

Sunway Construction Group Berhad

TP: RM8.52 (+5.5%)

FY26 Job Win Target Lifted; Outlook Remains Intact

Last Traded: RM8.08

Hold (ESG: ★★★★★)

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Results Review

- Stripping off the extraordinary income of RM33.6mn, SUNCON's 1H FY26 adjusted core net earnings of RM188.4mn came in broadly in line with our expectations, accounting for 46.7% of our full-year forecast, but fell short of consensus at 43.9% of the street's full-year estimates.
- YoY, group revenue declined sharply by 29.1% to RM2.0bn, primarily due to a 32.5% contraction in construction revenue following the absence of accelerated progress billings from several large data centre (DC) projects and RTS link project in the preceding financial years. Nevertheless, core net earnings rose 6.8%, underpinned by stronger operating margins in both the construction (+470bps) and precast (+440bps) segments. The stronger margin was primarily driven by a more favourable project mix and accelerated progress billings on selected high-margin projects.
- QoQ, revenue edged downward marginally (-0.5%), as contributions from newly commenced jobs were still at the early stage. Nonetheless, core profit jumped by 23.9%, predominantly driven by higher operating income (+70.5%), higher JV contribution (+118.3%) and lower effective tax rate of 19.4% (versus 24.3% in 1Q FY26).
- A second interim dividend of 4.0sen/share was declared during the quarter (2Q FY25: 7.25sen/share). This brings cumulative dividend declared to 26.8sen/share, implying a dividend yield of 3.3%.

Impact

- Given in-line financial performance, we keep our earnings forecasts unchanged.

Outlook

- YTD in FY26, SUNCON has secured RM6.9bn in new order book, which has surpassed the management's internal initial target of RM6.0bn. Including these job wins, this lifts its total outstanding order book to RM10.5bn, implying a healthy 2.0x FY25 revenue cover, ensuring its near-term earnings visibility.
- Following the stronger-than-expected job wins, management has raised its FY26 new job win target to RM7.0bn–RM9.0bn, broadly in line with our recently revised assumption of RM8.0bn.
- Based on our earnings forecasts, every incremental RM1.0bn in new job wins above our RM8.0bn assumptions could lift our FY26-28 earnings forecasts by 3.1%-6.1%.
- Notably, DC-related projects accounted for around 70% of SUNCON's

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1332.1
Market Cap (RMmn)	10763.4
52-wk Hi/Lo (RM)	8.40/5.33
12-mth Avg Daily Vol ('000 shrs)	3205.9
Estimated Free Float (%)	38.1
Beta	0.50

Major Shareholders (%)

Sunholdings - 52.8
Employee Provident Fund - 5.7
Sungei Way Corp Sdn Bhd - 5.5
Amanah Saham Nasional Bhd - 2.3

Forecast Revision

	FY26	FY27
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	403.4	476.4
Consensus	428.8	494.0
TA's / Consensus (%)	94.1	96.4
Previous Rating	Hold (Maintained)	
Consensus Target Price	8.82	

SCORECARD (%)

vs TA	46.7	Within
vs Consensus	43.9	Below

Financial Indicators

	FY26	FY27
Net Debt / Equity (%)	(309.8)	(365.7)
CFPS (sen)	(2.1)	55.4
Price / CFPS (x)	(379.1)	14.6
ROA (%)	8.3	8.3
NTA/Share (sen)	40.7	49.7
Price/NTA (x)	19.8	16.3

Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	5.8	2.1
3 mth	7.9	0.2
6 mth	17.1	(1.1)
12 mth	32.9	8.7

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

total outstanding order book and >90% of its FY26 YTD new job wins. We believe this highlights SUNCON's expanding exposure to the fast-growing DC construction segment and support earnings growth, given the typically stronger margin profile of DC projects.

- For FY26, we believe SUNCON's new job replenishment visibility to remain solid, supported by RM14.2bn of active tender book as well as stable internal job flow from its property development arm, Sunway Bhd although the timing and conversion of these opportunities remain subject to tender outcomes
- For its DC pipeline, SUNCON has an on-going tender book of more than 700MW across the Klang Valley and Johor. Based on the rule of thumb of RM30-32mn/MW construction cost and a conservative success rate of 30%, we estimate that the current pipeline translates into a potential DC construction opportunity of RM6.3bn to RM6.7bn for SUNCON.

Valuation

- We maintain our **Hold** recommendation on SUNCON with an unchanged **TP** of RM8.52/share, based on the same 23x its CY27 EPS.
- We continue to favour SUNCON for:- (i) its strong position as the key DC pure-play construction proxy, (ii) its superior ROE profile of 61.0% to 79.5%; and (iii) its attractive dividend yield of 3.6%-5.6%.
- Key downside risks include: (i) Slower-than-expected new order book win; (ii) Delay in large-scale infrastructure job roll-out; and (iii) Weaker-than-expected property sales.

