Replenishment should remain data centre-led, as we understand c.90% of its RM17.5bn tender book comprises DC projects, though timing of awards will be key to sustaining earnings momentum. We expect a meaningful portion of wins to come from repeat clients entering expansion phases (ie. JHB1X0 Building 2, Core & Shell works for Shell 2 for an MNC client). We also think that SunCon may have a stronger chance at securing DC jobs from a premier hyperscaler, as a major competitor navigates ongoing regulatory headwinds. Overall, 2026 looks to be another record year for SunCon.

Stick with the winner; maintain our BUY call and lift TP to RM8.00

Post-earnings beat, we lift the 2026-27E earnings by c.31% on faster progress billings, higher margin assumptions, and a RM6bn replenishment assumption for 2026E. We also introduce 2028E forecasts, pencilling in a c.1% yoy earnings decline as we expect replenishment to plateau over 2027-28E (albeit with some upside risk). After the revisions, SunCon now screens as the cheapest among large-cap peers, trading at just 17x forward PER, in line with its 10-year mean. We raise our RNAV-based TP to RM8.00 after lifting sustainable construction earnings to RM450m (from RM350m); this implies a target 2026E PER of 22x or +1SD above the 10-year mean. SunCon now replaces Gamuda at the top of our sector pecking order, backed by a structurally higher earnings base that supports further re-rating, alongside a lofty dividend yield

Earnings and Valuation Summary

FYE 31 Dec (RMm)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMm)	3,521.7	5,338.7	6,579.0	6,680.8	6,424.4
EBITDA (RMm)	259.1	547.1	641.4	688.2	680.4
Pretax profit (RMm)	273.0	525.5	687.6	725.9	716.8
Net profit (RMm)	186.9	361.8	482.3	511.4	504.4
EPS (sen)	14.1	27.4	36.5	38.7	38.1
PER (x)	44.6	23.1	17.3	16.3	16.5
Core net profit	166.5	425.1	482.3	511.4	504.4
Core EPS (sen)	12.6	32.1	36.5	38.7	38.1
Core EPS growth (%)	9.4	155.3	13.4	6.0	(1.4)
Core PER (x)	50.1	19.6	17.3	16.3	16.5
Net DPS (sen)	8.0	50.5	36.5	38.7	38.1
Dividend yield (%)	1.3	8.0	5.8	6.1	6.0
EV/EBITDA (x)	31.1	12.1	11.2	10.2	10.7
Chg in EPS (%)			31.1	31.6	
Affin/Consensus (x)			1.4	1.4	

