

Malaysia

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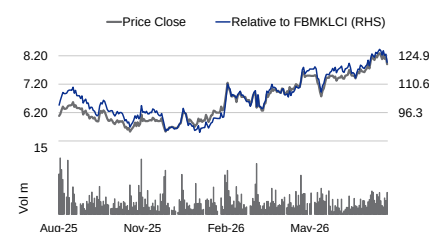
Consensus ratings*: Buy 14 Hold 4 Sell 0

Current price:	RM7.90
Target price:	RM9.00
Previous target:	RM9.00
Up/downside:	13.9%
CGSI / Consensus:	2.1%
Reuters:	SCOG.KL
Bloomberg:	SCGB MK
Market cap:	US\$2,606m
	RM10,523m
Average daily turnover:	US\$5.03m
	RM20.47m
Current shares o/s	1,331m
Free float:	45.6%

*Source: Bloomberg

Key financial forecasts

	Dec-26F	Dec-27F	Dec-28F
Net Profit (RMm)	440.0	513.4	570.6
Normalised EPS (RM)	0.33	0.39	0.43
Normalised EPS Growth	19.9%	16.4%	11.1%
FD Normalised P/E (x)	23.84	20.48	18.43
Recurring ROE	59.5%	62.3%	52.1%
P/BV (x)	15.11	11.04	8.49
DPS (RM)	0.41	0.20	0.22
Dividend Yield	5.17%	2.51%	2.79%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	3.4	35.0
Relative (%)	2.6	1.8	26.0

Major shareholders	% held
Sunway Berhad	54.4

Analyst(s)

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Sunway Construction Group

Still commendable construction margins

- 2Q26 results met expectations; key highlight was 2Q26 construction margins of 13.3%, which was still strong but lower than 15.6-16.5% in 4Q25-1Q26.
- Suncon's lifts FY26F new order win target to RM7bn-9bn (from RM6bn) in line with our forecast of RM8bn.
- With higher valuations of 20x FY27F P/E, earnings delivery is becoming more crucial. Reiterate Add and TP of RM9.00.

2Q26 results met expectations

- Sunway Construction (Suncon) announced 2Q26 core net profit of RM104m (+11% yoy, -9% qoq), bringing 1H26 core net profit to RM219m (+24% yoy). We deem this to have met expectations at 50%/51% of our/Bloomberg consensus FY26F forecasts.
- Suncon declared a second interim dividend of 4 sen (vs. 7.25 sen in 2Q25). This, together with a special dividend of 15.2 sen announced in 1Q26, brings total dividend to 26.8 sen for 1H26.
- The key highlight in 2Q26 was the still-commendable construction pretax margin of 13.3% (vs. 8.5% in 2Q25). To recap, we highlighted that the high construction pretax margins of 15.6-16.5% in 4Q25-1Q26 are unlikely to repeat as they were due to the finalisation of accounts for two data centres (DCs) in Johor which had some early completion incentives.
- 2Q26 construction pretax profit was up 3% yoy at RM125m, but revenue fell 34% yoy to RM942m due to the accelerated progress of some DC projects which has since been handed over. Its orderbook as at Jun 26 stood at RM10.5bn giving strong visibility going into FY27F.
- 2Q26 precast revenue was RM76m (+75% yoy), due to the ramp-up of newly secured projects and its orderbook of RM726m as at Jun 26. 2Q26 precast margin was 8.5% (2Q25: 2.8%).
- Balance sheet was in a net cash position of RM1.2bn as at Jun 26, unchanged qoq.

