

**HLIB Research**

PP 9484/12/2012 (031413)

**Brian Chin**
[brianchin@hlib.hongleong.com.my](mailto:brianchin@hlib.hongleong.com.my)

(603) 2083 1722

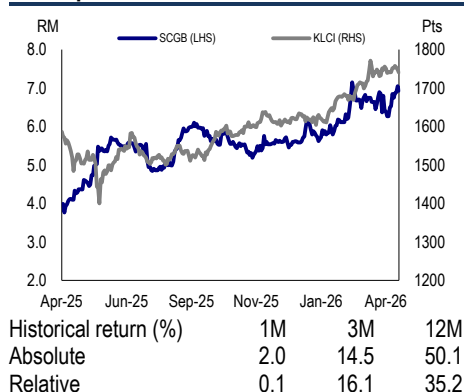
**BUY** (Maintain)

**Target Price:** **RM9.10**
**Previously:** **RM9.10**
**Current Price:** **RM7.10**

Capital upside	28.2%
Dividend yield	6.6%
Expected total return	34.8%

**Sector coverage:** Construction

**Company description:** SunCon is involved in construction and precast products.

**Share price**

**Stock information**

Bloomberg ticker	SCGB MK
Bursa code	5263
Issued shares (m)	1,329
Market capitalisation (RM m)	9,437
3-mth average volume ('000)	3,244
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

**Major shareholders**

Sunway Berhad	54.6%
---------------	-------

**Earnings summary**

FYE (Dec)	FY25	FY26f	FY27f
PATMI - core (RM m)	425.1	412.5	502.8
EPS - core (sen)	32.0	31.0	37.8
P/E (x)	22.2	22.9	18.8

# Sunway Construction Group

## Surprise payday

SunCon reported 1QFY26 core PATAMI of RM114.3m (-26% QoQ, +39% YoY), which came in within both our and consensus expectations at 27% of full year forecast. Declared first interim DPS of 7.6 sen and special DPS of 15.2 sen, bringing the total divvy tally to 22.8 sen (ex-date: 9 Jun). Core PATAMI rose 39% YoY, driven by robust margin expansion due to an upward recalibration on its key DC projects. SunCon's orderbook stands at RM8.2bn (1.5x cover on FY25 revenue). Maintain our forecasts and BUY rating with an unchanged TP of RM9.10.

**Inline.** SunCon reported 1QFY26 results with revenue of RM1.02bn (+0.6% QoQ, -27% YoY) and core PATAMI of RM114.3m (-26% QoQ, +39% YoY). Results came in within both our and consensus expectations at 27% of full year forecast. 1QFY26 results have been adjusted mainly for reversal of impairment losses for receivables (-RM20.4m) and total forex loss (RM15.1m).

**Dividends.** Declared first interim DPS of 7.6 sen and special DPS of 15.2 sen, amounting a total divvy declared of 22.8 sen (ex-date: 9 Jun). The special divvy came as a positive surprise, which prompts us to raise our payout assumption to 150% (FY25: 184%). This implies a full year DPS of 46.6 sen and dividend yield of 6.6% based on current share price.

**QoQ.** Core net profit was down 26% as certain data centre (DC) projects achieved advanced completion rates in 4Q25, in addition to recognition of early completion incentives for its key DC project in Johor that had boosted bottom line in the preceding quarter. Still, core net margin remained elevated at 11% (4Q25: 15%). With selected jobs on track for project closure in 1H26, we expect margins in the coming quarter to stay fairly comparable.

**YoY.** Despite a 27% decline in revenue, core PATAMI rose 39%, driven by a near-doubling of core net margin to 11% (+530bps). The strong margin expansion was primarily due to an upward recalibration on its key DC projects. In addition to SunCon's traditionally conservative margin recognition at the start of projects, strong execution and early completion further boosted profitability.

