

"Surprise early payment of special dividends in 1Q26"

Share price performance



	BUY	HOLD	SELL
Consensus	14	1	0

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Consensus	14	1	0

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,327.9
MCap (RMm/US\$m)	9,428/2,386
Avg daily vol (m)	19.3
52-wk range (RM)	4.8-7.3
Est free float	34.9%
Stock Beta	1.05
Net cash/(debt)	1,690.05
ROE (CY26E)	46.8
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good	Yes
Constituent	

Key Shareholders

Sunway Berhad	60.3%
EPF	4.2%
ASN	2.3%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +13%

Price Target: RM8.00

Previous Target (Rating): RM8.00 (Buy)

Special dividend streak

- Sunway Construction (SunCon) posted strong **39%** yoy jump in core net profit to **RM114m** in 1Q26, driven by improved profitability on completion of several data centre (DC) projects; broadly within market and our expectations
- High net contract wins of **RM3.6bn** YTD 2026 and on track to hit target of **RM6bn** as tender book remains high at **15.3bn**. Hyperscalers' DC pipeline in Malaysia remains strong and SunCon remains a frontrunner for several projects
- Earlier-than-expected special dividend declared and on track to achieve **100%** payout ratio and attractive net yield of **5.1%**. SunCon remains a top market and sector BUY with unchanged target price (TP) of **RM8.00**

Earnings are broadly within expectations

SunCon's core net profit of **RM114m** (+**39%** yoy; **-26%** qoq) in 1Q26 was broadly within expectations at 24-27% of full-year consensus and our forecasts of **RM417-482m**. Revenue fell 27% yoy but up 1% qoq to **RM1.02bn** in 1Q26 due to the high base in 1Q25 that saw accelerated progress billings for the Johor Bahru-Singapore RTS Link and several DC projects. These projects are at the tail-end in 4Q25 and 1Q26, while new projects are still at preliminary stages of construction leading to lower revenue on a yoy basis. However, the improved profitability for some of these near-completion projects boosted PBT by 37% yoy but down 5% qoq to **RM155m** in 1Q26. This is reflected in the doubling of PBT margins from 8.2% in 1Q25 to 16.5% in 4Q25 and 15.1% in 1Q26.

Good start to the year for new contract wins

SunCon secured **RM3.6bn** in new DC contracts in 1Q26 and is on track to meet its target of **RM6bn** in 2026. As a result, its remaining order book was lifted to a new record-high of **RM8.2bn** at end-1Q26, which will last until mid-2029 and provide good earnings visibility. Its strong track record of completing DCs with total IT load of 180MW and undertaking works for 10 DC projects with total IT load of 270MW for global technology clients highlights the company's strong market position in the booming DC construction market. It has submitted tenders for DCs with total IT load of >800MW, which comprise about 90% of its **RM15.3bn** tender book. In addition, potential new contracts from parent Sunway (SWB MK, **RM5.43**, HOLD) are worth over **RM1bn** for 2 new hospitals and additional works for the RTS Link transport-oriented development project.

Attractive net yield for a growth stock

SunCon announced a special dividend of 15.2 sen and first interim dividend of 7.6 sen with ex-date of 9 June 2026, a second consecutive quarter of special dividend declaration. This is supported by its still-high net cash of **RM1.22bn** of **RM0.92/share** following the first special dividend payout. We maintain our earnings and DPS forecasts assuming 100% payout ratio, giving reasonable 3-year core EPS CAGR of 6% and attractive net yield of 5.1-5.4% in 2026-28E. We reiterate our BUY call with RNAV-based TP of **RM8.00**.