Sets fresh order win target of RM7bn-9bn

- Suncon's YTD Aug wins are now at RM6.8bn with the recent mechanical, engineering and plumbing DC contract worth RM1.04bn announced on 21 Aug ([link](#)). This has exceeded its initial RM6bn target for FY26F. It raised its target to RM7bn-9bn which is in line with our FY26F target of RM8bn where the key variable is timing of its DC wins.
- We believe there is a high probability it can convert most of its RM14.2bn tenderbook, comprising its existing six DC clients and one new client. Additionally, we expect it to win one more hospital project in FY26F; it already won the Sunway Iskandar hospital worth RM400m in Aug 26.
- In our view, the project with the most significant upside potential is JHB1XO Building 2 which should be confirmed towards end-CY26F/early CY27F when the client finalises the tenant. We also think Suncon should be the front-runner for two remaining packages at Bandar Serendah, Selangor, as it clinched the first phase worth RM1.75bn in Apr 26.
- With Suncon's stronger track record, now having completed 180MW of DC capacity (commissioning three DCs) either on time or ahead of time, we think the company has established some stickiness with its broader DC clientele.

Reiterate Add and TP of RM9

- We keep our Add call as we believe Suncon is the strongest proxy for the DC theme in Malaysia. Our GGM-based TP is RM9.00 (LTG: 4.5%, COE: 7.7%, ROE: 49.6%). At our TP, Suncon trades at 22.7x FY27F P/E, +1 s.d. above mean since FY22.
- Downside risks: slower recognition of DC projects, higher costs and P/E multiple compression if global AI capex weakens. Re-rating catalysts: more DC wins locally and potentially abroad.

Figure 1: Peer comparison (share prices as at 24 August 2026)

Company	Bloomberg Tickers	Rec. (lcl curr)	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US\$ m)	Core P/E (x)		PEG (x)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY26F	CY27F		CY26F	CY27F	CY26F	CY27F	CY26F	CY27F
Gamuda	GAM MK	Add	4.42	5.78	6,541	22.2	17.9	1.1	2.01	1.85	9.4%	10.8%	2.3%	2.3%
IJM Corp Bhd	IJM MK	Add	2.82	3.42	2,547	27.1	18.9	0.2	0.98	0.95	3.6%	5.1%	2.1%	2.1%
WCT Holdings	WCTHG MK	Add	0.40	1.12	154	9.0	7.8	0.2	0.16	0.15	1.7%	2.0%	0.0%	0.0%
Sunway Construction Group	SCGB MK	Add	7.90	9.00	2,606	23.8	20.5	2.0	15.11	11.04	59.5%	62.3%	5.2%	2.5%
Muhibbah Engineering	MUHI MK	Add	0.48	0.81	86	6.4	5.6	-1.5	0.24	0.24	3.8%	4.3%	5.5%	7.2%
HSS Engineers	HSS MK	Add	0.52	0.81	65	9.6	6.6	0.3	0.88	0.80	9.4%	12.7%	2.3%	3.3%
YTL Corporation	YTL MK	Add	2.49	3.19	7,175	18.2	16.9	-9.2	1.76	1.65	9.5%	10.0%	2.0%	2.0%
Malayan Cement Bhd	LMC MK	Add	6.54	10.00	2,266	10.0	9.4	0.8	1.16	1.07	12.0%	11.8%	2.4%	2.7%
Sunway Bhd	SWB MK	Hold	5.08	5.53	8,504	27.4	26.2	-17.2	2.04	1.94	7.6%	7.6%	1.8%	1.8%
Econpile Holdings Bhd	ECON MK	Add	0.13	0.24	44	25.7	12.4	0.2	0.48	0.47	1.9%	3.8%	0.0%	2.0%
Kumpulan Kitacon Bhd	KITACON MK	Add	0.65	1.05	81	7.3	6.8	3.4	0.87	0.83	12.4%	12.6%	6.0%	5.9%
Construction sector						17.0	13.5	-1.79	2.34	1.91	11.9%	13.0%	2.7%	2.9%

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG ESTIMATES, COMPANY REPORTS