**Outlook.** SunCon has secured RM3.6bn in new contract wins YTD, lifting its orderbook to RM8.2bn as at March 2026 (1.5x cover on FY25 revenue). Its tenderbook stands at a sizable RM15bn, of which c.RM4bn comprises high-certainty upsizing opportunities from existing clients, based on our estimates. These are expected to support progress towards our FY26 new order win assumption of RM8bn (vs SunCon's RM6bn target). Notably, SunCon's tender pipeline includes over 800MW of DC bids. With a net cash position of RM1.2bn and the potential monetisation of long-term receivables, we believe the group has the capacity to distribute over 100% dividend payout for both FY26 and FY27.

**Forecast.** Unchanged.

**Maintain BUY, TP: RM9.10.** We maintain our BUY rating with an unchanged TP of RM9.10, based on FY27 EPS pegged to 23x PE (+0.5SD above the 2-year average of 22x) and incorporating an assumed net cash per share of RM0.40. In our view, SunCon's premium valuation is justified given its (i) strong alpha to the DC theme, (ii) robust execution capabilities with solid margin delivery, and (iii) superior ROEs alongside an attractive dividend yield of 6.6% (150% payout).

**Figure #1** Quarterly results comparison

FYE Dec (RM m)	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)
Revenue	1,400.5	1,016.1	1,022.7	0.6	(27.0)
EBIT	116.2	165.3	130.6	(21.0)	12.4
Finance income	14.3	35.9	22.5	(37.5)	57.5
Finance cost	(12.9)	(7.6)	(4.4)	(41.8)	(65.8)
PBT	119.9	198.3	150.6	(24.1)	25.6
PAT	92.4	161.4	112.9	(30.0)	22.2
Core PATMI	82.4	154.1	114.3	(25.8)	38.7
Reported PATMI	75.7	118.4	119.7	1.1	58.0
Core EPS (sen)	6.2	11.6	8.6	(25.8)	38.7
EBIT margin (%)	8.3	16.3	12.8		
PBT margin (%)	8.6	19.5	14.7		
PATMI margin (%)	5.9	15.2	11.2		

HLIB Research, Bursa

**Financial Forecast**

All items in (RM m) unless otherwise stated

**Balance Sheet**

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	1,015.8	2,000.1	1,259.9	1,378.7	1,289.4
Receivables	1,968.9	1,789.2	1,889.6	2,143.0	1,873.1
Inventories	43.3	60.1	61.3	68.9	60.4
PPE	85.1	122.1	130.0	136.4	136.4
Others	483.2	452.5	462.5	472.5	487.5
<b>Assets</b>	<b>3,596.2</b>	<b>4,424.0</b>	<b>3,803.3</b>	<b>4,199.5</b>	<b>3,846.8</b>
Debts	730.6	300.2	358.1	402.4	352.6
Payables	1,805.7	2,965.2	2,453.0	2,756.2	2,415.0
Others	121.4	293.3	293.3	293.3	293.3
<b>Liabilities</b>	<b>2,657.7</b>	<b>3,558.7</b>	<b>3,104.4</b>	<b>3,451.9</b>	<b>3,060.8</b>
Shareholder's equity	877.9	783.9	577.7	577.7	577.7
Minority interest	60.6	81.4	121.2	169.9	208.3
<b>Equity</b>	<b>938.5</b>	<b>865.3</b>	<b>698.9</b>	<b>747.6</b>	<b>785.9</b>

