

Sunway Construction (SCGB MK)

Earnings set to inflect higher

MALAYSIA | CONSTRUCTION | RESULT

- SunCon's 6M26 core net profit rose 24% YoY to RM219m – result in line
- YTD contract wins of RM6.8bn has surpassed management RM6bn replenishment target for 2026E, lifting its order book to RM10.5bn
- Raise EPS forecasts by 4-30% after factoring in a higher replenishment target. We upgrade SunCon to BUY with a higher TP of RM9.32

Results within expectations

Stripping out RM19m reversal of receivables impairment losses, RM3m fair value loss on ESOS, and RM14m forex losses, SunCon's 2Q26 core net profit of RM104m (-9% QoQ, +11% YoY) brought 6M26 core net profit to RM219m (+24% YoY), making up 52–53% of consensus and our forecasts. 6M26 revenue fell 29% YoY due to the high base in 6M25 from the accelerated progress billing on RTS Link and several DC projects. EBITDA margin expanded 3.7ppts to 12.4%, underpinned by higher contribution from higher-margin DC jobs, while lower finance costs also helped drive core profit growth of 24% YoY. SunCon declared an interim DPS of 4 sen, bringing the 6M26 dividend to 26.8 sen, on track to meet our full-year DPS forecast of 34.3 sen.

Robust order book, healthy tender pipeline

YTD, SunCon has secured RM6.8bn in new contracts, already exceeding management's initial RM6bn replenishment target and lifting its order book to RM10.5bn. Its RM14bn tender book remains heavily skewed towards DC projects, with near-term potential wins including: i) the core and shell and MEP package for an existing client where SunCon is involved in substation works, ii) the remaining phase of JHB1X0 in Sedenak, and iii) in-house projects such as Sunway Healthcare's Seremban Sentral Hospital. We raise our 2026 order book replenishment assumption to RM9bn (from RM6bn), while maintaining our annual 2027–28 assumptions at RM7bn.

Upgrade to BUY with a higher TP of RM9.32

We raise 2026–28E earnings by 4-30% to reflect stronger order book replenishment. Our 12-month TP is raised to RM9.32 (from RM7.83), based on unchanged 22x 2027E EPS. Upgrade SunCon to BUY as strong order book replenishment, coupled with its dominant DC exposure, makes it our preferred DC construction proxy. Key downside risks include: i) cutback in hyperscaler capex affecting DC expansion plans, ii) margin pressure from fixed lump-sum contracts, and iii) unforeseen project delays.

Key Financials

Y/E Dec	2024	2025	2026E	2027E	2028E
Revenue (RMm)	3,521.7	5,338.7	6,097.3	7,815.2	8,191.0
EBITDA (RMm)	259.8	528.8	572.0	730.0	765.7
Pretax profit (RMm)	253.3	525.5	635.1	817.3	855.2
Net profit (RMm)	167.2	361.8	437.3	562.4	588.8
EPS (sen)	12.6	27.2	32.9	42.3	44.3
PER (x)	64.2	29.7	24.5	19.1	18.2
Core net profit (RMm)	147.5	425.1	437.3	562.4	588.8
Core EPS (sen)	11.1	32.0	32.9	42.3	44.3
Core EPS growth (%)	(24.4)	188.1	2.9	28.6	4.7
Core PER (x)	72.7	25.2	24.5	19.1	18.2
Net DPS (sen)	8.5	41.5	34.3	24.6	25.7
Dividend Yield (%)	1.1	5.1	4.2	3.0	3.2
EV/EBITDA (x)	40.2	17.1	15.5	11.2	10.1
Chg in EPS (%)			+3.5	+22.4	+29.7
Phillip/Consensus (%)			1.0	1.1	1.1

Sources: Company, Bloomberg, Phillip Research forecasts

26 August 2026

BUY (upgrade)

LAST CLOSE PRICE	RM8.08
TARGET PRICE	RM9.32
TOTAL RETURN	15.3%
(PREVIOUS TP:	RM7.83)

COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN) :	1,332
MARKET CAP (USD mn / RM mn) :	2663 / 10763
52 - WK HI/LO (RM) :	8.4 / 5.02
3M Average Daily T/O (mn) :	2.85
NET CASH/(DEBT) (RMm)	1,699.80

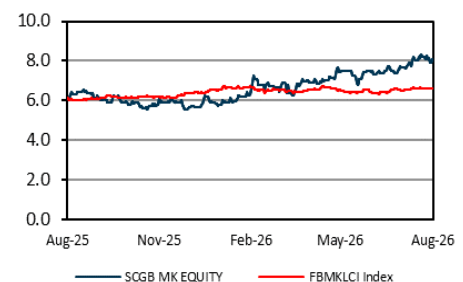
MAJOR SHAREHOLDERS (%)

Sunway Holdings	52.8%
EPF	5.5%
Sungei Way Corp	5.2%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.5	6.8	46.1
FBMKLCI RETURN	1.0	2.0	5.6

PRICE VS. FBMKLCI



Source: Bloomberg

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Results at a glance

Y/E Dec (RMm)	2Q25	1Q26	2Q26	QoQ % chg	YoY % chg	6M25	6M26	YoY % chg	Comment
Revenue	1,476.9	1,022.7	1,017.7	(0.5)	(31.1)	2,877.4	2,040.4	(29.1)	2Q26 revenue declined following faster recognition in 2Q25 from accelerated DC project progression
Op costs	(1,348.6)	(887.2)	(900.9)	1.5	(33.2)	(2,629.6)	(1,788.1)	(32.0)	
EBITDA	128.3	135.5	116.8	(13.8)	(9.0)	247.8	252.2	1.8	
<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>8.6</i>	<i>12.4</i>	<i>3.7 ppt</i>	6M26 benefited from a higher-margin project mix and acceleration of selected projects
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)	240.7	242.5	0.7	
<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>8.4</i>	<i>11.9</i>	<i>3.5 ppt</i>	
Int expense	(12.8)	(4.4)	(4.3)	(3.3)	(66.6)	(25.7)	(8.7)	(66.2)	
Int and other inc	18.0	22.5	20.0	(10.9)	11.4	32.2	42.5	31.8	
El	(10.2)	4.1	(0.7)	n.m	n.m	(16.7)	3.4	n.m	Reversal of impairment losses for receivables, forex losses and fair value loss on ESOS
Pretax profit	122.6	154.7	131.3	(15.1)	7.1	235.8	286.0	21.3	
Core pretax	132.8	150.6	132.0	(12.4)	(0.6)	252.5	282.6	11.9	
Tax	(28.4)	(37.7)	(25.5)	(32.2)	(10.0)	(55.9)	(63.2)	13.1	
<i>Tax rate (%)</i>	<i>23.1</i>	<i>24.3</i>	<i>19.4</i>	<i>(4.9 ppt)</i>	<i>(3.7 ppt)</i>	<i>23.7</i>	<i>22.1</i>	<i>(1.6 ppt)</i>	
MI	(10.3)	1.4	(2.2)	n.m	n.m	(20.4)	(0.8)	n.m	
Net profit	83.9	118.4	103.6	(12.5)	23.5	159.6	222.0	39.1	
Basic EPS (sen)	6.3	8.9	7.8	(12.5)	23.5	12.0	16.7	39.1	
Core net profit	94.1	114.3	104.3	(8.8)	10.8	176.3	218.6	24.0	Within expectations

Source: Company, Phillip Research

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