Figure 2: Suncon's 2QFY26 results comparison, yoy and qoq

	2QFY26 RMm	2QFY25 RMm	% change yoy	1QFY26 RMm	% change qoq
Revenue	1017.7	1476.9	-31%	1022.7	0%
Other operating income	3.6	4.0	-9%	2.1	70%
Other operating expense	-910.0	-1366.3	-33%	-890.1	2%
EBIT	111.3	114.6	-3%	134.7	-17%
Finance income	20.0	18.0	11%	22.5	-11%
Finance cost	-4.3	-12.8	-67%	-4.4	-3%
Share of JV profits	4.2	2.9	48%	1.9	118%
Profit before taxation	131.3	122.6	7%	154.7	-15%
Taxation	-25.5	-28.4	-10%	-37.7	-32%
Net income	105.8	94.2	12%	117.0	-10%
Minority interest	-2.2	-10.3	-79%	1.4	-258%
Atributed to shareholders	103.6	83.9	23%	118.4	-13%
Less: Exceptional Items	-0.6	-10.2	-94%	4.1	-115%
Core net profit	104.2	94.1	11%	114.3	-9%
	2QFY26 RMm	2QFY25 RMm	% change yoy	1QFY26 RMm	% change qoq
Construction	941.6	1433.5	-34%	950.6	-1%
Precast Concrete	76.1	43.4	75%	72.1	5%
Revenue	1017.7	1476.9	-31%	1022.7	0%
Construction	124.8	121.4	3%	148.7	-16%
Precast Concrete	6.5	1.2	431%	6.0	8%
Profit before taxation	131.3	122.6	7%	154.7	-15%
Construction pretax margins	13.3%	8.5%	57%	15.6%	-15%
Precast concrete pretax margins	8.5%	2.8%	203%	8.3%	3%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Net Revenues	5,324	5,700	6,887	7,300
Gross Profit	1,108	1,223	1,311	1,387
Operating EBITDA	465	574	655	725
Depreciation And Amortisation	(17)	(26)	(31)	(35)
Operating EBIT	448	548	624	690
Financial Income/(Expense)	62	47	65	76
Pretax Income/(Loss) from Assoc.	15	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	526	597	691	768
Exceptional Items	64	0	0	0
Pre-tax Profit	589	597	691	768
Taxation	(123)	(153)	(178)	(197)
Exceptional Income - post-tax				
Profit After Tax	466	444	513	571
Minority Interests	(40)	(4)	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	425	440	513	571
Normalised Attributable Profit	362	440	513	571

Balance Sheet

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Cash And Equivalents	2,000	1,916	2,501	2,901
Total Debtors	1,567	1,714	2,071	2,196
Inventories	60	70	86	90
Total Other Current Assets	19	19	19	19
Total Current Assets	3,646	3,719	4,676	5,205
Fixed Assets	122	146	166	181
Total Investments	208	208	208	208
Intangible Assets	403	403	403	403
Total Other Non-Current Assets	45	45	45	45
Total Non-current Assets	778	802	822	837
Short-term Debt	158	158	158	158
Current Portion of Long-Term Debt				
Total Creditors	2,965	3,097	3,766	3,976
Other Current Liabilities	283	283	283	283
Total Current Liabilities	3,406	3,537	4,207	4,416
Total Long-term Debt	143	193	243	293
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	143	193	243	293
Total Provisions	10	10	10	10
Total Liabilities	3,559	3,740	4,460	4,719
Shareholders' Equity	784	696	953	1,238
Minority Interests	81	85	85	85
Total Equity	865	781	1,038	1,323

Cash Flow

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
EBITDA	465.4	574.0	655.1	725.0
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1,311.6	(25.2)	296.7	80.0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(31.5)	(28.3)	(33.3)	(38.3)
Other Operating Cashflow	(64.9)	0.0	0.0	0.0
Net Interest (Paid)/Received	61.9	46.6	65.0	76.0
Tax Paid	(123.5)	(152.7)	(177.6)	(197.4)
Cashflow From Operations	1,619.1	414.3	805.9	645.3
Capex	(44.1)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	15.0	0.0	0.0	0.0
Cash Flow From Investing	(29.1)	(50.0)	(50.0)	(50.0)
Debt Raised/(repaid)	(430.4)	50.0	50.0	50.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(274.8)	(528.0)	(256.7)	(285.3)
Preferred Dividends				
Other Financing Cashflow	99.5	30.0	35.0	40.0
Cash Flow From Financing	(605.7)	(448.0)	(171.7)	(195.3)
Total Cash Generated	984.3	(83.7)	584.2	400.0
Free Cashflow To Equity	1,159.6	414.3	805.9	645.3
Free Cashflow To Firm	1,636.9	394.3	790.9	635.3

