UBS

Global Research
29 June 2026

# Sunway Construction

## Assume coverage with Buy; direct DC proxy [ERRATUM]

**Equities**

Malaysia
Industrial Services

| | |
|---|---|
| **12-month rating** | **Buy** |
| **12m price target** | **RM10.00** |
| | ***Prior : RM5.20*** |
| **Price (26 Jun 2026)** | **RM7.32** |

**RIC:** SCOG.KL **BBG:** SCGB MK

**Trading data and key metrics**

| | |
|---|---|
| **52-wk range** | RM7.64-5.22 |
| **Market cap.** | RM9.46b/US$2.32b |
| **Shares o/s** | 1,293m (ORD) |
| **Free float** | 16% |
| **Avg. daily volume ('000)** | 3,263 |
| **Avg. daily value (m)** | RM23 |
| **Common s/h equity (12/26E)** | RM0.59b |
| **P/BV (12/26E)** | 16.1x |
| **Net debt to EBITDA (12/26E)** | NM |

**EPS (UBS, diluted) (RM)**

| | From | To | % ch | Cons. |
|---|---|---|---|---|
| **12/26E** | 0.26 | 0.34 | 31 | 0.32 |
| **12/27E** | 0.27 | 0.44 | 60 | 0.35 |
| **12/28E** | 0.30 | 0.45 | 48 | 0.36 |

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### The biggest beneficiary of the data centre construction theme

We assume coverage of Sunway Construction (SunCon), Malaysia's largest listed pure-play contractor, with a Buy rating and RM10 price target. SunCon is our clearest proxy to Malaysia's data centre (DC) construction cycle, where TNB's 8.3GW secured maximum demand vs. only 1.05GW actual load utilisation points to a sizeable multi-year runway for phased campus build-outs and data hall energisation. SunCon has captured an average 47% share of publicly announced data centre contracts awarded to main contractors since 2022 (Figure 2, Figure 20), making it the most successful contractor in this subsegment to date. Its first-mover advantage matters as clients move on to subsequent phases, where execution track record, client familiarity and incumbent status become a tangible advantage. As a result, data centres now account for 64% of its order book, up from 32% in 2022, underpinning a 43% core earings CAGR over 2022-25.

### Order book at record highs; RM8.8-10.8bn pipeline identified

SunCon's order book stands at a record RM8.8bn, supported by an estimated RM14.6bn tender book. We understand 90% of its tender book comprises DC jobs across seven clients, six of which are recurring customers. Delving into its existing order book, we identify at least RM8.8-10.8bn worth of continuation jobs (Figure 5) from its ongoing expansion phases to be awarded in the near to mid term. YTD new wins stand at RM4.2bn, and we see upside risks to management's RM6bn FY guidance should tender conversion accelerate. We assume annual order book replenishment of RM7bn across 2026-30E.

### Forecast earnings CAGR of 11% over 2025-28E, above consensus

We forecast a 10.8% earnings CAGR over 2025-28E driven by a 10.1% revenue CAGR amid margin expansion from a higher mix of data centre jobs. PBT margins hit a record 9.8% in 2025, boosted by cost savings from early completion of several major projects, and we expect it to remain in the low double digits over 2026-30E, with DCs contributing 70-80% of revenue. Under our cost inflation stress test, EBIT downside is manageable at 5-8% over 2026-28E (Figure 10). Our 2026-28E earnings forecasts are 6-25% above consensus, owing to our higher margin assumptions.

### Valuation: Buy with PT of RM10 based on 22.6x 2027/28E EPS

Despite SunCon's strong 42% YTD total return, we still see room for further upside as the market re-rates the stock towards a higher sustainable earnings base. Currently, the stock trades at 19x NTM PE on our estimates (near 5-year mean) while offering a 6% dividend yield as management guides for a 100% payout ratio. Our RM10 price target is derived from a 22.6x target PE (+1SD) pegged to average 2027/28E EPS.

| Highlights (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | 2,671 | 3,522 | 5,339 | 5,192 | 7,079 | 7,117 | 6,887 | 6,475 |
| **EBIT (UBS)** | 224 | 262 | 448 | 563 | 735 | 753 | 715 | 674 |
| **Net earnings (UBS)** | 145 | 187 | 362 | 443 | 564 | 578 | 545 | 510 |
| **EPS (UBS, diluted) (RM)** | 0.11 | 0.14 | 0.28 | 0.34 | 0.44 | 0.45 | 0.42 | 0.40 |
| **DPS (net) (RM)** | 0.06 | 0.09 | 0.51 | 0.50 | 0.44 | 0.45 | 0.42 | 0.40 |
| **Net (debt) / cash** | (345) | 284 | 1,690 | 1,197 | 1,558 | 1,442 | 1,381 | 1,272 |
| **Profitability/valuation** | **12/23** | **12/24** | **12/25** | **12/26E** | **12/27E** | **12/28E** | **12/29E** | **12/30E** |
| **EBIT (UBS) margin %** | 8.4 | 7.4 | 8.4 | 10.8 | 10.4 | 10.6 | 10.4 | 10.4 |
| **ROIC (EBIT) %** | 30.1 | 37.1 | (148.6) | (63.1) | (78.2) | (69.9) | (71.1) | (72.2) |
| **EV/EBITDA (UBS core) x** | 8.6 | 16.4 | 12.2 | 14.0 | 10.9 | 10.5 | 11.1 | 11.8 |
| **P/E (UBS, diluted) x** | 15.6 | 25.2 | 18.7 | 22.1 | 17.4 | 16.9 | 18.0 | 19.2 |
| **Equity FCF (UBS) yield %** | (14.7) | 15.6 | 22.7 | 1.5 | 9.4 | 4.7 | 4.9 | 4.1 |
| **Dividend yield (net) %** | 3.4 | 2.3 | 9.6 | 6.6 | 5.8 | 5.9 | 5.6 | 5.2 |

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of RM 7.60 on 13-Jul-2026

## UBS Research THESIS MAP a guide to our thinking and what's where in this report

### PIVOTAL QUESTIONS

**Q: Can SunCon sustain its earnings momentum over 2026-28?**

Yes. We believe SunCon's earnings momentum will be underpinned by its record-high order book of RM8.2bn, of which RM5.2bn (64%) is data centre related. We forecast order book replenishment of RM7bn p.a. in 2026-28E, with data centres making up 70-80% of new wins. While revenue could moderate in 2026E following the completion of a major project in 2025, we expected earnings to remain resilient as margins stay elevated. This should be supported by full recognition of cost savings and any early completion incentives of the earlier completed projects in 2026E. Given its execution track record, we opine that some projects with low residual recognition in its order book could be completed ahead of schedule this year, further supporting margins.

### UBSVIEW

We assume coverage of SunCon with a Buy rating and PT of RM10. SunCon's position as Malaysia's leading data centre contractor places it at the forefront of the most tangible thematic within the construction sector. Our core earnings forecast are 6-25% above consensus, as we have pencilled in higher EBIT margins of ~11% over 2026-28E vs consensus' 8-10%. Management has also guided for a 100% dividend payout ratio, translating to estimated yields of 6% over 2026-28E.

