MBSB RESEARCH

Tuesday 19th. May 2026

Corporate Update

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

ESG 3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **TRADING BUY**

Revised Target Price **RM7.90**
(from RM7.68)

1QFY26 Results Review; Resilient Earnings Beat

Maintain TRADING BUY with a higher TP of RM7.90. SunCon is supported by strong fundamentals, resilient balance sheet, and promising growth prospects in the construction sector. SunCon continues its focus on the data centre (DC) construction segment, a key earnings driver, with 64% of its current RM8.20b order book dedicated to DC projects. Beyond the ATF segment, the group is diversifying into large-scale infrastructure, renewable energy projects, and private finance initiatives, while continuing to build on its track record in commercial and in-house works from Sunway Bhd. Balance sheet remains robust with a net cash position of RM1.60b.

Above expectations. Sunway Construction Group Berhad (SunCon) recorded a core net profit of RM118.4m (+56.4%yoy) in 1QFY26, driven by stronger margins across both the construction and precast segments. Despite lower revenue contribution from accelerated RTS Link and several data centre (DC) projects a year ago, the group delivered a stronger earnings profile supported by reversal of provisions and completed projects. The results came in above expectations, accounting for 29.6% and 29.2% of our and consensus full-year estimates respectively.

Construction segment. Revenue for the construction segment declined to RM950.6m (-30.6%yoy) in 1QFY26 mainly due to the higher base effect from accelerated progress in RTS Link and several DC projects in 1QFY25. Nevertheless, PBT rose strongly to RM148.7m (+32.7%yoy), with margins expanding to 15.6% from 8.2% a year ago, supported by completed projects and reversal of provisions. Sequentially, revenue remained broadly stable (+1.0%qoq), although margins eased slightly from the exceptionally strong 4QFY25 due to lower contribution from accelerated DC works.

RM8.2b order book. As at Mar-26, SunCon's outstanding order book stood at RM8.16b, providing earnings visibility up to FY29. DC projects make up the bulk of the order book at RM5.22b (64%), followed by internal Sunway Group jobs at RM2.09b (26%). Year-to-date, the group has secured RM3.59b of new jobs, surpassing 60% of its FY26 replenishment target of RM6.0b. Management highlighted that SunCon has delivered over 180MW of DC capacity and is currently managing ten ongoing projects for global technology clients.

Precast segment. The precast segment continued to record robust growth momentum, with revenue surging to RM72.1m (+135.6%yoy), driven by higher contributions from ICPH projects in Singapore and ramp-up of newly secured projects. PBT also expanded sharply to RM6.0m in 1QFY26 from RM1.2m in 1QFY25, while margins expanded 4.4ppt yoy to 8.3% in 1QFY26, supported by better operating leverage on higher project deliveries.

RETURN STATISTICS

Price @ 18th May 2026 (RM)	7.10
Expected share price return (%)	+11.3
Expected dividend yield (%)	+4.9
Expected total return (%)	+16.2

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	2.0	0.1
3 months	11.5	15.4
12 months	50.1	36.5

INVESTMENT STATISTICS

FYE Dec	2026F	2027F	2028F
Revenue	5147.2	6264..2	7075.7
Operating Profit	566.2	689.1	778.3
Profit Before Tax	514.7	626.4	707.6
Core Net Profit	411.8	469.8	566.1
Core EPS (sen)	31.1	35.5	42.8
DPS (sen)	46.0	46.0	46.0
Dividend Yield	6.5	6.5	6.5

KEY STATISTICS

FBM KLCI	1,727.71
Issued shares (m)	1321.35
Estimated free float (%)	36.06
Market Capitalisation (RM'm)	9,437.18
52-wk price range	RM4.63 - RM7.4
3-mth average daily volume (m)	3.24
3-mth average daily value (RM'm)	22.11
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	52.93
Sungei Way Corp Sdn Bhd	7.06
Employees Provident Fund Board	4.21

Analyst

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Earnings estimates and TP. We trimmed our FY26F revenue by 4% but raised our FY26F earnings by 2%, which translates to a net margin of 8%, reflecting 1.2ppt improvement from last year. We remain optimistic on SunCon given its strong exposure to the structurally booming data centre projects. Hence, we are revising our **TP** to **RM7.90**, pegging revised FY26F EPS of 31.1 sen to a PER of 24.6x, which is +1SD above its five-year mean.

