

Sunway Construction (SCGB MK)

Inline

BUY

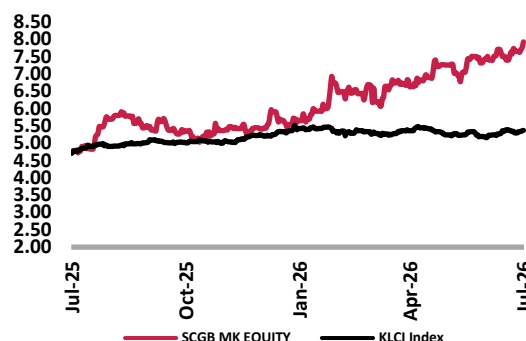
Share Price RM8.08

Target Price RM9.62 +19.1%

In-Line Results; Margins Remain Strong

- **Broadly within expectations.** SunCon's 2QFY26 core net profit (CNP) rose 10.8% YoY to RM104.2mn, despite revenue declining 31.1% YoY to RM1.02bn, as stronger profitability from a more favourable project mix more than offset lower revenue recognition. QoQ, CNP declined 8.9%, while revenue was broadly flat (-0.5%), as group pretax margin moderated 2.2ppts to 12.9% from 15.1% in 1QFY26. On a cumulative basis, 1HFY26 CNP increased 23.9% YoY to RM218.5mn, broadly in line with expectations, accounting for 52% of our FY26F forecast and 51% of consensus estimates.
- **Dividend remains healthy.** SunCon declared a second interim DPS of 4.0 sen, bringing cumulative FY26 dividends to 26.8 sen, comprising 11.6 sen of interim dividends and the 15.2 sen special dividend. Cumulative distributions represent more than 100% of YTD FY26 PATMI. We project a total FY26F DPS of 34.3 sen for the year.
- **Construction margins remain strong despite lower revenue.** 2QFY26 construction revenue declined -34.3% YoY and -0.9% QoQ to RM941.6mn, reflecting the high base in 2QFY25 when several DC projects experienced accelerated progress. Nevertheless, construction PBT increased 2.8% YoY to RM124.8mn, with PBT margin expanding 4.8ppts YoY to 13.3%. QoQ, construction PBT declined -16.1% as margin moderated from 15.6% in 1QFY26, partly reflecting the provision reversal recognised in the preceding quarter.
- **Record order book; replenishment on track.** SunCon's outstanding order book reached an all-time high of RM10.5bn as at end-June 2026, almost double the RM5.7bn at end-FY25 and equivalent to approximately 2.0x our FY26F revenue. DC projects comprise 70% of the outstanding order book, followed by in-house projects at 23% and Singapore precast at 7%. YTD FY26 new wins have reached RM6.86bn, already surpassing management's initial RM6.0bn target, prompting management to raise its FY26 replenishment target to RM7.0bn–RM9.0bn. The revised target is broadly consistent with our RM8.0bn FY26 replenishment assumption, of which SunCon has already achieved approximately 86% as at end-June.
- **DC exposure continues to deepen.** Approximately 92% of SunCon's RM6.9bn YTD FY26 new wins are DC-related, compared with 70% of its outstanding order book. Key awards during the year include the RM1.75bn Serendah DC, multiple shell and project-services packages for multinational technology companies, and the RM1.02bn JHB01 MEP fit-out package.
- **Hyperscale pipeline remains sizeable.** SunCon has completed approximately 180MW of DC capacity, with 330MW currently under construction and >700MW under ongoing tenders across Klang Valley and Johor. While the tender pipeline has moderated from >800MW disclosed in 1QFY26, it remains more than twice the capacity currently under construction and forms part of the Group's RM14.2bn active tender book.

Price Chart (RM)



Share Performance (%)

	1m	3m	12m
Absolute	5.9	12.3	47.9
vs FBM KLCI	3.8	9.7	30.2

Stock Data

ESG Rating	Good
Mkt Cap (RM mn)	10789.8
Adjusted Beta	0.8
Free float (%)	80.5
Issued shares (mn)	1332.1
52w H/L (RM)	8.4 / 5.016
3m avg daily volume	2,851,173

Major Shareholders (%)

Sunway Holdings Sdn	11.3
ASNB	4.2
Generasi Setia	4.1

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- **Maintain BUY with unchanged TP of RM9.62.** We maintain our FY26F–FY28F earnings forecasts following the in-line 1HFY26 results. Our RM8.0bn FY26 replenishment assumption remains unchanged, sitting at the midpoint of management's revised RM7.0bn–RM9.0bn target, with RM6.86bn already secured YTD. We expect FY27F CNP to rise 25.8% YoY to RM528.3mn, driven by stronger execution of the record RM10.5bn order book. We maintain our BUY recommendation and TP of RM9.62, based on an unchanged 24x FY27F P/E applied to FY27F EPS of 40.1 sen.