### EVIDENCE

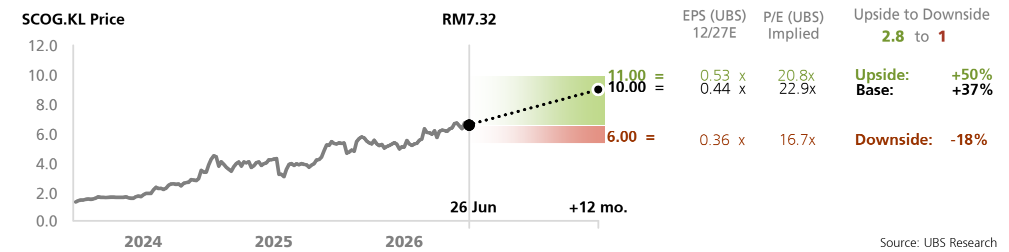
SunCon's data centre projects typically have a quick 18-24 month execution cycle. Margins tend to improve towards the tail end of a project as execution risk declines, cost-to-complete estimates are revised with greater certainty, and unutilised contingencies or provisions are released into earnings. This was evident in 2025 and Q126, whereby PBT margins were boosted to 9.8% and 15.1% respectively upon the completion of several major projects. Figure 18 shows that a higher data centre revenue mix has resulted in higher margins, supporting our view that SunCon's future margin profile should remain above historical levels. On replenishment, we believe SunCon has a strong chance of converting a meaningful portion of its tender book, given that most of its pipeline comprises expansion phases from existing clients. We have identified at least RM8.8-10.8bn of potential pipeline from these projects alone.

### WHAT'S PRICED IN?

Despite SunCon's 42% YTD total return (vs Gamuda's -14%, IJM's +2.2%, FBM100's +2.8%), the stock still trades at only 19x NTM PE based on our estimates, which is at its 5-year mean. We believe the market has yet to fully price in SunCon's earnings delivery potential, as consensus appears to be modelling a margin profile closer to its historical order book mix rather than its current earnings base, which is increasingly driven by high margin, quick turnaround data centre contracts.

### UPSIDE/DOWNSIDE SPECTRUM

**Figure 1:**




| Value drivers (2027E) | Order book replenishment (RM bn) | EBIT margin | EPS CAGR (2025-28E) |
|---|---|---|---|
| RM11.00 upside | 10.0 | 11.0% | 14.5% |
| RM10.00 base | 7.0 | 10.8% | 10.8% |
| RM6.00 downside | 4.5 | 10.3% | 7.4% |

Source: UBS estimates

### COMPANY DESCRIPTION

SunCon is the largest pure-play construction group in Malaysia and is the flagship construction arm for Sunway Berhad, a prominent property developer. It has over 40 years of experience in the construction industry and provides a full range of integrated design and construction services including building, infrastructure, foundation and geotechnical engineering; mechanical, electrical and plumbing (MEP) services, manufacturing and sale of precast concrete products, as well as renewable energy services.

***Erratum:*** *This note replaces an earlier version, which had sensitive information pertaining to clients.*

# At the forefront of Malaysia's DC construction

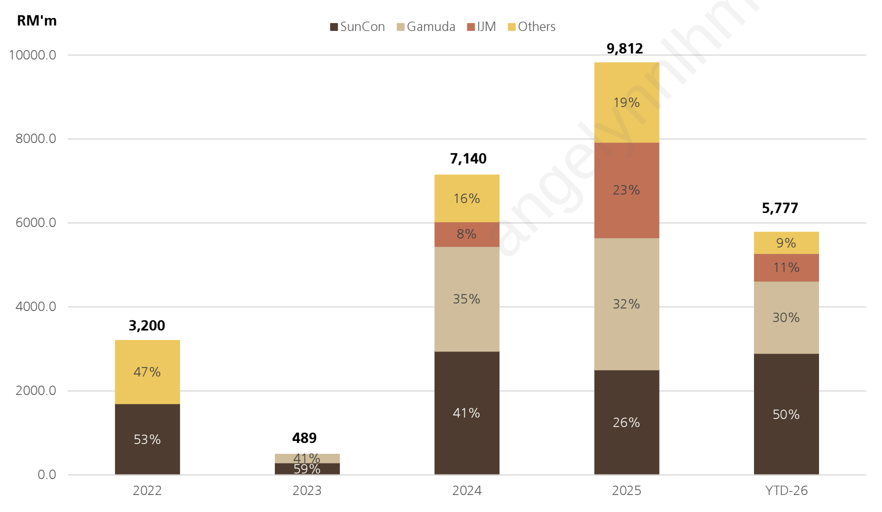
SunCon was one of the earliest domestic contractors to secure a major hyperscale data centre contract, winning the RM1.7bn Sedenak Tech Park job from Yellowwood Properties Sdn Bhd, a wholly-owned SPV of Yondr Group, in Dec-22. Since then, it has commissioned and delivered 180MW of data centre capacity, while data centres have grown from 32% of its order book in 2022 to 67% currently.

We believe SunCon's first-mover advantage has now translated into a more durable competitive position. This is reflected across three areas: i) its leading share of publicly announced data centre main contracts, ii) the rising contribution of data centres within its order book, and iii) its track record of meeting or exceeding order book replenishment targets. Given that data centre campuses are typically rolled out in phases, we think SunCon's delivery track record gives it an incumbency advantage for follow-on packages from existing clients.

As such, we see SunCon as one of the clearest proxies for Malaysia's data centre buildout, with recurring award visibility, faster order book conversion and a structurally higher-margin project mix.

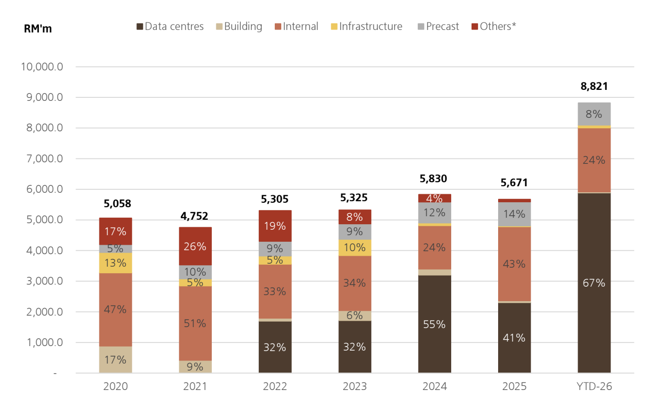


**Figure 2: SunCon has captured the largest share of Malaysia's publicly announced DC main contracts since 2022; dip in 2025 coincided with a temporary governance overhang from the MACC investigation**