Exhibit I: Earnings Summary (RM mn)

FYE Dec (RMmn)	2024	2025	2026F	2027F	2028F
Revenue	3,521.7	5,338.7	6,240.6	7,352.9	7,784.1
Gross profit	581.1	823.1	1,029.7	1,213.2	1,284.4
EBITDA	279.4	465.4	541.8	653.7	698.0
EBITDA margin (%)	7.9	8.7	8.7	8.9	9.0
EBIT	262.2	448.2	524.4	633.9	675.9
PBT	273.0	525.5	605.9	715.4	757.4
PAT	186.9	361.8	403.4	476.4	504.3
Core net profit	166.6	420.7	403.4	476.4	504.3
Core EPS (sen)	12.6	31.8	30.5	36.0	38.1
PER (x)	64.1	25.4	26.5	22.5	21.2
Gross dividend (sen)	8.5	50.5	45.0	27.0	29.0
Dividend yield (%)	1.1	6.3	5.6	3.3	3.6
ROE (%)	22.0	43.5	61.0	79.5	70.2

Source: TA Research

Exhibit 2: FY26 YTD New Job Win

Projects	Client	Expected Completion Date	Contract Sum (RM mn)
Core and shell for 2 Data Centres	US based Multinational Technology Company	Dec-27	1,146.0
Core and shell for DC @ Bandar Serendah	International hyperscaler	Q3CY28	1,750.0
Revision of order for 2 substation job in Johor	US based Multinational Technology Company	Q4CY27/ Q2CY28	664.4
MEP works for DC in Johor	US based Multinational Technology Company	Q4CY27	1,020.0
MEP works for two DCs	US based Multinational Technology Company	Mar-28	1,044.0
Others (mostly DC)	Various	Various	1,225.6
Total			6,850.0

Source: Company, TA Research

Exhibit 3: IHFY26 Results Analysis (RM mn)

FYE Dec	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	IHFY25	IHFY26	YoY (%)
Revenue	1476.9	1022.7	1017.7	(0.5)	(31.1)	2877.4	2040.4	(29.1)
- 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	100.1
Operating profit	114.6	134.7	111.3	(17.4)	(2.8)	224.1	246.0	9.8
Finance income	18.0	22.5	20.0	(10.9)	11.4	32.2	42.5	31.8
Finance costs	(12.8)	(4.4)	(4.3)	3.3	66.6	(25.7)	(8.7)	66.2
Profit before taxation	122.6	154.7	131.3	(15.1)	7.1	235.8	286.0	21.3
- Construction	121.4	148.7	124.8	(16.1)	2.8	233.4	273.6	17.2
- Precast	1.2	6.0	6.5	8.4	431.0	2.5	12.4	404.8
Income tax expense	(28.4)	(37.7)	(25.5)	32.2	10.0	(55.9)	(63.2)	(13.1)
Non-controlling interests	10.3	(1.4)	2.2	257.8	(79.0)	20.4	0.8	(96.1)
Net profit	83.9	118.4	103.6	(12.5)	23.5	159.6	222.0	39.1
- Construction	82.8	113.2	98.6	(12.9)	19.0	157.5	211.8	34.4
- Precast	1.1	5.3	5.0	(5.2)	374.6	2.1	10.2	392.0
Core net profit	94.1	84.2	104.3	23.9	10.8	176.3	188.4	6.8
Reported EPS (sen)	6.4	9.0	7.8	(12.9)	21.4	12.2	16.8	37.0
Core EPS (sen)	7.2	6.4	7.9	23.4	8.9	13.5	14.2	5.2
Dividend (sen)	7.3	22.8	4.0	(82.5)	(44.8)	12.3	26.8	118.8
Margin (%):				% pts	% pts			% pts
- Operating	7.8	13.2	10.9	(2.2)	3.2	7.8	12.1	4.3
- Construction	8.0	13.7	11.6	(2.2)	3.5	8.0	12.7	4.7
- Precast	(1.3)	5.7	3.2	(2.5)	4.5	(0.0)	4.4	4.4
- PBT	8.3	15.1	12.9	(2.2)	4.6	8.2	14.0	5.8
- PAT	6.4	11.4	10.4	(1.1)	4.0	6.1	9.2	4.7
- Core PAT	6.4	8.2	10.2	2.0	3.9	6.1	9.2	3.1
- Effective tax rate	23.1	24.3	19.4	(4.9)	(3.7)	23.7	22.1	(1.6)

Source: TA Research

Sector Recommendation Guideline

OVERWEIGHT: The total return of the sector, as per our coverage universe, exceeds 12%.

NEUTRAL: The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

UNDERWEIGHT: The total return of the sector, as per our coverage universe, is lower than 7%.

Stock Recommendation Guideline

BUY : Total return of the stock exceeds 12%.

HOLD : Total return of the stock is within the range of 7% to 12%.

SELL : Total return of the stock is lower than 7%.

Not Rated: The company is not under coverage. The report is for information only.

Total Return of the stock includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Total Return of the sector is market capitalisation weighted average of total return of the stocks in the sector.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★★	★★★★	★★★★★	★★★★
Remark	Environmental management system in place with ISO 14001:2015 certification. SUNCON will embark on the environmental supply chain assessment in 2021 and complete it by 2023.	Adopted e-bidding. CSR events include Build A Home, which focuses on the welfare of the Orang Asli community.	Established anti-bribery and whistleblower policies. 20.0%-woman representation on the board. Transparent in its sustainability report and has won several ESG and IR awards.	

★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price

★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price

★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price

★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price

★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

Disclaimer

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As of Wednesday, August 26, 2026, the analyst, Ng Hong Tong, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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