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)	50.2	26.0	19.5	18.4	18.6
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)	56.4	22.1	19.5	18.4	18.6
Net DPS (sen)	8.0	50.5	36.5	38.7	38.1
Dividend yield (%)	1.1	7.1	5.1	5.4	5.4
EV/EBITDA (x)	33.9	13.5	12.3	11.2	11.7

Chg in EPS (%)

Affin/Consensus (x)

Source: Company, Bloomberg, Affin Hwang forecasts

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1.2 1.2 1.1

Fig 1: Results Comparison

FYE Dec (RMm)	1Q25	4Q25	1Q26	QoQ % chg	YoY % chg	Comments
Revenue	1,400.5	1,016.1	1,022.7	0.6	(27.0)	1Q26: Lower construction revenue (-31% yoy) due to high base in 1Q25 from the accelerated progress billing on RTS Link and several DC projects in 1Q25. Partly offset by higher precast concrete revenue (+136% yoy) with the ICPH projects and new secured orders.
Op costs	(1,280.9)	(845.4)	(887.2)	4.9	(30.7)	
EBITDA	119.6	170.7	135.5	(20.6)	13.3	
<i>EBITDA margin (%)</i>	<i>8.5</i>	<i>16.8</i>	<i>13.2</i>	<i>(3.6 ppt)</i>	<i>4.7 ppt</i>	Higher margin yoy due to better profitability on completion of several projects. But lower qoq on lower project completion profit in 1Q26 compared to 4Q25.
Depn and amort	(3.6)	(6.4)	(4.9)	(23.9)	37.4	
EBIT	116.0	164.3	130.6	(20.5)	12.5	
<i>EBIT margin (%)</i>	<i>8.3</i>	<i>16.2</i>	<i>12.8</i>	<i>(3.4 ppt)</i>	<i>4.5 ppt</i>	
Interest income	14.3	37.0	22.5	(39.2)	57.5	
Interest expense	(12.9)	(7.6)	(4.4)	(41.8)	(65.8)	Lower interest expense is mainly due to lower net as deferred payment for a LSS4 project is received.
Associates	2.3	4.7	1.9	(58.8)	(16.1)	
Forex gain (losses)	0.1	(4.4)	(15.1)	243.6	(13,691.9)	
Exceptional items	(6.6)	(31.4)	19.2	(161.1)	(389.0)	
Pretax profit	113.2	162.6	154.7	(4.9)	36.6	Higher construction PBT (+33% yoy) and pre-cast concrete PBT (+380% yoy) on improved profitability for ongoing projects.
Tax	(27.5)	(36.9)	(37.7)	2.0	37.0	
<i>Tax rate (%)</i>	<i>24.8</i>	<i>23.4</i>	<i>24.7</i>	<i>1.3 ppt</i>	<i>(0.1 ppt)</i>	
Minority interests	(10.0)	(7.3)	1.4	(118.8)	(113.8)	
Net profit	75.7	118.4	118.4	0.0	56.4	Within expectations.
EPS (sen)	5.9	9.0	9.0	(0.1)	52.8	
Core net profit	82.2	154.2	114.3	(25.9)	39.0	Within expectations. Exclude one-off items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

FYE 31 Dec (RMm)	1Q25	4Q25	1Q26	QoQ % chg	YoY % chg
Construction	1,369.9	940.8	950.6	1.0	(30.6)
Precast concrete	30.6	75.3	72.1	(4.2)	135.6
Total	1,400.5	1,016.1	1,022.7	0.6	(27.0)

Source: Affin Hwang, Company

Fig 3: Segmental PBT breakdown

FYE 31 Dec (RMm)	1Q25	4Q25	1Q26	QoQ % chg	YoY % chg
Construction	112.0	155.4	148.7	(4.3)	32.8
Precast concrete	1.2	7.2	6.0	(17.6)	379.1
Total	113.2	162.6	154.7	(4.9)	36.6

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

FYE 31 Dec (%)	1Q25	4Q25	1Q26	QoQ ppt chg	YoY ppt chg
Construction	8.2	16.5	15.6	(0.9)	7.5
Precast concrete	4.1	9.6	8.3	(1.3)	4.2
Total	8.1	16.0	15.1	(0.9)	7.0

Source: Affin Hwang, Company

Fig 5: RNAV and target price

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

Source: Affin Hwang

Key risks

Key risks to our BUY call are a sharp rise in prices of building materials and fuel that will pressure profit margins for fixed-price contracts or supply shortage due to a prolonged Middle East conflict impacting global supply chain of refined petroleum products such as diesel for fuel. Another key risk to our positive view is the delay in the implementation of DC projects in Malaysia that will adversely impact SunCon's ability to achieve its new contract wins target.

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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