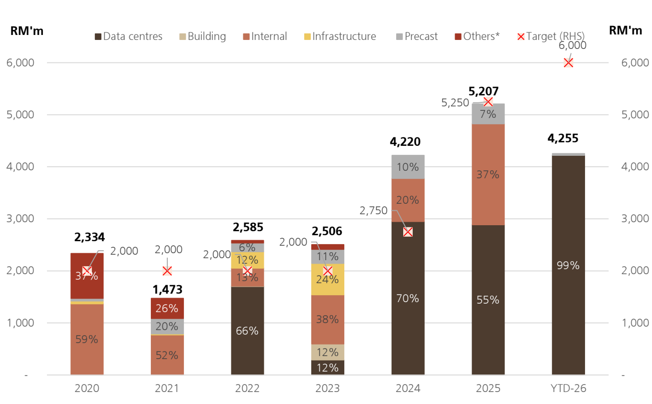

Source: Company data, various news outlet, UBS estimates

**Figure 3: Data centres have become the centerpiece of SunCon's order book**




Source: Company data, UBS, *Others comprise India and RE projects

**Figure 4: DC wins have driven a step-up in SunCon's annual replenishment run-rate**




Source: Company data, UBS, *Others comprise India and RE projects

# Existing client base provides at least RM8.8-10.8bn of potential follow-on opportunities

We identify RM8.8-10.8bn of potential follow-on contracts from SunCon's current data centre projects. These are largely extensions of ongoing campuses, conversions of preliminary works into larger packages, and subsequent MEP or fit-out scopes following core-and-shell awards. In our view, this provides better earnings visibility than a conventional tender book, as the opportunities are tied to projects where SunCon is already involved or where the client has committed to multi-phase capacity expansion. This supports our assumption of sustained order book replenishment of RM7bn p.a. over 2026-30E, with data centres remaining the key driver of new wins.

**Key downside risk:**

Existing clients may choose to de-risk future project execution by diversifying awards across other contractors, rather than relying heavily on SunCon. We believe SunCon's execution track record, early delivery history and familiarity with client specifications should help mitigate this risk.

**Figure 5: Current DC projects point to RM8.8-10.8bn of potential follow-on contracts**

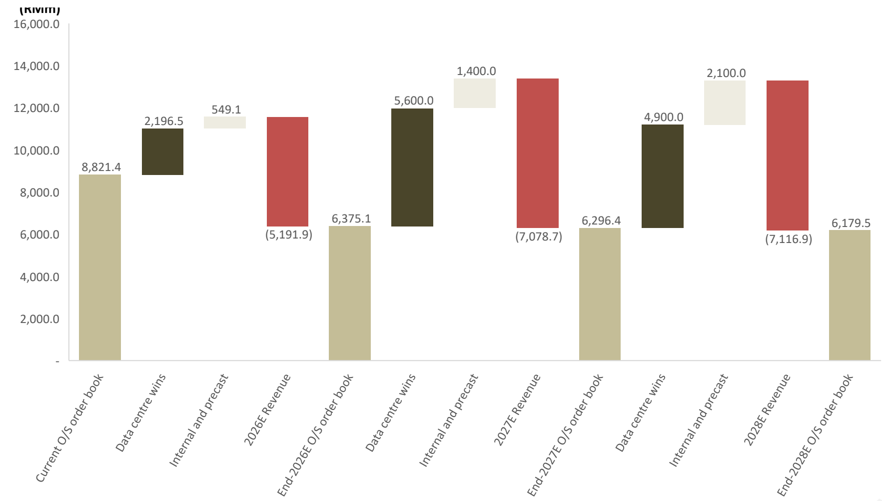
| | Secured | Completion | Contract Sum (RM'm) | Outstanding order book (RM'm) | Client | Notes | Estimated Upside (RM'm) |
|---|---|---|---|---|---|---|---|
| JHB1X0 - Data Centre & TIW | 1Q 2022 / 2Q 2024 | 1Q 2026 | 4135 | 51 | Yellowwood Sedenak Tech Park's Campus | Phase 1 of 300MW campus completed, delivered ~98MW IT capacity. | |
| JHB1X0 - Building 2 | 4Q 2025 | 1Q 2027 | 196 | 130 | Yellowwood Sedenak Tech Park's Campus | Preliminary works for Phase 2 of the 300MW campus. | 2000-4000 |
| JHB01 - Core & Shell Works | 4Q 2025 | 4Q 2026 | 539 | 472 | US-headquartered hyperscale DC operator. New client. | Currently undertaking Core & Shell works. Potential MEP phase to be awarded. | 500 |
| General Contractor Works - Shell 1 | 2Q 2025 | 1Q 2027 | 1546 | 1039 | US cloud infrastructure hyperscaler. | - | |
| General Contractor Works - Shell 2 | 1Q 2026 | 2Q 2027 | 1532 | 1362 | US cloud infrastructure hyperscaler. | Currently undertaking Core & Shell works. Potential MEP phase to be awarded. | 800 |
| Project Service Request | 3Q 2024 | 2Q 2027 | 778 | 124 | US enterprise software and cloud hyperscaler. | Expected to be completed ahead of schedule in 2026. | |
| Project Service Request - JB01 / 02 | 2Q 2026 | 2Q 2028/ 4Q 2027 | 865.6 | 865.6 | US enterprise software and cloud hyperscaler. | Undertaking substation works now. Potential conversion into two full sized contracts. | 1500 |
| K2 Building 4 + VO | 1Q 2025 | 4Q 2026 | 458 | 53 | Singapore-based DC operator. | Total campus can support 234MW capacity, with up to 8 buildings in total. | 500 |
| Data Centre - Serendah | 2Q 2026 | 3Q 2028 | 1750 | 1750 | US digital services and AI cloud hyperscaler. New client. | Understand the plot of land to have ~139 acres, could theoretically support 2-3 data centres. | 3500 |
| | | | | **5846.6** | | | **8800-10800** |

Source: Company data, various news outlets, UBS estimates

### DC-led replenishment supports >RM6bn order book through FY28E

Despite elevated revenue recognition as ongoing DCs enter peak construction phases, we expected SunCon's outstanding order book to remain healthy at above RM6bn through FY28E. Data centres are expected to account for 70-80% of new wins, driven by the aforementioned existing clients. We expect internal projects from Sunway Bhd (NR) to continue being a cornerstone of its order book, which has historically made up one-third of its order book (Figure 3). We think Sunway's upcoming malls and hospitals could be funnelled towards SunCon, given the sensitivity of these buildings. We see limited opportunities for infrastructure projects within Malaysia, having learnt that SunCon will not be participating in the Penang LRT Segment 2 tenders.

**Figure 6: Forecasting a sustainable order book of >RM6bn over FY26-28E; DCs to make up 70-80% of replenishment**




Source: Company data, UBS estimates

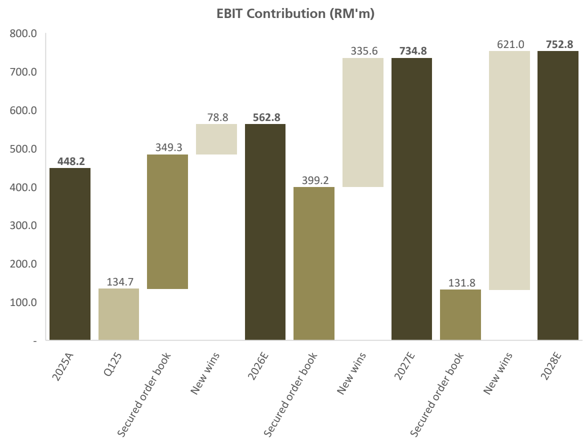
Malaysia has emerged as a regional data centre hub, having attracted RM144.4bn in approved DC investments over 2021-1H25, supported by proximity to submarine cable landing stations, ample and stable resource availability and favourable government policies. Latest TNB data shows 59 DC projects representing 8.3GW of cumulative maximum demand secured as at Mar-26. Of this, 4.5GW (36 projects) are labelled "in system", 1.8GW (13 projects) are under construction, and 2.0GW (10 projects) have signed ESAs. However, actual load utilisation stood at only1.05GW, suggesting that TNB's classification likely reflects campus-level grid connection / supply status, rather than full physical build-out or IT load ramp-up at the individual data hall level; eg, a 100MW building at a 300MW campus being constructed is counted as 300MW under construction.

