

# Sunway Construction Group

## Not done winning yet

SunCon's 1H26 core PATAMI of RM218m (+24% YoY) was within our and street expectations at 53%/51% of full year forecast. SunCon raked in a total contract wins of RM6.9bn YTD, lifting its unbilled orderbook to a record high of RM10.5bn as at Jun-26 (2x cover on FY25 revenue). With several months left in the year, we see upside risk to our fairly conservative FY26 contract win assumption of RM8bn. Maintain forecasts and BUY rating of RM9.10.

**Inline.** SunCon recorded 2Q26 results with revenue of RM1.02bn and core PATAMI of RM104m (-9% QoQ, +11% YoY), bringing 1H26's sum to RM218m (+24% YoY). Results were within our/consensus expectations at 53%/51% of full year forecast. 2Q26 results have been adjusted mainly for allowance for receivables impairment (-RM1.0m) and net forex gain (RM0.4m).

**Dividends.** Declared second interim DPS of 4.0 sen (ex-date: 14 Sep), bringing YTD divvy declared to 26.8 sen (1H25: 12.25 sen).

**QoQ.** Revenue came in flattish but core bottom line was down moderately (-9%) due to a slight margin contraction as certain data centre (DC) projects saw project closure during the quarter.

**YoY/FYTD.** Top line dropped 31% YoY/ 29% FYTD due to peak construction progress in a few DC projects in 1H25. Notwithstanding, core earnings expanded (+11% YoY/+24% FYTD) thanks to an upward margin recalibration on its key DC projects. In addition to SunCon's traditionally conservative margin recognition at the start of projects, strong execution and early completion further boosted profitability.

**Outlook.** SunCon raked in a total contract wins of RM6.9bn YTD, lifting its unbilled orderbook to a record high of RM10.5bn as at Jun-26 (2x cover on FY25 revenue). Its tenderbook remains sizable at RM14.2bn, comprising largely DC projects with >700MW of capacity, providing robust visibility for orderbook replenishment over the near-to-medium term. With several months left in the year, we see upside risk to our fairly conservative FY26 contract win assumption of RM8bn. Separately, contract pipeline from its parent-co Sunway includes RTS TOD works and Seremban hospital works, in our view.

**Forecast.** Unchanged.

**Maintain BUY, TP: RM9.10.** We maintain our BUY rating with an unchanged TP of RM9.10, based on FY27 EPS pegged to 23x PE (+0.5SD above the 2-year average of 22x) and incorporating an assumed net cash per share of RM0.40. In our view, SunCon's premium valuation is justified given its (i) strong alpha to the DC theme, (ii) robust execution capabilities with solid margin delivery, and (iii) superior ROEs alongside an attractive dividend yield of 6% (150% payout).

**HLIB Research** PP 9484/12/2012 (031413)  
26 August 2026  
**Results Review: 2QFY26**

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**BUY** (Maintain)

**Target price (TP):** RM9.10

**Previous TP:** RM9.10

**Current price:** RM8.08

|                       |       |
|-----------------------|-------|
| Capital upside        | 12.6% |
| Dividend yield        | 5.8%  |
| Total expected return | 18.4% |

### Sector classification

Construction

### Company description

Sunway Construction Group (SunCon) is primarily involved in construction and precast products.

### Major shareholders

|               |       |
|---------------|-------|
| Sunway Berhad | 52.8% |
|---------------|-------|

### Share price chart



### Stock information

|                              |         |
|------------------------------|---------|
| Bloomberg ticker             | SCGB MK |
| Bursa stock code             | 5263    |
| Issued shares (m)            | 1,332   |
| Market capitalisation (RM m) | 10,763  |
| 3M average volume ('000)     | 2,851   |
| Shariah compliant            | Yes     |
| FTSE Russell ESG rating      | ★★★     |

### Core earnings summary

| FYE Dec      | FY25  | FY26f | FY27f |
|--------------|-------|-------|-------|
| PATMI (RM m) | 425.1 | 412.5 | 502.8 |
| EPS (sen)    | 32.0  | 31.0  | 37.8  |
| P/E (x)      | 25.3  | 26.0  | 21.4  |

## Financial forecast table

| Balance Sheet               |                |                |                |                |                | Income Statement              |              |              |              |              |              |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| FYE Dec (RM m)              | FY24           | FY25           | FY26f          | FY27f          | FY28f          | FYE Dec (RM m)                | FY24         | FY25         | FY26f        | FY27f        | FY28f        |
| Cash                        | 1,015.8        | 2,000.1        | 1,259.9        | 1,378.7        | 1,289.4        | Revenue                       | 3,521.7      | 5,338.7      | 5,305.4      | 6,017.0      | 5,259.1      |
| Receivables                 | 1,968.9        | 1,789.2        | 1,889.6        | 2,143.0        | 1,873.1        | EBITDA                        | 260.6        | 528.8        | 515.5        | 653.3        | 501.5        |
| Inventories                 | 43.3           | 60.1           | 61.3           | 68.9           | 60.4           | EBIT                          | 243.4        | 511.6        | 498.4        | 634.7        | 481.5        |
| PPE                         | 85.1           | 122.1          | 130.0          | 136.4          | 136.4          | Net finance income/ (co       | 10.5         | 61.9         | 83.6         | 77.9         | 78.6         |
| Others                      | 483.2          | 452.5          | 462.5          | 472.5          | 487.5          | Associates & JV               | 0.3          | 15.3         | 10.0         | 10.0         | 15.0         |
| <b>Assets</b>               | <b>3,596.2</b> | <b>4,424.0</b> | <b>3,803.3</b> | <b>4,199.5</b> | <b>3,846.8</b> | <b>Profit before tax</b>      | <b>254.2</b> | <b>588.9</b> | <b>592.0</b> | <b>722.5</b> | <b>575.1</b> |
| Debts                       | 730.6          | 300.2          | 358.1          | 402.4          | 352.6          | Tax                           | (71.1)       | (123.5)      | (139.7)      | (171.0)      | (134.4)      |
| Payables                    | 1,805.7        | 2,965.2        | 2,453.0        | 2,756.2        | 2,415.0        | <b>Net profit</b>             | <b>183.0</b> | <b>465.4</b> | <b>452.3</b> | <b>551.5</b> | <b>440.7</b> |
| Others                      | 121.4          | 293.3          | 293.3          | 293.3          | 293.3          | Minority interest             | (10.1)       | (40.3)       | (39.8)       | (48.7)       | (38.3)       |
| <b>Liabilities</b>          | <b>2,657.7</b> | <b>3,558.7</b> | <b>3,104.4</b> | <b>3,451.9</b> | <b>3,060.8</b> | <b>Core PATAMI</b>            | <b>172.9</b> | <b>425.1</b> | <b>412.5</b> | <b>502.8</b> | <b>402.4</b> |
| Shareholder's equity        | 877.9          | 783.9          | 577.7          | 577.7          | 577.7          | Exceptional items             | 14.0         | (63.4)       | -            | -            | -            |
| Minority interest           | 60.6           | 81.4           | 121.2          | 169.9          | 208.3          | Reported earnings             | 186.9        | 361.8        | 412.5        | 502.8        | 402.4        |
| <b>Equity</b>               | <b>938.5</b>   | <b>865.3</b>   | <b>698.9</b>   | <b>747.6</b>   | <b>785.9</b>   | <b>Valuation &amp; Ratios</b> |              |              |              |              |              |
| Cash Flow Statement         |                |                |                |                |                | FYE Dec (RM m)                | FY24         | FY25         | FY26f        | FY27f        | FY28f        |
| FYE Dec (RM m)              | FY24           | FY25           | FY26f          | FY27f          | FY28f          | Core EPS (sen)                | 13.0         | 32.0         | 31.0         | 37.8         | 30.3         |
| Profit before taxation      | 254.2          | 588.9          | 592.0          | 722.5          | 575.1          | P/E (x)                       | 62.1         | 25.3         | 26.0         | 21.4         | 26.7         |
| Depreciation & amortisation | 17.3           | 17.2           | 17.1           | 18.6           | 20.0           | EV/EBITDA (x)                 | 42.2         | 20.8         | 21.3         | 16.8         | 21.9         |
| Changes in working capital  | 539.9          | 1,322.3        | (613.7)        | 42.2           | (62.8)         | DPS (sen)                     | 8.5          | 50.5         | 46.6         | 37.8         | 30.3         |
| Share of JV profits         | (0.3)          | (15.3)         | (10.0)         | (10.0)         | (15.0)         | Dividend yield (%)            | 1.1          | 6.3          | 5.8          | 4.7          | 3.7          |
| Taxation                    | (71.1)         | (123.5)        | (139.7)        | (171.0)        | (134.4)        | BVPS (RM)                     | 0.7          | 0.6          | 0.4          | 0.4          | 0.4          |
| Others                      | (23.4)         | (170.5)        | -              | -              | -              | P/B (x)                       | 12.2         | 13.7         | 18.6         | 18.6         | 18.6         |
| <b>Operating cash flow</b>  | <b>716.4</b>   | <b>1,619.1</b> | <b>(154.3)</b> | <b>602.3</b>   | <b>382.9</b>   | EBITDA margin (%)             | 7.4          | 9.9          | 9.7          | 10.9         | 9.5          |
| Net capex                   | 32.5           | 52.0           | (25.0)         | (25.0)         | (20.0)         | EBIT margin (%)               | 6.9          | 9.6          | 9.4          | 10.5         | 9.2          |
| Others                      | 106.0          | (81.1)         | -              | -              | -              | PBT margin (%)                | 7.2          | 11.0         | 11.2         | 12.0         | 10.9         |
| <b>Investing cash flow</b>  | <b>138.4</b>   | <b>(29.1)</b>  | <b>(25.0)</b>  | <b>(25.0)</b>  | <b>(20.0)</b>  | Net margin (%)                | 4.9          | 8.0          | 7.8          | 8.4          | 7.7          |
| Changes in borrowings       | (195.3)        | (430.4)        | 57.9           | 44.3           | (49.8)         | ROE (%)                       | 20.4         | 51.2         | 60.6         | 87.0         | 69.7         |
| Issuance of shares          | -              | 119.8          | -              | -              | -              | ROA (%)                       | 4.2          | 7.7          | 7.2          | 9.4          | 7.5          |
| Dividends paid              | (112.9)        | (671.0)        | (618.8)        | (502.8)        | (402.4)        | Net gearing (%)               | CASH         | CASH         | CASH         | CASH         | CASH         |
| Others                      | 4.9            | 374.0          | -              | -              | -              | <b>Assumptions</b>            |              |              |              |              |              |
| <b>Financing cash flow</b>  | <b>(303.4)</b> | <b>(607.6)</b> | <b>(560.9)</b> | <b>(458.5)</b> | <b>(452.2)</b> | FYE Dec (RM m)                | FY24         | FY25         | FY26f        | FY27f        | FY28f        |
| <b>Net cash flow</b>        | <b>551.5</b>   | <b>982.4</b>   | <b>(740.2)</b> | <b>118.8</b>   | <b>(89.3)</b>  | Construction                  | 3,778        | 4,827        | 7,650        | 4,800        | 4,000        |
| Forex                       | -              | -              | -              | -              | -              | Precast                       | 443          | 380          | 350          | 350          | 350          |
| Others                      | (6.1)          | 1.9            | -              | -              | -              | <b>Total new job wins</b>     | <b>4,221</b> | <b>5,207</b> | <b>8,000</b> | <b>5,150</b> | <b>4,350</b> |
| Beginning cash              | 470.4          | 1,015.8        | 2,000.1        | 1,259.9        | 1,378.7        |                               |              |              |              |              |              |
| Ending cash                 | 1,015.8        | 2,000.1        | 1,259.9        | 1,378.7        | 1,289.4        |                               |              |              |              |              |              |

Figure #1 Results table

|                       | 2QFY25         | 1QFY26         | 2QFY26         | QoQ          | YoY           | 1HFY25         | 1HFY26         | YoY           |
|-----------------------|----------------|----------------|----------------|--------------|---------------|----------------|----------------|---------------|
| <b>Revenue</b>        | <b>1,476.9</b> | <b>1,022.7</b> | <b>1,017.7</b> | <b>(0.5)</b> | <b>(31.1)</b> | <b>2,877.4</b> | <b>2,040.4</b> | <b>(29.1)</b> |
| EBIT                  | 122.4          | 130.6          | 111.8          | (14.4)       | (8.7)         | 238.6          | 242.4          | 1.6           |
| Finance income        | 19.7           | 22.5           | 20.0           | (10.9)       | 1.5           | 34.0           | 42.5           | 25.0          |
| Finance cost          | (12.8)         | (4.4)          | (4.3)          | (3.3)        | (66.6)        | (25.7)         | (8.7)          | (66.2)        |
| PBT                   | 132.3          | 150.6          | 131.8          | (12.5)       | (0.3)         | 252.2          | 282.4          | 12.0          |
| PAT                   | 103.9          | 112.9          | 106.3          | (5.9)        | 2.3           | 196.3          | 219.2          | 11.7          |
| <b>Core PATMI</b>     | <b>93.5</b>    | <b>114.3</b>   | <b>104.1</b>   | <b>(8.9)</b> | <b>11.3</b>   | <b>175.9</b>   | <b>218.4</b>   | <b>24.2</b>   |
| Reported PATMI        | 83.9           | 119.7          | 103.6          | (13.4)       | 23.5          | 159.6          | 223.3          | 39.9          |
| Core EPS (sen)        | 7.0            | 8.6            | 7.8            | (8.9)        | 11.3          | 13.2           | 16.4           | 24.2          |
| EBIT margin (%)       | 8.3            | 12.8           | 11.0           |              |               | 8.3            | 11.9           |               |
| PBT margin (%)        | 9.0            | 14.7           | 13.0           |              |               | 8.8            | 13.8           |               |
| Core PATMI margin (%) | 6.3            | 11.2           | 10.2           |              |               | 6.1            | 10.7           |               |

Company

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## Published & printed by:

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|                     |                                                                                                                   |
|---------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>BUY</b>          | Expected absolute return of +10% or more over the next 12 months.                                                 |
| <b>HOLD</b>         | Expected absolute return of -10% to +10% over the next 12 months.                                                 |
| <b>SELL</b>         | Expected absolute return of -10% or less over the next 12 months.                                                 |
| <b>UNDER REVIEW</b> | Rating on the stock is temporarily under review which may or may not result in a change from the previous rating. |
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## Sector rating guide

|                    |                                                                             |
|--------------------|-----------------------------------------------------------------------------|
| <b>OVERWEIGHT</b>  | Sector expected to outperform the market over the next 12 months.           |
| <b>NEUTRAL</b>     | Sector expected to perform in-line with the market over the next 12 months. |
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