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	2024	2025	YoY % chg	Comment
Revenue	1,400.3	1,445.2	1,016.1	(29.7)	(27.4)	3,521.7	5,338.7	51.6	2025: Higher construction (+54% yoy) and precast (+6% yoy) revenue as progress billings for DC projects accelerate
Op costs	(1,305.8)	(1,335.0)	(845.4)	(36.7)	(35.3)	(3,262.6)	(4,809.9)	47.4	
EBITDA	94.5	110.2	170.7	54.9	80.7	259.1	528.8	104.1	
<i>EBITDA margin (%)</i>	6.7	7.6	16.8	9.2 ppt	10.1 ppt	7.4	9.9	2.5 ppt	
Depn and amort	(3.7)	(3.7)	(6.4)	73.8	72.7	(17.3)	(17.2)	(0.5)	
EBIT	90.8	106.5	164.3	54.2	81.0	241.8	511.6	111.6	
<i>EBIT margin (%)</i>	6.5	7.4	16.2	8.8 ppt	9.7 ppt	6.9	9.6	2.7 ppt	
Interest income	33.2	39.6	37.0	(6.6)	11.3	75.7	108.8	43.8	Higher returns on cash in tandem with higher cash balance.
Interest expense	(14.6)	(13.6)	(7.6)	(44.5)	(47.9)	(65.2)	(46.9)	(28.1)	
Associates	0.0	5.4	4.7	(13.4)	NA	0.3	15.3	5,048.0	
Forex gain (losses)	(0.4)	(2.1)	(4.4)	114.1	1,151.0	0.5	(6.6)	NA	
Exceptional items	1.5	(8.8)	(31.4)	256.2	NA	19.8	(56.7)	NA	
Pretax profit	110.6	127.1	162.6	28.0	47.1	273.0	525.5	92.5	Higher PBT mainly due to higher revenue and high-margin DC jobs.
Tax	(32.7)	(30.7)	(36.9)	20.4	12.9	(75.9)	(123.5)	62.6	
<i>Tax rate (%)</i>	29.6	25.2	23.4	(1.8 ppt)	(6.2 ppt)	27.9	24.2	(3.7 ppt)	
Minority interests	(8.7)	(12.6)	(7.3)	(41.9)	(16.0)	(10.1)	(40.3)	298.4	
Net profit	69.2	83.8	118.4	41.3	71.2	186.9	361.8	93.6	Above expectations.
EPS (sen)	5.4	6.4	9.0	40.8	67.5	14.5	27.7	91.3	
Core net profit	68.0	94.6	154.2	62.9	126.7	166.5	425.1	155.3	Above expectations. Exclude one-off items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	2024	2025	YoY % chg
Construction	1,353.9	1,387.4	940.8	(32.2)	(30.5)	3,326.9	5,131.6	54.2
Precast concrete	46.4	57.8	75.3	30.2	62.1	194.8	207.1	6.3
Total	1,400.3	1,445.2	1,016.1	(29.7)	(27.4)	3,521.7	5,338.7	51.6

Source: Affin Hwang, Company

Fig 3: Segmental PBT breakdown

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	2024	2025	YoY % chg
Construction	107.2	123.0	155.4	26.3	45.0	260.4	511.8	96.5
Precast concrete	3.4	4.0	7.2	79.5	111.7	12.5	13.7	9.5
Total	110.6	127.1	162.6	28.0	47.1	273.0	525.5	92.5

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

FYE 31 Dec (%)	4Q24	3Q25	4Q25	QoQ ppt chg	YoY ppt chg	2024	2025	YoY ppt chg
Construction	7.9	8.9	16.5	7.6	8.6	7.8	10.0	2.1
Precast concrete	7.4	7.0	9.6	2.6	2.3	6.4	6.6	0.2
Total	7.9	8.8	16.0	7.2	8.1	7.8	9.8	2.1

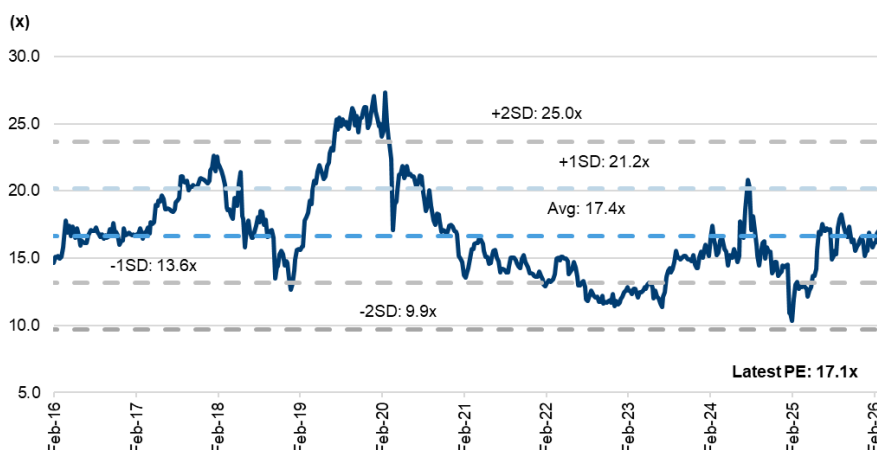
Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segments	Stake (%)	New RNAV (RMm)	Old RNAV (RMm)	Change (%)
Construction @ PER 20x sustainable earnings of RM450m	100	9,000	7,000	29
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640	640	0
Investment in Singapore IPPH JV @ book value	50	47	47	0
Book value of Indian highways	60	101	101	0
Net cash/(debt)		835	835	NA
RNAV		10,623	8,623	23
No. of shares (m)		1,323	1,290	3
RNAV/share (RM)		8.00	6.70	19
Target price		8.00	6.70	19