As such, the gap between the secured maximum demand of 8.3GW and actual utilisation of 1.05GW implies 7.25GW of load to ramp up in the coming 3-5 years. Our DC main contract award tracker (Figure 20) suggests at least 1.1GW of IT load has been awarded to listed contractors so far. Using a back-of-the-envelope estimate, where we assume: i) 2.5GW of contracts have been awarded (1.1GW from known sources + matching 1.1GW from unlisted companies + 0.3GW from unidentifiable capacity within our tracker), ii) IT load represents 75% of facility load, 7.25GW unutilised secured load translates to 5.4GW of IT load potential, iii) construction cost of RM30m/MW. This points to a theoretical incremental construction and fit-out opportunity of RM87bn to be doled out over the next 3-5 years as DC halls energise. While this is an indicative ceiling rather than a firm addressable market, it supports our view that Malaysia's DC construction cycle remains a multi-year opportunity, driven by phased campus build-outs and progressive data hall energisation.

## Existing order book underpins 54-62% of our 2026-27E forecasted earnings

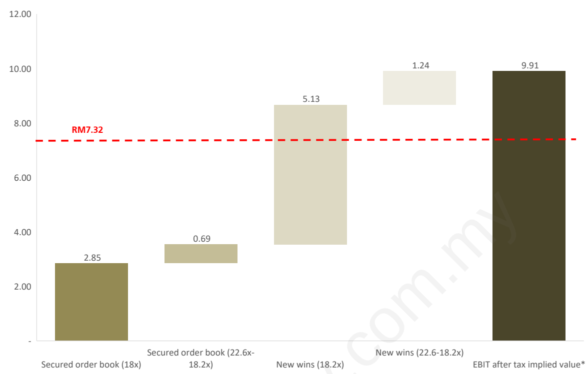
We see strong visibility on near-term earnings, with the existing order book underpinning 54-62% of our 2026-27E EBIT forecasts. On our valuation bridge derived from average 2027/28E EBIT after tax, the secured order book contributes RM2.85/share based on the historical mean PE of 18.2x, with a further RM0.69/share upside if the stock re-rates to our target PE of 22.6x, +1SD above mean. New wins form the next leg of value creation, contributing RM5.13/share at 18.2x, and a further RM1.24/share from the re-rating uplift. This takes our EBIT-derived valuation to RM9.91/ share, with a slight discrepancy to our PT as this does not take into account net interest, JV contributions and minorities. Overall, the secured order book already anchors more than half of our near-term forecast earnings, while successful replenishment provides a clear pathway for earnings upside and multiple expansion, in our view.

**Figure 7: Existing order book anchors >50% of 2026-27E EBIT**




Source: Company data, UBS estimates

**Figure 8: Valuation bridge shows new wins as key driver**




Source: Refinitiv Datastream, UBS estimates. *Slight discrepancy to our PT as EBIT after tax implied value does not capture net interest, JV contributions and MI

## Stress test on earnings

To assess SunCon's margin sensitivity to a higher-cost environment, we stress-test the portion of its order book that is more exposed to cost fluctuations, focusing primarily on lump-sum contracts. Based on our assumptions, RM3.95bn of order book is treated as exposed, equivalent to 45% of its outstanding order book.

**Assumptions:**

- Exposed revenue is phased over 2026-27E based on expected project execution, with impacted revenue of RM1.3bn in 2026E, RM1.22bn in 2027E and RM1.02bn in 2028E.
- Cost inflation is applied in two layers: commodity inflation across all exposed projects, and scope-specific inflation for MEP and subcontractor costs.
- **Commodity assumptions:** i) a 30% increase in diesel price, ii) no change in steel prices, iii) 10% increase in concrete prices. Assuming each accounts for 2% of the cost base, this translates to a blended commodity cost impact of 0.8%.
- **Scope-specific assumptions:** i) a 3% increase in MEP costs, where it makes up 50% of DC cost base, and 20% of internal and infrastructure cost base, ii) a 5% increase in subcontractor costs, where it makes up 30% of DC cost base, and 50% of internal and infrastructure cost base. This translates to a blended cost impact of 4% across all project types.

**Findings:**

- **EBIT erosion:** The stress test points to an EBIT impact of RM45m in 2026E, RM42m in 2027E, and RM35m in 2028E; implying 5-8% of downside to our actual EBIT forecasts throughout this period.
- Impact is largest in FY26, mainly due to front-loaded recognition of DC revenue, and new tenders are likely to have priced in any cost increase.
- Overall, our study shows that SunCon's **margin risk is driven more by MEP and subcontractor cost escalation**, due to: i) higher mix of DC projects where MEP are the main cost structure, ii) direct commodity cost makes up a small portion of SunCon's cost.
- **Valuation downside:** under this scenario, our implied value is lowered to RM8.40, implying a NTM PE of 21x.

Nevertheless, we would not take these assumptions as the base case for our forecasts, as we believe any increase in costs remains manageable, with cost savings from early completion of projects outweighing the prior. We also note a moderation of key building material prices as a deal is struck on the US-Iran conflict.

**Figure 9: Our key assumptions for this stress test; 45% of the order book is exposed to cost fluctuations**

| Key assumptions | | | | | |
|---|---|---|---|---|---|
| **Existing lump sum order book (RM'm)** | | | | | |
| Data Centre (30% of DC O/B) | 1,775.2 | | | | |
| Infrastructure (100% of Infra. O/B) | 91.0 | | | | |
| Internal (100% of Internal O/B) | 2,088.0 | | | | |
| | | | | | |
| **Commodity** | **Price change** | **% of cost base** | **Cost impact** | | |
| Diesel | 30.0% | 2.0% | 0.6% | | |
| Steel | 0.0% | 2.0% | 0.0% | | |
| Concrete | 10.0% | 2.0% | 0.2% | | |
| **Commodity inflation** | | | **0.8%** | | |
| | | | | | |
| **Scope-specific drivers** | | **% of cost base** | | **Cost impact** | |
| **Driver** | **Price change** | **Data Centre** | **Internal + Infra.** | **Data Centre** | **Internal + Infra.** |
| MEP | 3% | 50% | 20% | 2% | 1% |
| Subcontractor | 5% | 30% | 50% | 2% | 3% |

