

19 May, 2026

Sunway Construction (SCGB MK)

Inline

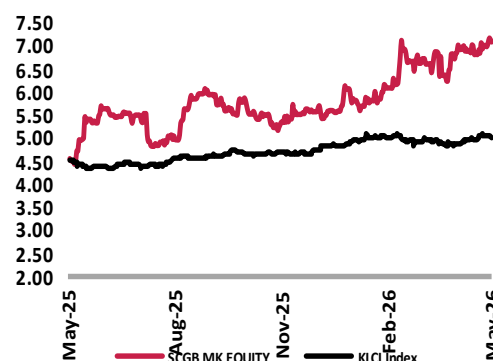
BUY ◀▶

Share Price RM7.10
Target Price RM8.28 +16.6%

Margins Stay Elevated as DC Momentum Accelerates

- Broadly within expectations.** SunCon core profit came in at RM114.3mn (+38.9% YoY; -25.9% QoQ), accounting for approximately 27% of both our and consensus FY26 forecasts. Earnings broadly within expectations, mainly driven by stronger-than-expected margin expansion within the construction segment, supported by accelerated progress in hyperscale data centre (DC) projects and ongoing cost optimisation initiatives. Group pretax margin remained elevated at 15.1%, sustaining the exceptionally strong 16.0% achieved in 4QFY25 and remaining well above its historical range of approximately 7%–8%.
- Dividend surprise.** The group declared a 1QFY26 dividend of 22.8 sen (7.6 sen interim + 15.2 sen special), substantially higher than the 5.0 sen declared in 1QFY25 and well above our expectations. Both dividends will be payable on 25 June 2026, implying an estimated total payout of approximately RM302.9mn. Despite the sizeable distribution, SunCon is expected to maintain its net cash position, supported by RM1.56bn cash balances against RM340.2mn borrowings as at end-1QFY26.
- Construction margins remain exceptionally strong.** Construction segment revenue declined 30.6% YoY but rose marginally by 1.0% QoQ to RM950.6mn as several existing DC packages approached completion while newer projects remained at early mobilisation stages. Despite this, construction pretax profit increased 32.8% YoY to RM148.7mn, with pretax margin remaining elevated at 15.6% (1QFY25: 8.2%; 4QFY25: 16.5%), supported by margin recalibration, accelerated project execution and improved operational efficiencies. The 1QFY26 performance was primarily driven by progress across several major DC projects, alongside continued contribution from RTS TOD and Sunway Ipoh Mall.
- DC exposure continues rising.** Outstanding orderbook stood at RM8.16bn, of which approximately 64% is DC-related, firmly establishing SunCon as one of Malaysia’s key listed proxies to hyperscale and AI infrastructure development. During the quarter, the group secured RM3.59bn of new contracts, representing approximately 60% of its FY26 replenishment target of RM6.0bn. Notably, management highlighted that approximately 99% of FY26 YTD wins were DC-related, underpinned by onboarding of a new international hyperscaler client and multiple new DC projects.
- Stronger hyperscale positioning.** SunCon disclosed that it has historically completed more than 180MW of DC capacity, with approximately 270MW currently under construction and over 800MW in ongoing tenders. We estimate the >800MW tender pipeline could potentially translate into more than RM15bn of project opportunities, highlighting the sizeable medium-term replenishment potential from hyperscale demand.
- Maintain Buy with a higher TP.** We revise our FY27F/FY28F earnings upward by 7.8%/9.0%, mainly to reflect structurally higher margin assumptions. While current margins are likely above normalized levels, we believe profitability has structurally shifted higher versus historical averages. Following our upward earnings revisions and the roll-forward of our valuation base year to FY27F, we **raise our TP to RM8.28 (from RM7.65)**, derived by pegging FY27F EPS of 34.5 sen to an unchanged 24x P/E, equivalent to +0.5SD above its 10-year historical mean. We **maintain our BUY recommendation.**

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	1.9	15.9	56.5
vs FBM KLCI	(0.5)	14.7	35.7