Key Ratios

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue Growth	51.6%	6.5%	20.9%	6.0%
Operating EBITDA Growth	66.5%	23.3%	14.1%	10.7%
Operating EBITDA Margin	8.7%	10.1%	9.5%	10.0%
Net Cash Per Share (RM)	1.28	1.18	1.58	1.84
BVPS (RM)	0.59	0.52	0.72	0.93
Gross Interest Cover	9.56	18.26	17.83	17.24
Effective Tax Rate	21.0%	25.6%	25.7%	25.7%
Net Dividend Payout Ratio	184%	120%	50%	50%
Accounts Receivables Days	116.6	105.3	100.5	107.2
Inventory Days	4.47	5.32	5.10	5.45
Accounts Payables Days	211.1	247.1	224.6	239.6
ROIC (%)	104%	(53%)	(64%)	(55%)
ROCE (%)	39.1%	53.9%	55.9%	49.9%
Return On Average Assets	8.48%	8.88%	8.95%	8.57%

12-mth Fwd FD P/E (x) - Sunway Construction Group



Key Drivers

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
New order wins	400.0	4,400.0	6,500.0	6,500.0
Construction revenue	5,131.6	5,269.0	6,413.1	6,786.0
Precast revenue	207.1	417.0	460.0	500.0
Construction EBIT margins	8.7	9.6	9.0	9.4
Precast EBIT margins	0.9	10.0	10.0	10.0

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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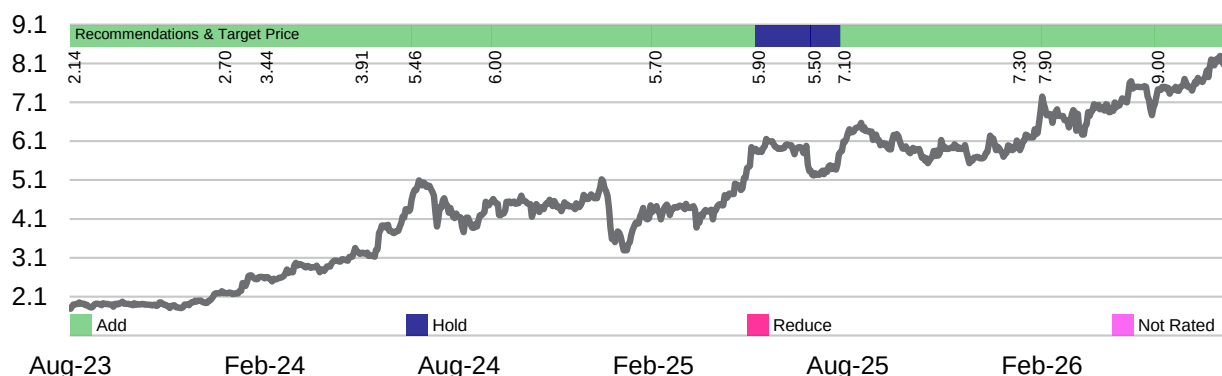
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2026		
506 companies under coverage for quarter ended on 30 June 2026		
	Rating Distribution (%)	Investment Banking clients (%)
Add	72.9%	3.0%
Hold	20.9%	0.8%
Reduce	6.1%	0.4%

Spitzer Chart for stock being researched (2 year data)

Sunway Construction Group (SCGB MK)

— Price Close



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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