Source: Company data, UBS estimates

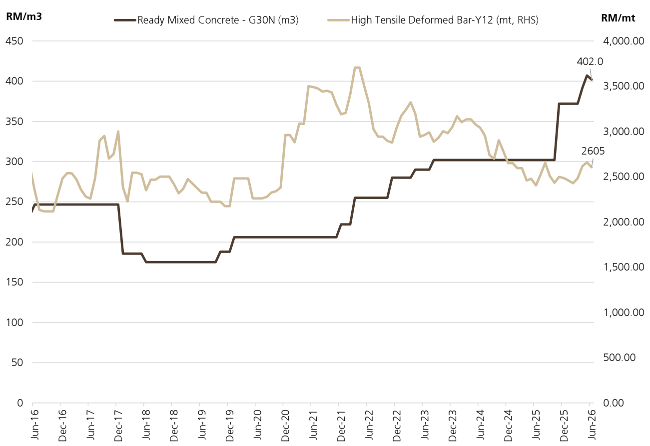
**Figure 10: Our findings for the stress test - downside to EBIT of 5-8% under these scenarios**

| Cost inflation by project type | | | |
|---|---|---|---|
| **Driver** | **Data Centre** | **Internal** | **Infrastructure** |
| Commodities | 0.8% | 0.8% | 0.8% |
| MEP | 2% | 1% | 1% |
| Subcontractor | 2% | 3% | 3% |
| **Total cost inflation (A)** | **3.8%** | **3.9%** | **3.9%** |
| | | | |
| **EBIT Stress Test** | **2026E** | **2027E** | **2028E** |
| Impacted revenue - Data centre | 790.9 | 594.0 | 390.3 |
| Impacted revenue - Internal | 417.6 | 626.4 | 626.4 |
| Impacted revenue - Infrastructure | 91.0 | - | - |
| **Total impacted revenue (B)** | **1,299.5** | **1,220.4** | **1,016.7** |
| Impacted EBIT - Data centre | 92.2 | 69.3 | 45.5 |
| Impacted EBIT - Internal | 37.6 | 56.4 | 56.4 |
| Impacted EBIT - Infrastructure | 8.2 | - | - |
| **Total impacted EBIT (C)** | **138.0** | **125.6** | **101.9** |
| Impacted cost base - Data centre | 698.7 | 524.7 | 344.8 |
| Impacted cost base - Internal | 380.0 | 570.0 | 570.0 |
| Impacted cost base - Infrastructure | 82.8 | | |
| **Total impacted cost base (B - C)** | **1,161.5** | **1,094.8** | **914.8** |
| EBIT hit - Data centre | (26.6) | (19.9) | (13.1) |
| EBIT hit - Internal | (14.8) | (22.2) | (22.2) |
| EBIT hit - Infrastructure | (3.2) | | |
| **Total EBIT hit ((B - C) * A)** | **(44.6)** | **(42.2)** | **(35.3)** |
| Actual EBIT forecast | 547.6 | 705.6 | 710.3 |
| **Stressed EBIT** | **503.0** | **663.4** | **675.0** |
| *EBIT erosion %* | *(8.1%)* | *(6.0%)* | *(5.0%)* |
| | | | |
| **Stressed EBIT margin** | ***9.7%*** | ***9.4%*** | ***9.5%*** |
| **Actual EBIT margin** | **10.8%** | **10.3%** | **10.5%** |
| *EBIT margin erosion (ppt)* | *(1.2ppt)* | *(1.0ppt)* | *(1.0ppt)* |
| **Current PT (RM)** | **10.00** | | |
| **Stressed implied value (RM)** | **8.40** | | |

Source: UBS estimates



**Figure 11: Steel prices have remained relatively flat YTD, while cement prices have declined from a recent peak**

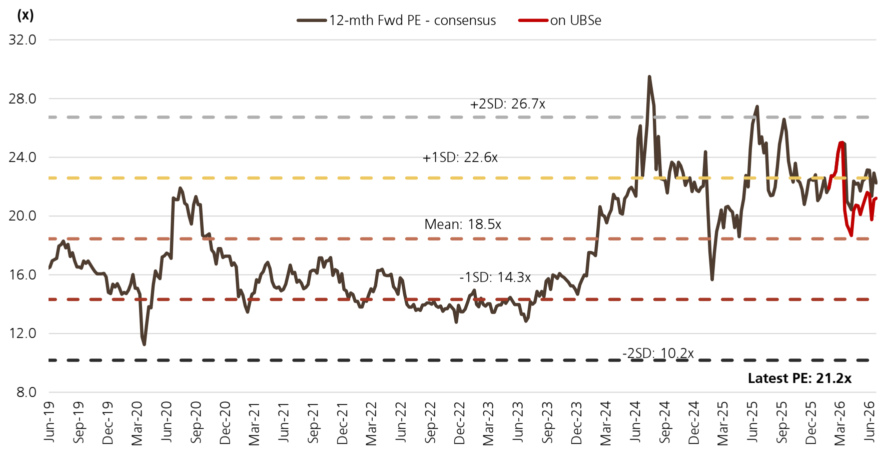



Source: CIDB

**Figure 12: Retail pump diesel prices have come off sharply following shocks from the US-Iran conflict**


Source: CEIC

## WHAT´S PRICED IN?




Source: Refinitiv Datastream, UBS estimates

**SunCon is trading at RM7.32 (as of 26 June 2026)**

The construction sector has re-rated since late-2023, as the emergence of DC projects revived the sector post the COVID lull. However, sector valuations have seen a mean reversion in Q3 2025 as investors shifted focus from thematic excitement to execution and earnings delivery. Against this backdrop, SunCon has sustained its premium valuation by consistently delivering higher earnings. Its 2025 reported earnings were 34% above earlier consensus estimates, while consensus 2026-27E earnings forecasts have been revised up by 36-39% over the past year.

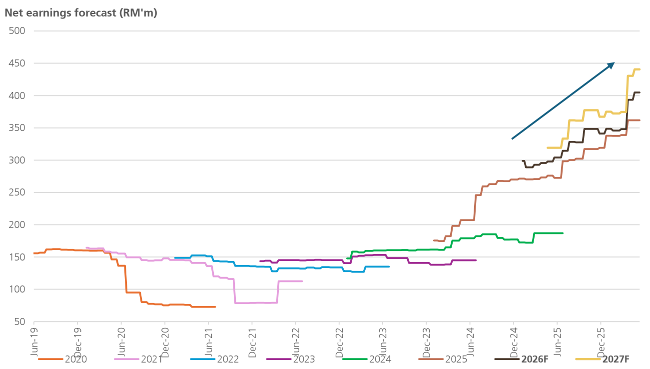
Despite these upgrades, we still see room for further consensus earnings upside. Our 2026-28E earnings forecasts are 6-25% above consensus, as we believe the market has yet to fully price in margin expansion from SunCon's higher mix of data centre contracts. SunCon currently trades at 19x NTM PE based on UBS estimates, slightly above its 5-year mean but broadly in line with peers. Our RM10 PT is based on 22.6x target PE (+1SD to 5-year mean), applied to average 2027-28E EPS. We believe this premium is justified by a structurally higher sustainable earnings base, stronger margin profile and better earnings visibility vs. its historical construction cycle.