Stock Data	
ESG Rating	Good
Mkt Cap (RM mn)	9,423.9
Adjusted Beta	0.8
Free float (%)	80.5
Issued shares (mn)	1,329.2
52w H/L (RM)	7.4 / 4.635
3m avg daily volume	3,244,371

Major Shareholders (%)	
Sunway Holdings Sdn	11.3
ASNB	4.2
Generasi Setia	4.1

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Table 1: Results Review

Sunway Construction FYE 31 Dec (RMmn)	Quarterly			Change		BIMB	3M/F26
	1Q25	4Q25	1Q26	QoQ	YoY		
Revenue	1,400.5	1,016.1	1,022.7	0.6%	-27.0%	5,199.0	19.7%
EBIT	109.5	128.5	134.7	4.8%	23.0%		
Other income	4.8	1.2	22.5	1840.4%	363.6%		
Finance Income	14.3	37.0	22.5	-39.2%	57.5%		
Finance Cost	(12.9)	(7.6)	(4.4)	-41.8%	-65.8%		
Associates & JV	2.3	4.7	1.9	-58.8%	-16.1%		
Forex gain/(loss)	(0.1)	4.4	15.1	242.9%	nm		
Exceptional gain/(loss)	6.7	31.4	(19.2)	-161.1%	-386.3%		
Pretax Profit	113.2	162.6	154.7	-4.9%	36.6%		
Taxation	(27.5)	(36.9)	(37.7)	2.0%	37.0%		
Net Profit	75.7	118.4	118.4	0.0%	56.4%		
Core net profit	82.3	154.2	114.3	-25.9%	38.9%	419.9	27.2%
				Chg (ppts)			
EBIT margin	7.8%	12.6%	13.2%	0.5	5.3		
Pretax margin	8.1%	16.0%	15.1%	(0.9)	7.0		
Core net margin	5.9%	15.2%	11.2%	(4.0)	5.3		
Effective tax rate	-24.3%	-22.7%	-24.3%	(1.6)	(0.1)		

Source: Company, BIMB Securities

Table 2: Segmental Performance

Sunway Construction FYE 31 Dec (RMmn)	Quarterly			Change	
	1Q25	4Q25	1Q26	QoQ	YoY
Revenue					
Construction	1369.9	940.8	950.6	1.0%	-30.6%
Precast	30.6	75.3	72.1	-4.2%	135.6%
Total Revenue	1400.5	1016.1	1022.7	0.6%	-27.0%
Pretax profit					
Construction	112.0	155.3	148.7	-4.2%	32.8%
Precast	1.2	7.3	6.0	-18.4%	379.1%
Total Pretax Profit	113.2	162.6	154.7	-4.9%	36.6%
Pretax margin (%)				Chg (ppts)	
Construction	8.2%	16.5%	15.6%	(0.9)	7.5
Precast concrete	4.1%	9.7%	8.3%	(1.4)	4.2
Total	8.1%	16.0%	15.1%	(0.9)	7.0

Source: Company, BIMB Securities

Table 3: Earnings forecasts

FYE 31 Dec (RMmn)	2024	2025	2026F	2027F	2028F
Revenue	3521.7	5338.7	5199.0	6354.0	6748.0
Pre-tax profit	273.0	525.5	610.0	660.0	709.0
Core net profit	171.5	425.3	419.9	454.3	488.1
Core EPS (sen)	13.0	32.3	31.9	34.5	37.0
Core EPS growth (%)	0.8	148.0	-1.3	8.2	7.4
PER (x)	35.6	17.5	22.3	20.6	19.2
BVPS (sen)	0.7	0.8	0.8	0.9	1.0
P/B (x)	10.4	8.6	8.6	7.7	6.8
DPS (sen)	8.5	50.5	31.9	24.1	25.9
Div. Yield (%)	1.2	7.1	4.5	3.4	3.7
Net gearing (x)	(0.3)	(1.6)	(1.0)	(1.1)	(1.0)
Key Ratios (%)					
ROE	22.0	36.8	38.6	39.3	37.6
Pretax margin	7.8	9.8	11.7	10.4	10.5
Core net margin	5.3	6.8	8.1	7.2	7.2

Source: Company, BIMB Securities

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BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

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