

"Raise TP on order book growth"

Share price performance



	1M	6M	12M
Absolute (%)	5.6	17.1	32.9
Rel KLCI (%)	3.5	17.9	22.6

	BUY	HOLD	SELL
Consensus	11	4	0

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,322.5
MCap (RMm/US\$m)	10,686/2,643
Avg daily vol (m)	21.6
52-wk range (RM)	5.5-8.3
Est free float	34.7%
Stock Beta	1.11
Net cash/(debt)	1,699.82
ROE (CY26E)	43.3
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good	Yes
Constituent	Yes

Key Shareholders

Sunway Berhad	60.3%
EPF	4.2%
ASN	2.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +18%

Price Target: RM9.50

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

2Q26: Solid results and higher new contract wins

- SunCon's 1H26 earnings were broadly within expectations, reporting strong core net profit growth of 24% yoy in 1H26 despite a 29% yoy decline in revenue; profitability remains intact with high pre-tax profit margin of 14%
- SunCon raised 2026 new contract wins target to RM7.9bn after achieving YTD new contract wins of RM6.9bn exceeded its initial target of RM6.0bn
- We reiterate our BUY call with a higher target price (TP) of RM9.50; SunCon remains a key beneficiary of continued DC build-outs

1H26 sees stronger profitability, despite lower revenue

SunCon reported 2Q26 revenue of RM1.02bn (-0.5% QoQ, -31.1% YoY), bringing 1H26 revenue to RM2.04bn (-29.1% YoY). The decline in revenue was largely due a higher base in 1H25 from the completion of older projects and accelerated progress billing. Despite this, profitability was stronger on a yoy basis due to the completion of high-margin data centre (DC) projects for both 2Q26 and 1H26. With older projects nearing/having been completed, and new projects in the early stages of progress, we expect revenue to remain stable at around the RM1.0-1.4bn mark for the next two quarters. Concurrently, construction pre-tax margins are also expected to remain stable above >10% for the remainder of the year. The precast concrete segment continues to see healthy growth, doubling revenue hoh to RM184.2m in 1H26 (1H25: RM74m) and quintupling PBT to RM12.4m (1H25: RM2.4m).

New 2026 new contract wins target of RM7.9bn

YTD new contract wins now stand at c.RM6.9bn, exceeding management's and our initial target of RM6.0bn for 2026. 70% of its outstanding order book of RM10.5bn now comprises DC-related contracts, which we expect to contribute significantly over the next 2-3 financial years. Management have revised upwards its 2026 new contract wins target to RM7.9bn, reflecting stronger confidence in its ability to further win contracts during the year. Active tender book stands at RM14.2bn, with 70% of total value for DC-related contracts and the balance being sustainable energy and precast contracts. We anticipate this new target to drive share price movement in the near term.

Reiterate our BUY call with a higher 12-month TP of RM9.50

We lower our 2026E revenue and earnings by 12.3% and 7.7% respectively. However, we expect 2027-28E to see the bulk of revenue and earnings to be recognised and therefore raise these estimates by 0.0%/5.8% and 5.8%/9.6% respectively. We assign a higher Construction PER of 22x from 20x with new sustainable earnings of RM500m (RM450m previously) for the segment moving forward, raising our target price to RM9.50 from RM8.00 previously. We reiterate our top market and sector BUY recommendation. SunCon is a key beneficiary of sustained structural growth in order book, driven by aggressive DC build outs by US and EU hyperscalers in Malaysia. Key risks include (i) slow progress billings for its order book; and (ii) slower-than-expected new contract wins.

