

26 August 2026

Sunway Construction Group

1HFY26 In Line; DC to Lead Growth

By Teh Kian Yeong | tehky@kenanga.com.my

SUNCON delivered another strong set of 1HFY26 results, with core profit rising 24% YoY to RM218.6m, matching expectations. The solid performance was driven by solid construction margins, supported by a higher proportion of data centre projects. Management has raised its FY26 target job wins to RM7.0b-RM9.0b (from RM6.0b), vs. our RM9.0b assumption, as tendering activity remains elevated as hyperscalers aggressively expand capacity. We keep our earnings forecasts unchanged. Reiterate **OUTPERFORM** with an unchanged TP of RM9.70.

1HFY26 results within expectations, with a core profit of RM218.6m meeting 52%/51% of house/street's FY26 estimates, respectively. A 2nd interim NDPS of 4.0 sen (ex-date: 14 Sep; payment date: 30 Sep) was declared for 2QFY26. This brings the 1HFY26 NDPS to 26.8 sen (11.6 sen regular + 15.2 sen special), vs. the 12.25 sen regular dividend paid in 1HFY25.

Construction margins remained robust in 2QFY26. While core profit contracted 9% QoQ to RM104.3m, largely reflecting project completions and provision reversals recorded in 1QFY26, pretax margins held strong at 12.9% (vs. 15.1% in 1QFY26). This resilience was driven by an elevated proportion of higher-margin data centre projects. YoY, core profit for 2QFY26 and 1HFY26 grew by 11% and 24% to RM104.3m and RM218.6m, respectively. This bottom-line growth was achieved despite a top-line contraction, with revenue falling 31% and 29% over the same periods. The stronger earnings were due to higher proportion of data centre projects, whereas the higher revenue base in the comparative periods was driven by peak construction progress on several data centre jobs and the RTS project last year.

Outlook. SUNCON has upgraded its FY26 order book replenishment target to RM7.0b-RM9.0b (from RM6.0b), having already secured RM6.85b in new jobs YTD. This aligns with our RM9.0b target. The outstanding order book now stands at RM10.5b, heavily skewed toward the data centre segment, which now accounts for 70% of the order book (up from 64% in 1QFY26). The project pipeline remains strong as SUNCON is actively tendering for eight data centre projects across six clients (four existing, two new). Consequently, the active tender book remains elevated at RM14.2b, dominated by the data centre segment. Other key prospects include recurring in-house contracts from the SUNWAY Group, such as the upcoming hospital in Seremban.

Forecasts. We maintain our FY26-FY27 earnings forecasts, based on job win assumptions of RM9.0b and RM6.0b, respectively.

Valuations. We maintain our TP of RM9.70, based on unchanged PER of 22x, which is in line with our valuation for big cap construction companies, i.e. **GAMUDA (OP; TP: RM5.30)** and **IJM (OP; TP: RM3.35)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 5).

Investment case. We like SUNCON for: (i) strong job prospects of the sector with the imminent roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM10.5b outstanding order book and recurring jobs from parent and sister companies, and (iii) its extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works. **OUTPERFORM** reaffirmed.

Risks to our recommendation include: (i) weak flows of construction jobs from public and private sectors, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

OUTPERFORM ↔

Price: **RM8.08**
Target Price: **RM9.70** ↔

Share Price Performance



KLCI 1,736.33
YTD KLCI chg 3.3%
YTD stock price chg 45.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	10,763.2
Shares Outstanding	1,332.1
52-week range (H)	8.29
52-week range (L)	5.53
3-mth avg. daily vol.	2,786,724
Free Float	38%
Beta	0.8

Major Shareholders

Sunway Holdings Sdn Bhd	52.8%
Sungei Way Corp Sdn Bhd	5.5%
Employees Provident Fund	5.2%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	5338.7	5450.0	7750.0
EBIT	448.2	478.5	648.1
PBT	525.5	573.5	753.8
Net Profit	361.8	422.8	555.7
Core Net Profit	425.1	422.8	555.7
Consensus	-	429.8	500.4
Earnings Revision (%)	-	-	-
Core EPS (sen)	32.2	32.0	42.0
Core EPS Growth (%)	154.2	-0.6	31.4
NDPS (sen)	50.5	47.2	34.0
BVPS (RM)	0.59	0.44	0.52
NTA/share (RM)	0.59	0.44	0.52
PER (x)	17.6	25.3	19.2
PBV (x)	9.52	18.35	15.52
P/NTA (x)	9.52	18.35	15.52
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	8.9	5.8	4.2