SunCon: 1QFY26 Results Summary

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**	**3MFY26**	**3MFY25**	**YoY**
Revenue	1,022.7	1,016.1	1,400.5	**0.6%**	**-27.0%**	1,022.7	1,400.5	**-27.0%**
Net Operating Expenses	(908.4)	(865.3)	(1,291.0)	**-5.0%**	**29.6%**	(908.4)	(1,291.0)	**29.6%**
Operating Profit	134.7	128.5	109.5	**4.8%**	**23.0%**	134.7	109.5	**23.0%**
Finance Income	22.5	37.0	14.3	**-39.2%**	**57.5%**	22.5	14.3	**57.5%**
Finance Costs	(4.4)	(7.6)	(12.9)	**41.8%**	**65.8%**	(4.4)	(12.9)	**65.8%**
JV and Associates	1.9	4.7	2.3	**-58.8%**	**-16.1%**	1.9	2.3	**-16.1%**
Profit Before Tax	54.7	162.6	113.2	**-66.4%**	**-51.7%**	54.7	113.2	**-51.7%**
Tax Expense	(37.7)	(36.9)	(27.5)	**-2.0%**	**-37.0%**	(37.7)	(27.5)	**-37.0%**
Minority Interest	(1.4)	7.3	10.0	**-118.8%**	**-113.8%**	(1.4)	10.0	**-113.8%**
Reported Net Profit	118.4	118.4	75.7	**0.0%**	**56.4%**	118.4	75.7	**56.4%**
Core Net Profit	121.8	119.2	79.1	**2.2%**	**54.0%**	121.8	79.1	**54.0%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A			2026E	2027F	2028F
Revenue	3521.7	5338.7			5147.2	6264.2	7075.7
Net operating expenses	3300.1	-4860.3			-4581.0	-5575.1	-6297.3
Operating profit	262.2	448.2			566.2	689.1	778.3
PBT	273.0	525.5			514.7	626.4	707.6
Net profit	186.9	361.8			411.8	469.8	566.1
Core net profit	179.9	384.8			411.8	469.8	566.1
EPS (sen)	13.9	29.1			31.1	35.5	42.8
DPS (sen)	8.5	50.5	46.0	46.0	46.0	Dividends paid	

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	85.4	122.1	119.6	113.7	108.0
Other investments and assets	636.4	656.0	532.0	532.0	533.0
Non-current assets	**721.8**	**778.0**	**651.6**	**645.7**	**641.0**
Cash	1,015.8	2,000.0	1,900.0	1,805.0	1,714.8
Trade debtors	1,795.1	1,567.1	1,369.4	1,369.4	1,370.4
Current assets	**2,874.4**	**3,646.0**	**3,348.3**	**3,253.3**	**3,164.0**
Trade creditors	1,912.7	2,890.9	1,335.4	1,335.4	1,336.4
Short-term debt	730.6	157.7	173.5	175.2	178.7
Current liabilities	**2,656.6**	**3,102.6**	**1,562.8**	**1,564.6**	**1,569.1**
Long-term debt	0.0	142.5	118.3	98.2	81.5
Non-current liabilities	**1.2**	**153.0**	**1,132.0**	**848.8**	**750.3**
Share capital	258.6	378.4	378.4	378.4	378.4
Retained earnings	660.9	747.9	926.7	1,107.2	1,107.2
Equity	**938.5**	**1,168.4**	**1,305.1**	**1,485.6**	**1,485.6**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	273.0	525.5	514.7	626.4	707.6
Depreciation	17.3	17.2	17.0	17.0	17.0
Change in WC	534.7	1132.7	785.4	688.7	594.9
Operating cash flow	**716.4**	**1617.0**	**1258.8**	**1273.8**	**1261.1**
Capital expenditure	-9.4	-43.7	-30.0	-30.0	-30.0
Investing cash flow	**138.4**	**-27.0**	**189.8**	**189.8**	**189.8**
Debt raised/(repaid)	-167.2	-422.1	-145.4	-145.4	-145.4
	-116.0	-274.8	-410.1	-224.9	-238.1
Financing cash flow	**-303.4**	**-607.6**	**-555.5**	**-370.3**	**-383.5**
Net cash flow	**551.5**	**982.4**	**893.2**	**1093.4**	**1067.5**
Beginning cash flow	**384.0**	**936.3**	**1913.6**	**2806.7**	**3900.1**
Ending cash flow	**936.3**	**1913.6**	**2806.7**	**3900.1**	**4967.6**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
Operating profit margin	7.4%	8.4%	11.0%	11.0%	11.0%
PBT margin	7.8%	9.8%	10.0%	10.0%	10.0%
PAT margin	5.3%	6.8%	8.0%	7.5%	8.0%
Core PAT margin	5.1%	7.2%	6.5%	6.8%	7.0%

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology