

Sunway Construction Group Berhad

TP: RM7.64 (+7.7%)
Stronger Margin to Support Earnings Growth
Last Traded: RM7.10
Hold (ESG: ★★★★★)

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Results Review

- Stripping off the extraordinary income of RM31.4mn, SUNCON's IQFY26 adjusted core net earnings of RM84.2mn came in within our and consensus' expectations at 21.6% and 20.2% of the full-year earnings estimates.
- YoY, group revenue declined sharply to RM1.0bn from RM1.4bn (-27.0%), mainly due to weaker contributions from the construction segment, which contracted by 30.6% YoY. The softer construction performance was primarily attributable to the absence of accelerated progress billings from the RTS and several data centre (DC) projects. Nevertheless, core net earnings edged up by 2.3%, supported by stronger operating margin expansion in both the construction (+580bps) and precast (+390bps) segments and a robust 135.6% YoY increase in precast segment revenue.
- QoQ, revenue was broadly flat at +0.6%, as contributions from newly commenced jobs were still at the early stage, while several major projects had already been completed in the preceding quarter. Nonetheless, PBT declined by 4.9%, weighed by weaker margins across both the construction and precast segments, following the absence of accelerated progress billings from higher-margin DC projects that had boosted earnings in the preceding quarter.
- A first interim dividend of 7.6sen/share and a special dividend of 15.2sen/share was declared in IQFY26 (IQFY25: 5.0sen/share).

Impact

- We lift our FY26's dividend per share payout forecast to 45sen/share from 23sen/share. This translates into an attractive dividend yield of 6.3% based on the stock yesterday's closing price.
- Meanwhile, we raise our new job win assumptions for FY26 to RM6.5bn (from RM6.0bn) as we anticipate stronger new job wins from DC tenders. As a result, our earnings forecasts for FY26-28 were raised by 1.8%/3.5%/2.3% respectively.

Outlook

- As at 31 March 2026, SUNCON has clinched RM3.6bn in new order book (approximately 55% of our revised FY26 replenishment assumption of RM6.5bn and 60% of management's guidance), bringing its total outstanding order book to RM8.2bn, implying a healthy 1.5x cover of its FY25 revenue. This should provide SUNCON earnings visibility for the next 3 years.

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1329.2
Market Cap (RMmn)	9437.3
52-wk Hi/Low (RM)	7.4/4.64
12-mth Avg Daily Vol ('000 shrs)	4384.4
Estimated Free Float (%)	36.1
Beta	0.70

Major Shareholders (%)

Sunholdings	- 52.9
Sungei Way Corp Sdn Bhd	- 7.1
Employee Provident Fund	- 4.2
Amanah Saham Nasional Bhd	- 2.3

Forecast Revision

	FY26	FY27
Forecast Revision (%)	1.8	3.5
Net profit (RMm)	397.6	446.7
Consensus	417.3	448.1
TA's / Consensus (%)	95.3	99.7
Previous Rating	Hold (Maintained)	
Consensus Target Price	7.86	

SCORECARD (%)

vs TA	21.6	Within
vs Consensus	20.2	Within

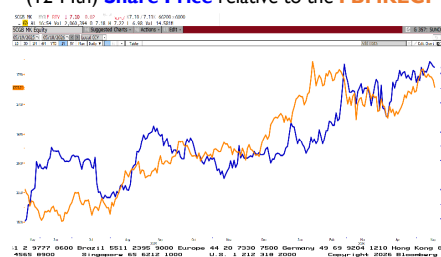
Financial Indicators

	FY26	FY27
Net Debt / Equity (%)	(308.2)	(354.6)
CFPS (sen)	(4.1)	46.0
Price / CFPS (x)	(171.3)	15.4
ROA (%)	8.2	8.1
NTA/Share (sen)	40.3	48.0
Price/NTA (x)	17.6	14.8

Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	2.0	1.9
3 mth	14.5	(0.8)
6 mth	29.1	7.0
12 mth	50.1	9.9