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Income Statement

FY Dec (RM m)	2Q FY26	1Q FY26	Q-o-Q Chg	2Q FY25	Y-o-Y Chg	1H FY26	1H FY25	Y-o-Y Chg
Turnover	1,017.7	1,022.7	0%	1,476.9	-31%	2,040.4	2,877.4	-29%
EBITDA	116.1	139.6	-17%	118.1	-2%	255.7	231.2	11%
Depreciation	-4.8	-4.9	-1%	-3.5	36%	-9.7	-7.1	37%
EBIT	111.3	134.7	-17%	114.6	-3%	246.0	224.1	10%
Interest and other incomes	20.0	22.5	-11%	18.0	11%	42.5	32.2	32%
Interest expense	-4.3	-4.4	-3%	-12.8	-67%	-8.7	-25.7	-66%
Associates	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
JV incomes	4.2	1.9	118%	2.9	48%	6.2	5.2	19%
Exceptional items	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Pretax profit	131.3	154.7	-15%	122.6	7%	286.0	235.8	21%
Taxation	-25.5	-37.7	-32%	-28.4	-10%	-63.2	-55.9	13%
Profit after tax	105.8	117.0	-10%	94.2	12%	222.8	180.0	24%
Minority interest	-2.2	1.4	-258%	-10.3	-79%	-0.8	-20.4	-96%
Net profit	103.6	118.4	-13%	83.9	23%	222.0	159.6	39%
Core net profit	104.3	114.3	-9%	94.1	11%	218.6	176.3	24%
EPS (sen)	7.9	8.6	-9%	7.1	11%	16.5	13.3	24%
DPS (sen)	4.00	22.80	-82%	7.25	-45%	26.80	12.25	119%
NTA/share (RM)	0.47	0.67	-30%	0.78	-40%	0.47	0.78	-40%
EBITDA margin	11.4%	13.6%		8.0%		12.5%	8.0%	
EBIT margin	10.9%	13.2%		7.8%		12.1%	7.8%	
Pretax margin	12.9%	15.1%		8.3%		14.0%	8.2%	
Core net margin	10.2%	11.2%		6.4%		10.7%	6.1%	
Effective tax rate	19.4%	24.3%		23.1%		22.1%	23.7%	

Source: Company

Segmental Breakdown

FY Dec (RM m)	2Q FY26	1Q FY26	Q-o-Q Chg	2Q FY25	Y-o-Y Chg	1H FY26	1H FY25	Y-o-Y Chg
Turnover								
Construction	941.6	950.6	-1%	1,433.5	-34%	1,892.2	2,803.4	-33%
Precast Concrete	76.1	72.1	5%	43.4	75%	148.2	74.0	100%
Group Turnover	1,017.7	1,022.7	0%	1,476.9	-31%	2,040.4	2,877.4	-29%
Segment Results								
Construction	124.8	148.7	-16%	121.4	3%	273.6	233.4	17%
Precast Concrete	6.5	6.0	8%	1.2	431%	12.4	2.5	405%
Group PBT	131.3	154.7	-15%	122.6	7%	286.0	235.8	21%
PBT Margin								
Construction	13.3%	15.6%		8.5%		14.5%	8.3%	
Precast Concrete	8.5%	8.3%		2.8%		8.4%	3.3%	
Group PBT Margin	12.9%	15.1%		8.3%		14.0%	8.2%	

Source: Company

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SUNCON's Outstanding Order Book		
Project		Outstanding Value (RM m)
Data Centre		
JHB1X0 - Data Centre & TIW		49
JHB1X0 – Building 2		90
JHB01 – C&S Works and MEP Fit-Out		1,346
General Contractor Works – Shell 1 - MNC		788
General Contractor Works – Shell 2 - MNC		2,295
PSR – MNC		81
PSR – MNC – JB01		558
PSR – MNC – JB02		346
K2 Building 4 + VO		53
Data Centre – Serendah		1,750
Infrastructure/Piling		
RTS Link Package 1B & Package 5		10
India		
Thorapalli-Jittandahalli (TJ)		51
Singapore		
Precast		617
New Order 2026 – External		109
Internal – Sunway Group		
Sunway Square – Superstructure + VO		
SunMed PH3 Fit-Out		31
RTS Transit Oriented Development Project		1,054
Sunway Ipoh Mall Extension		572
Sunway Ipoh Mall Extension – Hotel		224
Sunway Ipoh Mall Extension – Office		62
Sunway Ipoh Staff Quarters – Pilling		6
Sunway Medical Iskandar		400
Sunway Sanctuary Fit-Out Works		20
Total		10,515

Source: Company

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.36	5.30	21.6%	26,056.8	Y	07/2026	17.8	23.4	5.3%	31.3%	24.5	18.6	2.0	8.5%	10.0	2.3%
IJM	OP	2.79	3.35	20.1%	10,176.7	Y	03/2027	13.5	14.3	53.9%	5.3%	20.6	19.5	1.0	4.7%	8.0	2.9%
KERJAYA	OP	2.76	3.13	13.4%	3,461.5	Y	12/2026	20.3	23.3	12.1%	15.1%	13.6	11.8	2.7	20.3%	14.0	5.1%
KIMLUN	OP	0.920	1.50	63.0%	357.6	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.2	4.5	0.4	10.3%	2.0	2.2%
SUNCON	OP	8.08	9.70	20.0%	10,763.2	Y	12/2026	32.0	42.0	0.3%	31.4%	25.3	19.2	18.3	61.9%	47.2	5.8%
WCT	OP	0.395	0.950	140.5%	615.8	Y	12/2026	3.5	4.1	2.9%	16.3%	11.2	9.6	0.2	1.6%	0.0	0.0%
Sector Aggregate					51,431.5					14.1%	22.5%	21.7	17.8	1.7	8.0%		3.0%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★	☆	
	Carbon-Neutral Initiatives	★	★	★	★	☆
SPECIFIC	Migrant Worker Welfare	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★	★	
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my