**Figure 14: Peer comparison**

| Company | Rating | Price Target (LC) | Current Price (LC) | Up/(Down) Side (%) | YTD Total Return (%) | Market Cap (US$ bn) | 6M ADV (US$ m) | PE (x) NTM | PE (x) CY2026E | PE (x) CY2027E | PE (x) vs 5Y avg | PE (x) 5Y high | EV/EBITDA (x) CY2026E | EV/EBITDA (x) CY2027E | P/BV (x) CY2026E | P/BV (x) CY2027E | Dividend Yield (%) CY2026E | Dividend Yield (%) CY2027E | ROE (%) CY2026E | ROE (%) CY2027E | EPS CAGR (%) 2026-28E | EBITDA CAGR (%) 2026-28E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Malaysian construction** | | | | | | | | | | | | | | | | | | | | | | |
| Gamuda | Neutral | RM4.70 | RM4.25 | 10.6% | -13.6% | US$6.2bn | US$19.9bn | 21.0x | 22.4x | 17.9x | +1.7SD | 23.0x | 16.4x | 13.4x | 2.0x | 1.8x | 1.8% | 2.2% | 8.9% | 10.5% | 25.8% | 20.6% |
| Sunway Construction | Buy | RM10.00 | RM7.32 | 36.6% | 41.1% | US$2.4bn | US$5.2bn | 19.3x | 21.3x | 16.7x | +0.2SD | 29.5x | 13.4x | 10.4x | 16.1x | 16.1x | 6.8% | 6.0% | 64.6% | 95.9% | 14.2% | 15.2% |
| IJM Corporation Bhd | Suspended | - | RM2.28 | - | 2.2% | US$2.0bn | US$9.2bn | 17.8x | 19.0x | 17.0x | +0.4SD | 25.1x | 10.6x | 10.6x | 0.8x | 0.8x | 2.9% | 3.2% | 4.1% | 4.5% | 15.5% | 6.1% |
| Kerjaya Prospek Group Bhd | Not Rated | - | RM2.39 | - | -7.8% | US$0.7bn | US$0.8bn | 11.5x | 12.2x | 11.2x | -0.0SD | 15.8x | 7.6x | 7.6x | 2.4x | 0.6x | 5.9% | 5.9% | 19.7% | 20.2% | 6.8% | 6.8% |
| Binastra Corporation Bhd | Not Rated | - | RM2.00 | - | -6.6% | US$0.5bn | US$0.3bn | 11.7x | 12.6x | 10.1x | -1.8SD | 16.3x | 8.7x | 8.7x | 5.6x | 4.6x | 4.1% | 4.8% | 46.0% | 46.5% | 16.0% | 16.6% |
| WCT Holdings Bhd | Not Rated | - | RM0.40 | - | -29.3% | US$0.2bn | US$1.2bn | 9.5x | 11.8x | 9.6x | -0.6SD | 32.0x | 18.0x | 18.0x | 0.2x | 0.2x | 0.5% | 0.0% | 1.4% | 1.8% | 9.6% | 7.5% |
| **Average (weighted)** | | | | | | **US$2.0bn** | | **19.0x** | **20.4x** | **16.7x** | **+0.9SD** | | **14.0x** | **11.8x** | **4.7x** | **4.5x** | **3.3x** | **3.5x** | **21.3x** | **28.5x** | **20.0%** | **15.9%** |

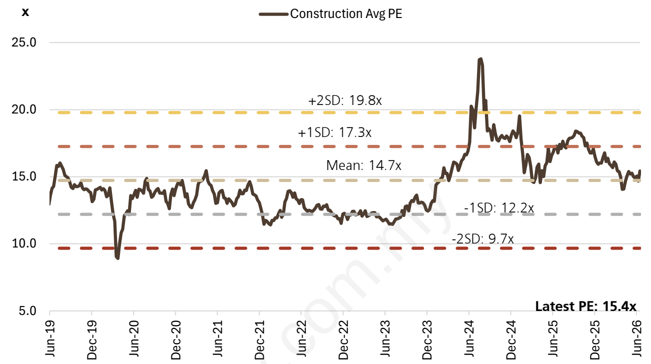
Source: Refinitiv Workspace, Refinitiv Datastream, UBS estimates. Data as of 25 June 2026

**Figure 15: SunCon has beat estimates throughout 2025; consensus lifted 2026-27F estimates by 36-39% over the past year**




Source: Refinitiv Datastream

**Figure 16: Bursa Malaysia's Construction index saw a mean reversion during Q3 2025 as investors increasingly emphasised earnings delivery**




Source: Refinitiv Datastream

# Valuations and earnings forecast

We derive our PT of RM10 by applying a 22.6x target PE (+1SD above the 5-year mean) to average 2027/28E EPS. We believe a premium valuation is justified by SunCon's leading position in Malaysia's most tangible construction theme, with its order book now largely skewed towards higher-margin, faster-turnaround data centre projects. This provides stronger earnings visibility vis-à-vis the broader sector. Despite its strong share price performance YTD, the stock still trades close to its 5-year mean on UBSe's NTM estimates, suggesting that the market has yet to fully price in the step-up in SunCon's mid-term sustainable earnings base.

We forecast core earnings growth of 3-26% over 2026-28E, as we expect:

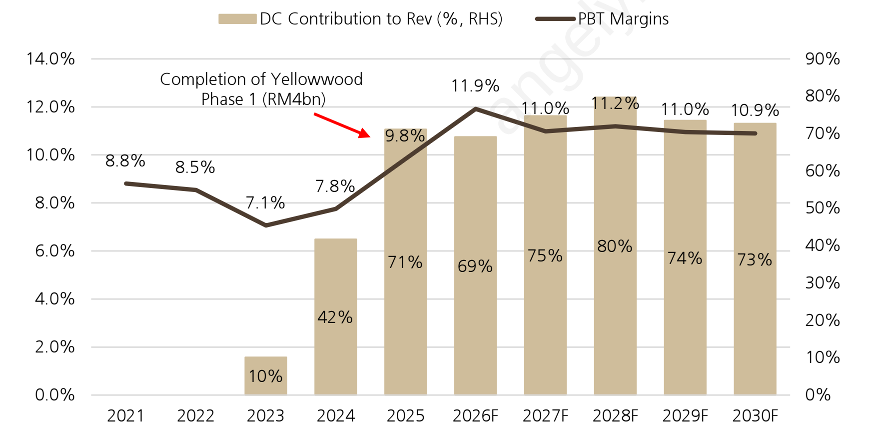
- **Revenue to dip in 2026E before rebounding strongly:** We forecast revenue to decline 3% YoY in 2026E, as the Yellowwood Phase 1 contract (estimated 50% of 2025 revenue) reaches its tail end and newly secured contracts have yet to fully ramp up. We then expect revenue to grow 36% YoY in 2027E as major data centre projects enter peak progress billing, before remaining broadly flat in 2028E on a higher base.
- **Higher DC mix supports margin reset:** We expect data centres to contribute 70-80% of revenue over 2026-28E, up from 10% and 42% in 2023 and 2024 respectively. This supports our forecast EBIT margin of 10.9% on average and PBT margin of 11.4% on average over 2026-28E, materially above SunCon's pre-DC margin range.
- **PBT margin to remain above EBIT margin:** We expect PBT margins to stay slightly above EBIT margins, supported by higher interest income from SunCon's elevated net cash position.
- **Earnings remain above consensus:** Our forecasts are 6-25% above consensus over 2026-28E, mainly due to higher margin assumptions rather than aggressive revenue assumptions. This reflects our view that consensus has yet to fully price in the margin uplift from SunCon's DC-heavy project mix.
- **100% payout supports yield:** Management has guided for a 100% dividend payout ratio, with special dividends distributed in 2025 and Q126. This translates to an average dividend yield of 6.3% over 2026-28E.