Table 1: Results Review

Sunway Construction FYE 31 Dec (RMmn)	Quarterly 2Q25	1Q26	2Q26	Change QoQ	YoY	Cumulative 1HFY25	1HFY26	YTD Chg	BIMB	6M/F26
Revenue	1,476.9	1,022.7	1,017.7	-0.5%	-31.1%	2,877.4	2,040.4	-29.1%	5,199.0	39.2%
EBIT	114.6	134.7	111.3	-17.4%	-2.8%	224.1	246.0	9.8%		
Other income	4.0	22.5	20.0	-10.9%	403.0%	8.8	5.8	-34.7%		
Finance Income	18.0	22.5	20.0	-10.9%	11.4%	32.2	42.5	31.8%		
Finance Cost	(12.8)	(4.4)	(4.3)	-3.3%	-66.6%	(25.7)	(8.7)	-66.2%		
Associates & JV	2.9	1.9	4.2	118.3%	48.3%	5.2	6.2	19.5%		
Forex gain/(loss)	0.3	15.1	(0.4)	-102.7%	-233.3%	0.2	14.7	7243.5%		
Exceptional gain/(loss)	9.8	(19.2)	1.0	-105.2%	-89.8%	16.5	(18.2)	-210.2%		
Pretax Profit	122.6	154.7	131.3	-15.1%	7.1%	235.8	286.0	21.3%		
Taxation	(28.4)	(37.7)	(25.5)	-32.2%	-10.0%	(55.9)	(63.2)	13.1%		
Net Profit	83.9	118.4	103.6	-12.5%	23.5%	159.6	222.0	39.1%		
Core net profit	94.0	114.3	104.2	-8.9%	10.8%	176.3	218.5	23.9%	419.9	52.0%
Chg (ppts)										
EBIT margin	7.8%	13.2%	10.9%	(2.2)	3.2	7.8%	12.1%	4.3		
Pretax margin	8.3%	15.1%	12.9%	(2.2)	4.6	8.2%	14.0%	5.8		
Core net margin	6.4%	11.2%	10.2%	(0.9)	3.9	6.1%	10.7%	4.6	8.1%	
Effective tax rate	-23.1%	-24.3%	-19.4%	4.9	3.7	-23.7%	-22.1%	1.6		

Source: Company, BIMB Securities

Table 2: Segmental Performance

Sunway Construction FYE 31 Dec (RMmn)	Quarterly 2Q25	1Q26	2Q26	Change QoQ	YoY	Cumulative 6MY25	6MFY26	YTD Chg
Revenue								
Construction	1433.5	950.6	941.6	-0.9%	-34.3%	2803.4	1892.2	-32.5%
Precast	43.4	72.1	76.1	5.5%	75.2%	74.0	148.2	100.2%
Total Revenue	1476.9	1022.7	1017.7	-0.5%	-31.1%	2877.4	2040.4	-29.1%
Pretax profit								
Construction	121.4	148.7	124.8	-16.1%	2.8%	233.4	273.5	17.2%
Precast	1.2	6.0	6.5	9.1%	434.1%	2.5	12.5	406.3%
Total Pretax Profit	122.6	154.7	131.3	-15.1%	7.1%	235.8	286.0	21.3%
Pretax margin (%)				Chg (ppts)				Chg (ppts)
Construction	8.5%	15.6%	13.3%	(2.4)	4.8	8.3%	14.5%	6.1
Precast concrete	2.8%	8.3%	8.5%	0.3	5.7	3.3%	8.4%	5.1
Total	8.3%	15.1%	12.9%	(2.2)	4.6	8.2%	14.0%	5.8

Source: Company, BIMB Securities

Table 3: Earnings forecasts

FYE 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Revenue	3521.7	5338.7	5199.0	7479.0	7648.0
Pre-tax profit	273.0	525.5	610.0	765.9	801.0
Core net profit	171.5	425.3	419.9	527.2	551.4
Core EPS (sen)	13.0	32.3	31.9	40.1	41.8
Core EPS growth (%)	0.8	148.0	-1.3	25.6	4.6
PER (x)	35.6	17.5	24.8	19.8	18.9
BVPS (sen)	0.7	0.8	0.8	0.9	1.0
P/B (x)	11.6	9.6	9.9	8.6	7.6
DPS (sen)	8.5	50.5	34.3	28.0	29.3
Div. Yield (%)	1.1	6.4	4.3	3.5	3.7
Net gearing (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Key Ratios (%)					
ROE	22.0	36.8	39.2	46.5	42.6
Pretax margin	7.8	9.8	11.7	10.2	10.5
Core net margin	5.3	6.8	8.1	7.0	7.2

Source: Company, BIMB Securities

DEFINITION OF RATINGS

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

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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