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

- Notably, 64% of the total unbilled order book and 99% of its FY26 YTD new job win comprise DC-related projects. We believe this highlights SUNCON's expanding exposure to the fast-growing DC construction segment and helps support its earnings growth, backed by the typically stronger margin profile associated with DC projects.
- For FY26, we believe the group remains well on track to secure the remaining job wins, supported by the potential in-house construction awards from Sunway Berhad's upcoming property development pipeline, with RM4.0bn of GDV launches targeted for CY26 and a robust tender book of RM15.3bn. Assuming a conservative gross development cost of 50% for internal property projects pipeline and a conservative tender success rate of 30%, these planned launches and tender book could translate into more than RM6.0bn of potential new construction jobs opportunities for SUNCON, strengthening its job replenishment visibility into FY26.
- Key internal projects in the pipeline include Bukit Chagar TOD (estimated GDV: RM2.6bn), the Chuan Grove residential project in Singapore (estimated GDV: RM4-5bn), as well as subsequent phases of Klang Valley developments, namely Sunway Serene 2 (Kelana Jaya), Sunway Flora 2 (Bukit Jalil) and Cochrane Residence (Cheras).
- For its DC pipeline, SUNCON has an on-going tender book of more than 800MW across the Klang Valley and Johor. Based on the rule of thumb of RM30-35mn/MW construction cost and a conservative success rate of 30%, we estimate that the current pipeline translates into a potential DC construction opportunity of RM7.2bn to RM8.4bn for SUNCON.

Valuation

- Incorporating the earnings forecast changes, we raise our target price to **RM7.64** (previously RM7.28), based on a higher target PE multiple of 22x (from 21x previously) applied to CY27 earnings, inclusive of a 3% ESG premium in line with our 4-star ESG rating. We believe the higher valuation multiple is justified, supported by SUNCON's strong positioning in the ongoing DC construction upcycle, robust execution capabilities with solid margin delivery, and superior ROE profile. Including an estimated CY27 dividend yield of 3.7%, we maintain our **HOLD** call on the stock.
- We continue to favour SUNCON for:- (i) its strong position as a contender for mega infrastructure projects, namely Johor EART and Penang LRT Segment 2, and (ii) its leading position in securing new contracts within the thriving ATP industry.
- Key downside risks include: (i) Slower-than-expected new order book win; (ii) Delay in large-scale infrastructure job roll-out; and (iii) Weaker-than-expected property sales.

Exhibit 1: Earnings Summary (RM mn)

FYE Dec (RMmn)	2024	2025	2026F	2027F	2028F
Revenue	3,521.7	5,338.7	6,150.6	6,895.4	6,984.1
Gross profit	581.1	823.1	1,014.8	1,137.7	1,152.4
EBITDA	279.4	465.4	533.0	609.2	620.2
EBITDA margin (%)	7.9	8.7	8.7	8.8	8.9
EBIT	262.2	448.2	515.7	589.4	598.0
PBT	273.0	525.5	597.2	670.9	679.5
PAT	186.9	361.8	397.6	446.7	452.5
Core net profit	166.6	420.7	397.6	446.7	452.5
Core EPS (sen)	12.6	31.8	30.0	33.7	34.2
PER (x)	56.3	22.3	23.6	21.1	20.8
Gross dividend (sen)	8.5	50.5	45.0	26.0	26.0
Dividend yield (%)	1.2	7.1	6.3	3.7	3.7
ROE (%)	22.0	43.5	60.4	76.4	65.6

Source: TA Research

Exhibit 2: FY26 YTD New Job Win

FY26 YTD New Job Win

Projects	Client	Expected Completion Date	Contract Sum (RM mn)
Core and shell for 2 Data Centres	US based Multinational Technology Company	Dec-27	1,146.0
Core and shell for DC @ Bandar Serendah	International hyperscaler	Q3CY28	1,750.0
Others (mostly DC)	Various	Various	694.0
Total			3,590.0

Source: TA Research

Exhibit 3: 3MFY26 Results Analysis (RM mn)

FYE Dec	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3MFY25	3MFY26	YoY (%)
Revenue	1400.5	1016.1	1022.7	0.6	(27.0)	1400.5	1022.7	(27.0)
- Construction	1369.9	940.8	950.6	1.0	(30.6)	1369.9	950.6	(30.6)
- Precast	30.6	75.3	72.1	(4.2)	135.6	30.6	72.1	135.6
Operating profit	109.5	128.5	134.7	4.8	23.0	109.5	134.7	23.0
Finance income	14.3	37.0	22.5	(39.2)	57.5	14.3	22.5	57.5
Finance costs	(12.9)	(7.6)	(4.4)	41.8	65.8	(12.9)	(4.4)	65.8
Profit before taxation	113.2	162.6	154.7	(4.9)	36.6	113.2	154.7	36.6
- Construction	112.0	155.4	148.7	(4.3)	32.8	112.0	148.7	32.8
- Precast	1.2	7.2	6.0	(17.6)	379.1	1.2	6.0	379.1
Income tax expense	(27.5)	(36.9)	(37.7)	(2.0)	(37.0)	(27.5)	(37.7)	(37.0)
Non-controlling interests	10.0	7.3	(1.4)	(118.8)	(113.8)	10.0	(1.4)	(113.8)
Net profit	75.7	118.4	118.4	0.0	56.4	75.7	118.4	56.4
- Construction	74.7	111.4	113.2	1.6	51.5	74.7	113.2	51.5
- Precast	1.0	7.0	5.3	(25.3)	409.7	1.0	5.3	409.7
Core net profit	82.2	149.8	84.2	(43.8)	2.3	82.2	84.2	2.3
Reported EPS (sen)	5.8	9.0	9.0	(0.2)	54.4	5.8	9.0	54.4
Core EPS (sen)	6.3	11.4	6.4	(43.9)	1.0	6.3	6.4	1.0
Dividend (sen)	5.0	9.0	22.8	153.3	356.0	5.0	22.8	356.0
Margin (%):				% pts	% pts			% pts
- Operating	7.8	12.6	13.2	0.5	5.3	7.8	13.2	5.3
- Construction	8.0	13.4	13.7	0.4	5.8	8.0	13.7	5.8
- Precast	1.8	3.8	5.7	1.9	3.9	1.8	5.7	3.9
- PBT	8.1	16.0	15.1	(0.9)	7.0	8.1	15.1	7.0
- PAT	6.1	12.4	11.4	(0.9)	5.3	5.9	8.2	5.3
- Core PAT	5.9	14.7	8.2	(6.5)	2.4	5.9	8.2	2.4
- Effective tax rate	24.3	22.7	24.3	1.6	0.1	24.3	24.3	0.1

Source: TA Research

Sector Recommendation Guideline

OVERWEIGHT: The total return of the sector, as per our coverage universe, exceeds 12%.

NEUTRAL: The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

UNDERWEIGHT: The total return of the sector, as per our coverage universe, is lower than 7%.

Stock Recommendation Guideline

BUY : Total return of the stock exceeds 12%.

HOLD : Total return of the stock is within the range of 7% to 12%.

SELL : Total return of the stock is lower than 7%.

Not Rated: The company is not under coverage. The report is for information only.

Total Return of the stock includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Total Return of the sector is market capitalisation weighted average of total return of the stocks in the sector.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★★	★★★★	★★★★★	★★★★
Remark	Environmental management system in place with ISO 14001:2015 certification. SUNCON will embark on the environmental supply chain assessment in 2021 and complete it by 2023.	Adopted e-bidding. CSR events include Build A Home, which focuses on the welfare of the Orang Asli community.	Established anti-bribery and whistle-blower policies. 20.0%-woman representation on the board. Transparent in its sustainability report and has won several ESG and IR awards.	

★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price

★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price

★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price

★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price

★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

Disclaimer

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As of Tuesday, May 19, 2026, the analyst, Ng Hong Tong, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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