## Figure 17: P&L summary - forecasting margin expansion resulting in 6-25% upside to consensus estimates

| | UBSe - Current | | | | | | | | Consensus | | | UBSe vs consensus (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year-end 31 Dec (RM'm)** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026E** | **2027E** | **2028E** | **2026E** | **2027E** | **2028E** | **2026E** | **2027E** | **2028E** |
| **Revenue** | | | | | | | | | | | | | | |
| Construction | 1606.2 | 1973.6 | 2381.0 | 3326.9 | 5131.6 | 4919.8 | 6708.9 | 6572.0 | | | | | | |
| Precast Concrete | 122.9 | 181.6 | 290.2 | 194.8 | 207.1 | 272.0 | 369.9 | 544.9 | | | | | | |
| **Total** | **1729.2** | **2155.2** | **2671.2** | **3521.7** | **5338.7** | **5191.9** | **7078.7** | **7116.9** | **5575** | **6309** | **6748** | **-6.9%** | **12.2%** | **5.5%** |
| *% YoY* | *11.4%* | *24.6%* | *23.9%* | *31.8%* | *51.6%* | *-2.8%* | *36.3%* | *0.5%* | *4.4%* | *13.2%* | *7.0%* | | | |
| EBITDA | 166.8 | 210.3 | 245.3 | 279.4 | 465.4 | 587.2 | 760.3 | 779.2 | 535 | 614 | 602 | | | |
| *% EBITDA margin* | *9.6%* | *9.8%* | *9.2%* | *7.9%* | *8.7%* | *11.3%* | *10.7%* | *10.9%* | *9.6%* | *9.7%* | *8.9%* | | | |
| **EBIT** | | | | | | | | | | | | | | |
| Construction | 134.9 | 168.6 | 179.2 | 239.7 | 446.4 | 547.6 | 708.9 | 714.7 | | | | | | |
| *% EBIT margin* | *8.4%* | *8.5%* | *7.5%* | *7.2%* | *8.7%* | *11.1%* | *10.6%* | *10.9%* | | | | | | |
| Precast Concrete | 4.5 | 17.9 | 45.1 | 22.5 | 1.8 | 15.2 | 25.9 | 38.1 | | | | | | |
| *% EBIT margin* | *3.7%* | *9.9%* | *15.5%* | *11.5%* | *0.9%* | *5.6%* | *7.0%* | *7.0%* | | | | | | |
| **Total** | **139.4** | **186.5** | **224.3** | **262.2** | **448.2** | **562.8** | **734.8** | **752.8** | **507** | **578** | **574** | **11.0%** | **27.2%** | **31.2%** |
| *% EBIT margin* | *8.1%* | *8.7%* | *8.4%* | *7.4%* | *8.4%* | *10.8%* | *10.4%* | *10.6%* | *9.1%* | *9.2%* | *8.5%* | | | |
| **Profit Before Tax** | **152.2** | **184.1** | **188.6** | **273.0** | **525.5** | **618.7** | **780.9** | **801.0** | **584** | **643** | **664** | **6.0%** | **21.4%** | **20.7%** |
| *% PBT margin* | *8.8%* | *8.5%* | *7.1%* | *7.8%* | *9.8%* | *11.9%* | *11.0%* | *11.3%* | *10.5%* | *10.2%* | *9.8%* | | | |
| Reported PATMI | 112.7 | 135.3 | 145.2 | 186.9 | 361.9 | 446.7 | 563.8 | 578.4 | 423 | 453 | 481 | | | |
| **Core PATMI** | **127.4** | **144.1** | **170.3** | **171.6** | **425.4** | **446.7** | **563.8** | **578.4** | **423** | **453** | **481** | **5.6%** | **24.6%** | **20.2%** |
| *% YoY* | *50.1%* | *13.1%* | *18.2%* | *0.7%* | *147.9%* | *5.0%* | *26.2%* | *2.6%* | *16.9%* | *7.0%* | *6.3%* | | | |
| *% Core PATMI Margin* | *7.4%* | *6.7%* | *6.4%* | *4.9%* | *8.0%* | *8.6%* | *8.0%* | *8.1%* | *7.6%* | *7.2%* | *7.1%* | | | |
| Order book replenishment | 1473.0 | 2585.0 | 2506.0 | 4220.0 | 5207.0 | 7000.0 | 7000.0 | 7000.0 | | | | | | |
| **P/E (x)** | **17.9** | **14.9** | **66.5** | **51.7** | **26.7** | **21.6** | **17.1** | **16.7** | **23** | **22** | **21** | | | |
| Dividend Yield (%) | 3.4% | 3.5% | 0.8% | 1.1% | 6.7% | 6.7% | 5.8% | 6.0% | | | | | | |

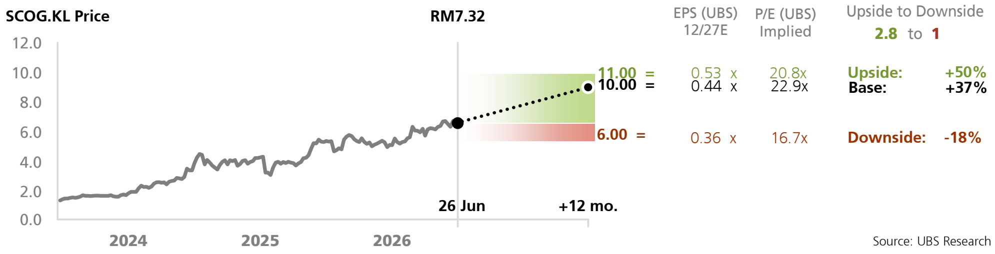
Source: Company data, Refinitiv Workspace, UBS estimates

## Figure 18: We expect margins to expand alongside increased contribution from data centre contracts




Source: Company data, UBS estimates

## UPSIDE/DOWNSIDE SPECTRUM




**SunCon is trading at RM7.32(as of 26 June 2026)**

| **Value drivers (2027E)** | Order book replenishment (RM bn) | EBIT margin | EPS CAGR (2025-28E) |
|---|---|---|---|
| RM11.00 upside | 10.0 | 11.0% | 14.5% |
| RM10.00 base | 7.0 | 10.8% | 10.8% |
| RM6.00 downside | 4.5 | 10.3% | 7.4% |

Source: UBS estimates

**Risk to the current share price is skewed towards the upside.**

SunCon is trading at RM7.32 (as of 26 June 2026)

**UPSIDE (RM11.00):** Our upside scenario assumes SunCon clinches an additional RM5.8bn in new job wins to finish the year. This indicates a 40% win-rate to its existing tender book, and would be possible if its clients carry out their expansion plans earlier than expected, with SunCon winning >50% of the jobs that we have identified from its existing order book. EBIT margin is expected to tick up slightly, in tandem with higher contribution of DC jobs.

**BASE (RM10.00):** We expect SunCon wins an additional RM2.8bn in new jobs throughout the rest of the year. This is above management's guidance of RM6bn, but we think is achievable given the lumpy nature of DC contracts would imply SunCon only needs to win another 2-3 contracts from its tender book. We factor in margin expansion over historical levels, in tandem with higher contribution of DC jobs.