Earnings and Valuation Summary

FYE 31 Dec	2024	2025	2026E	2027E	2028E
Revenue (RMm)	3,521.7	5,338.7	5,766.8	6,680.8	7,306.6
EBITDA (RMm)	259.1	547.1	600.6	728.5	735.8
Pretax profit (RMm)	273.0	525.5	639.2	765.8	780.0
Net profit (RMm)	186.9	361.8	445.5	541.7	552.5
EPS (sen)	14.1	27.4	33.7	41.0	41.8
PER (x)	57.2	29.5	24.0	19.7	19.3
Core net profit	166.5	425.1	445.5	541.7	552.5
Core EPS (sen)	12.6	32.1	33.7	41.0	41.8
Core EPS growth (%)	9.4	155.3	4.8	21.6	2.0
Core PER (x)	64.2	25.1	24.0	19.7	19.3
Net DPS (sen)	8.0	50.5	33.7	41.0	41.8
Dividend Yield (%)	1.0	6.3	4.2	5.1	5.2
EV/EBITDA (x)	40.1	16.4	16.4	12.4	13.0
Chg in core EPS (%)			(7.7)	5.8	9.6
Affin core/Consensus (x)			1.0	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q25	1Q26	2Q26	QoQ % chg	YoY % chg	1H25	1H26	YoY % chg	Comments
Revenue	1,476.9	1,022.7	1,017.7	(0.5)	(31.1)	2,877.4	2,040.4	(29.1)	1H26: Lower construction revenue (-29% yoy) due to high base in 1H25 from accelerated progress billing on RTS Link and several DC-related projects. Partially offset by higher precast concrete revenue (+105% yoy)
Op costs	(1,348.6)	(887.2)	(900.9)	1.5	(33.2)	(2,624.4)	(1,788.1)	(31.9)	
EBITDA	128.3	135.5	116.8	(13.8)	(9.0)	253.0	252.2	(0.3)	
<i>EBITDA margin (%)</i>	<i>8.7</i>	<i>13.2</i>	<i>11.5</i>	<i>(1.8 ppt)</i>	<i>2.8 ppt</i>	<i>8.8</i>	<i>12.4</i>	<i>3.6ppt</i>	Higher margin yoy due to better profitability on completion of several projects. But lower qoq on completion of older projects in 1Q26 and new projects with higher start-up costs commencing in 2Q26.
Depn and amort	(3.5)	(4.9)	(4.8)	(1.4)	36.0	(7.1)	(9.7)	36.7	
EBIT	124.7	130.6	112.0	(14.3)	(10.2)	246.0	242.5	(1.4)	
<i>EBIT margin (%)</i>	<i>8.4</i>	<i>12.8</i>	<i>11.0</i>	<i>(1.8 ppt)</i>	<i>2.6 ppt</i>	<i>8.5</i>	<i>11.9</i>	<i>3.3ppt</i>	
Net interest	5.2	18.1	15.8	(12.7)	203.0	6.6	33.8	413.4	
EI	(10.2)	4.1	(0.7)	(116.4)	(93.4)	(16.7)	3.4	(120.5)	
Associates	2.9	1.9	4.2	118.3	48.3	0.0	6.2	NA	
PBT	122.6	154.7	131.3	(15.1)	7.1	235.8	286.0	21.3	Higher construction PBT (+17% yoy) and pre-cast concrete PBT (+405% yoy) on improved profitability for ongoing projects.
Tax	(28.4)	(37.7)	(25.5)	(32.2)	(10.0)	(55.9)	(63.2)	13.1	
<i>Tax rate (%)</i>	<i>23.7</i>	<i>24.7</i>	<i>20.1</i>	<i>(4.6 ppt)</i>	<i>(3.6 ppt)</i>	<i>23.7</i>	<i>22.6</i>	<i>(1.1ppt)</i>	
MI	(10.3)	1.4	(2.2)	(257.8)	(79.0)	(20.4)	(0.8)	(96.1)	
Net profit	83.9	118.4	103.6	(12.5)	23.5	159.6	222.0	39.1	
EPS (sen)	6.5	9.0	7.8	(12.9)	20.7	12.4	16.8	35.8	
Core net profit	94.1	114.3	104.3	(8.8)	10.8	176.3	218.6	24.0	

Source: Affin Hwang, Company

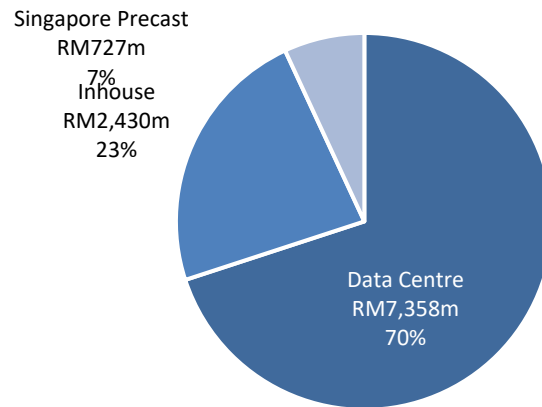
Fig 2: New target price derivation

Segments	Stake (%)	New RNAV (RMm)	Old RNAV (RMm)	Change (%)
Construction @ PER 22x sustainable earnings of RM500m	100	11,000	9,000	22
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640	640	0
Investment in Singapore IPPH JV @ book value	50	47	47	0
Book value of Indian highways	60	101	101	0
Net cash/(debt)		835	835	NA
RNAV		12,623	10,623	19
No. of shares (m)		1,323	1,323	0
RNAV/share (RM)		9.50	8.00	19
Target price		9.50	8.00	19

Source: Affin Hwang

Fig 3: SunCon Outstanding orderbook breakdown by type

O/S Orderbook Breakdown by Type (RMm)



Source: Company, Affin Hwang

Fig 4: SunCon Outstanding Orderbook as at 30 June 2026

As at June 2026

Project	Completion	Contract value (RMm)	Outstanding value (RMm)
Data Centre			
JHB1X0 - Data Centre & TIW	4Q 2026	4,146	49
JHB1X0 - Building 2	1Q 2027	196	90
JHB01 - Core & Shell Works and MEP Fit-Out	4Q 2027	1561	1346
General Contractor Works - Shell 1 - MNC	2Q 2027	1546	788
General Contractor Works - Shell 2- MNC	1Q 2028	2576	2295
PSR - MNC	2Q 2027	801	81
PSR - MNC - JB01	2Q 2028	558	558
PSR - MNC - JB02	4Q 2027	346	346
K2 Building 4 + VO	3Q 2026	458	53
Data Centre - Serendah	3Q 2028	1750	1750
		13,938	7,356
Infrastructure/Piling			
RTS Link Package 1B and Package 5	3Q 2026	558	10
		558	10
India			
Thorapalli - Jittandahalli (TJ)	3Q 2026	508	51
		508	51
Singapore			
Precast	Various	971	617
New Order 2026 - External	Various	110	109
		1,081	726
Internal - Sunway Group			
SunMed PH3 Fit-Out	3Q 2026	122	31
RTS Transit Oriented Development Project	4Q 2027	1500	1054
Sunway Ipoh Mall	3Q 2027	873	572
Sunway Ipoh Mall - Extension - Hotel	2Q 2029	224	224
Sunway Ipoh Mall - Extension - Office	2Q 2028	63	62
Sunway Ipoh Staff Quarters - Piling	3Q 2026	9	6
Sunway Medical Iskandar	3Q 2030	400	400
Sunway Sanctuary Fit Out Works	4Q 2027	20	20
		3,211	2,369
Grand Total @ June 2026		19,296	10,512
Red: Secured in 2026		6,858	6,691

Source: Company

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- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.
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