Source: Affin Hwang, Company

Fig 6: 12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 7: New contract wins YTD

PROJECTS (2025 NEW AWARDS)	CLIENT	COMPLETION DATE	CONTRACT SUM (RM'MIL)
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	167
BEDOK N8C14	LS CONSTRUCTION PTE LTD	DEC-26	73
K2 BUILDING 4	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-26	393
RTS TRANSIT ORIENTED DEVELOPMENT PROJECT (RTS TOD)	SUNWAY INTEGRATED PROPERTIES SDN BHD	NOV-27	1,500
ECI & ENABLING WORKS - SHELL 1 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	50
ECI & ENABLING WORKS - SHELL 1 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	APR-25	31
SECURED IN 1Q 2025			2,214
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	71
GENERAL CONTRACTOR WORKS - SHELL 1 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	FEB-27	579
GENERAL CONTRACTOR WORKS - SHELL 1 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	FEB-27	576
K2 BUILDING 4 - VO	K2 STRATEGIC INFRASTRUCTURE MALAYSIA SDN BHD	MAR-26	65
JURONG WEST N1C34	LIM WEN HENG CONSTRUCTION PTE LTD	JUN-28	25
KALLANG WHAMPOA C76	LS CONSTRUCTION PTE LTD	APR-28	39
LPS TERM CONTRACT BATCH 16	HOUSING AND DEVELOPMENT BOARD	JAN-28	87
SITE EARLY WORKS - SHELL 2 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	JAN-26	44
SITE EARLY WORKS - SHELL 2 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	JAN-26	45
PROJECT CJ	LIAN BENG CONSTRUCTION (1988) PTE LTD	AUG-27	61
SECURED IN 2Q 2025			1,592
SUNWAY SQUARE - SHELL ADVANCE WORKS	SUNWAY SOUTH QUAY SDN BHD	OCT-25	1
PROJECT CQ	SANCHOON BUILDERS PTE LTD	AUG-28	91
JHB1X0 - B2 PILING	YELLOWWOOD PROPERTIES SDN BHD	FEB-27	25
JHB1X0 - TENANT IMPROVEMENT WORKS	YELLOWWOOD PROPERTIES SDN BHD	FEB-26	4
SECURED IN 3Q 2025			121
JHB01 - CORE & SHELL WORKS	MULTINATIONAL TECHNOLOGY CORPORATION	NOV-26	539
SUNWAY IPOH MALL EXTENSION	SUNWAY LOST WORLD WATER PARK SDN BHD	SEP-27	153
GENERAL CONTRACTOR WORKS - SHELL 2 - PACKAGE A	MULTINATIONAL TECHNOLOGY COMPANY	OCT-26	146
GENERAL CONTRACTOR WORKS - SHELL 2 - PACKAGE B	MULTINATIONAL TECHNOLOGY COMPANY	OCT-26	151
SUNWAY IPOH MALL EXTENSION - HOTEL	SUNWAY LOST WORLD WATER PARK SDN BHD	MAY-29	224
SUNWAY IPOH MALL EXTENSION - OFFICE	SUNWAY LOST WORLD WATER PARK SDN BHD	APR-28	63
POLYCLINIC AT CLEMENTI CLOSE	ZHENG KENG ENGINEERING & CONSTRUCTION PTE LTD	AUG-26	5
SECURED IN 4Q 2025			1,280
TOTAL AS AT DECEMBER 2025			5,207

Source: Company



Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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