**Cash Flow Statement**

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	254.2	588.9	592.0	722.5	575.1
Depreciation & amortisation	17.3	17.2	17.1	18.6	20.0
Changes in working capital	539.9	1,322.3	(613.7)	42.2	(62.8)
Share of JV profits	(0.3)	(15.3)	(10.0)	(10.0)	(15.0)
Taxation	(71.1)	(123.5)	(139.7)	(171.0)	(134.4)
Others	(23.4)	(170.5)	-	-	-
<b>Operating cash flow</b>	<b>716.4</b>	<b>1,619.1</b>	<b>(154.3)</b>	<b>602.3</b>	<b>382.9</b>
Net capex	32.5	52.0	(25.0)	(25.0)	(20.0)
Others	106.0	(81.1)	-	-	-
<b>Investing cash flow</b>	<b>138.4</b>	<b>(29.1)</b>	<b>(25.0)</b>	<b>(25.0)</b>	<b>(20.0)</b>
Changes in borrowings	(195.3)	(430.4)	57.9	44.3	(49.8)
Issuance of shares	-	119.8	-	-	-
Dividends paid	(112.9)	(671.0)	(618.8)	(502.8)	(402.4)
Others	4.9	374.0	-	-	-
<b>Financing cash flow</b>	<b>(303.4)</b>	<b>(607.6)</b>	<b>(560.9)</b>	<b>(458.5)</b>	<b>(452.2)</b>
<b>Net cash flow</b>	<b>551.5</b>	<b>982.4</b>	<b>(740.2)</b>	<b>118.8</b>	<b>(89.3)</b>
Forex	-	-	-	-	-
Others	(6.1)	1.9	-	-	-
Beginning cash	470.4	1,015.8	2,000.1	1,259.9	1,378.7
Ending cash	1,015.8	2,000.1	1,259.9	1,378.7	1,289.4

**Income Statement**

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
<b>Revenue</b>	<b>3,521.7</b>	<b>5,338.7</b>	<b>5,305.4</b>	<b>6,017.0</b>	<b>5,259.1</b>
EBITDA	260.6	528.8	515.5	653.3	501.5
EBIT	243.4	511.6	498.4	634.7	481.5
Net finance income/ (cost)	10.5	61.9	83.6	77.9	78.6
Associates & JV	0.3	15.3	10.0	10.0	15.0
<b>Profit before tax</b>	<b>254.2</b>	<b>588.9</b>	<b>592.0</b>	<b>722.5</b>	<b>575.1</b>
Tax	(71.1)	(123.5)	(139.7)	(171.0)	(134.4)
<b>Net profit</b>	<b>183.0</b>	<b>465.4</b>	<b>452.3</b>	<b>551.5</b>	<b>440.7</b>
Minority interest	(10.1)	(40.3)	(39.8)	(48.7)	(38.3)
<b>Core PATAMI</b>	<b>172.9</b>	<b>425.1</b>	<b>412.5</b>	<b>502.8</b>	<b>402.4</b>
Exceptional items	14.0	(63.4)	-	-	-
Reported earnings	186.9	361.8	412.5	502.8	402.4

**Valuation & Ratios**

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	13.0	32.0	31.0	37.8	30.3
P/E (x)	54.6	22.2	22.9	18.8	23.4
EV/EBITDA (x)	37.2	18.3	18.8	14.8	19.3
DPS (sen)	8.5	50.5	46.6	37.8	30.3
Dividend yield	1.2%	7.1%	6.6%	5.3%	4.3%
BVPS (RM)	0.7	0.6	0.4	0.4	0.4
P/B (x)	10.7	12.0	16.3	16.3	16.3
EBITDA margin	7.4%	9.9%	9.7%	10.9%	9.5%
EBIT margin	6.9%	9.6%	9.4%	10.5%	9.2%
PBT margin	7.2%	11.0%	11.2%	12.0%	10.9%
Net margin	4.9%	8.0%	7.8%	8.4%	7.7%
ROE	20.4%	51.2%	60.6%	87.0%	69.7%
ROA	4.2%	7.7%	7.2%	9.4%	7.5%
Net gearing	CASH	CASH	CASH	CASH	CASH

**Assumptions**

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Construction	3,778	4,827	7,650	4,800	4,000
Precast	443	380	350	350	350
<b>Total new job wins</b>	<b>4,221</b>	<b>5,207</b>	<b>8,000</b>	<b>5,150</b>	<b>4,350</b>

## Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 19 May 2026, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 19 May 2026, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

### Published & printed by:

#### Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,  
No. 6, Jalan Damanlela,  
Bukit Damansara,  
50490 Kuala Lumpur  
Tel: (603) 2083 1800  
Fax: (603) 2083 1766

### Stock rating guide

<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

### Sector rating guide

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.