**DOWNSIDE (RM6.00):** Our downside scenario assumes SunCon wins virtually no more DC jobs throughout the rest of the year. We think this is highly unlikely, given the strong momentum of DC rollouts within Malaysia. In the event this unlikely scenario happens, we think that SunCon would de-rate below mean as it would imply a structural issue within the company.

# APPENDIX

## Figure 20: Publicly announced data centre main contracts awarded to listed contractors

| Award Date | Details of project | Contract value (RMm) | State | Estimated Capacity (MW) | Contractor | Client |
|---|---|---|---|---|---|---|
| **Apr-26** | Building & M&E works for Negeri Sembilan DC | 1720.0 | Selangor | 80-100 | **Gamuda** | US MNC |
| **Apr-26** | Building & M&E works for Serendah DC | 1750.0 | Selangor | 80-100 | **SunCon** | US MNC |
| **Apr-26** | Extension Core & Shell works for Elmina II DC | 658.0 | Selangor | 80-100 | **IJM Corp** | US MNC |
| **Feb-26** | Core & Shell works for hyperscale DC in Klang Valley | 1146.0 | Selangor | 80.0 | **SunCon** | US MNC |
| **Feb-26** | Building & M&E works for Cheras DC | 503.0 | Selangor | 15.0 | **Binastra** | EXSIM |
| **Dec-25** | Site early works for hyperscale DC in Klang Valley | 386.0 | Selangor | NA | **SunCon** | US MNC |
| **Dec-25** | Core & Shell works for hyperscale DC in Johor | 570.0 | Johor | 80-100,<br>220MW for total campus | **SunCon** | US Operator |
| **Oct-25** | M&E works for hyperscale DC in Elmina Business Park | 873.9 | Selangor | 90-140 | **IJM Corp** | Pearl Computing |
| **Oct-25** | Main building works for hyperscale DC in Elmina Business Park | 1260.0 | Selangor | | | Sime Properties |
| **Aug-25** | Construction, completion, testing and commissioning of hyperscale DC in EBP V | 2138.0 | Selangor | 80-100 | **Gamuda** | Quantum Alpha Sdn Bhd |
| **Aug-25** | Construction of DC in Johor | 1400.0 | Johor | 64MW, up to 200MW for Campus | **IJM Corp** | Undisclosed telco client |
| **May-25** | General contractor works for Phase 3 of K2 DC | 393.0 | Johor | 20MW, up to 300MW for total campus | **SunCon** | K2 |
| **May-25** | General contractor services for two DCs in Klang Valley | 1155.0 | Selangor | NA | **SunCon** | US MNC |
| **May-25** | Enabling works for Port Dickson DC | 1010.0 | Negeri Sembilan | NA,<br>Up to 1GW for the Campus | **Gamuda** | Pearl Computing |
| **Feb-25** | Building & M&E works for Cyberjaya DC | 250.0 | Selangor | 15.0 | **Binastra** | AIMS Group |
| **Jan-25** | Construction of a DC in Kuala Lumpur | 376.0 | Selangor | 65.0 | **Mitrajaya Holdings** | NEXTDC |
| **Nov-24** | Building & M&E works for Bukit Jalil DC | 830.4 | Selangor | 30MW in total | **Binastra** | EXSIM |
| **Nov-24** | Building works for Cyberjaya DC | 451.4 | Selangor | NA | **Gamuda** | BCEI Malaysia Sdn. Bhd |
| **Oct-24** | Additional tenant improvement works for DC in Sedenak Tech Park | 606.0 | Johor | 98MW,<br>300MW for the whole campus | **SunCon** | Yellowwood |
| **Aug-24** | Construction of Johor DC | 254.0 | Johor | NA | **IJM Corp** | Undisclosed international operator |
| **Jun-24** | Upsizing of works for DC in Sedenak Tech Park | 1500.0 | Johor | 98MW,<br>300MW for the whole campus | **SunCon** | Yellowwood |
| **Jun-24** | Design and construction of Iskandar Puteri DC | 331.7 | Johor | 10MW | **IJM Corp** | Telekom Malaysia |
| **May-24** | Construction phase of hyperscale DC at Elmina Business Park | 815.0 | Selangor | 80-100MW | **Gamuda** | Sime Properties |
| **May-24** | Mechanical phase of hyperscale DC at Elmina Business Park | 928.6 | Selangor | | **Gamuda** | Pearl Computing |
| **Apr-24** | Block 3 of AIMS DC in Cyberjaya | 300.0 | Selangor | 12.0 | **Gamuda** | AIMS Group |
| **Apr-24** | Design and development of Cyberjaya DC | 280.0 | Selangor | 9.2 | **Gadang** | Telekom Malaysia |
| **Mar-24** | DC in Cyberjaya for a US MNC | 765.0 | Selangor | NA | **SunCon** | US MNC |
| **Jan-24** | Early Contractor Involvment & Enabling Works - Package A & B | 78.0 | Selangor | NA | **SunCon** | US MNC |
| **Oct-23** | Development of K2's DC in Johor | 289.0 | Johor | 20MW, up to 300MW for total campus | **SunCon** | K2 |
| **May-23** | Block 2 of AIMS DC in Cyberjaya | 200.0 | Selangor | 8.0 | **Gamuda** | AIMS Group |
| **Dec-22** | Construction of DC in Sedenak Tech Park | 1700.0 | Johor | 98MW,<br>300MW for the whole campus | **SunCon** | Yellowwood |
| **Aug-22** | First phase of Sea DC in Kulai | 1500.0 | Johor | 72MW,<br>500MW for the whole campus | **YTL Power** | Sea Ltd. |
| | **Total construction contract awards** | **26418.0** | | **1088.2** | | |

Source: Company data, various news sources, UBS estimates

# Sunway Construction (SCOG.KL)

| Income Statement (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | %ch | 12/27E | %ch | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2,671** | **3,522** | **5,339** | **5,192** | -2.8 | **7,079** | 36.3 | **7,117** | **6,887** | **6,475** |
| Gross profit | 434 | 478 | 823 | 927 | 12.6 | 1,216 | 31.2 | 1,237 | 1,185 | 1,119 |
| **EBITDA (UBS)** | **245** | **279** | **465** | **587** | 26.2 | **760** | 29.5 | **779** | **742** | **702** |
| Depreciation & amortisation | (21) | (17) | (17) | (24) | -42.1 | (26) | -4.6 | (26) | (27) | (28) |
| **EBIT (UBS)** | **224** | **262** | **448** | **563** | 25.5 | **735** | 30.6 | **753** | **715** | **674** |
| Associates & investment income | (14) | 0 | 15 | 15 | 0.0 | 15 | 0.0 | 15 | 15 | 15 |
| Other non-operating income | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Net interest | (21) | 11 | 62 | 41 | -34.4 | 31 | -24.3 | 33 | 24 | 16 |
| Exceptionals (incl goodwill) | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Pre-tax profit** | **189** | **273** | **526** | **619** | 17.7 | **781** | 26.2 | **801** | **754** | **706** |
| Tax | (43) | (76) | (123) | (148) | -20.3 | (187) | -26.2 | (192) | (181) | (169) |
| **Profit after tax** | **146** | **197** | **402** | **470** | 17.0 | **593** | 26.2 | **609** | **573** | **536** |
| Preference dividends | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Minorities | (1) | (10) | (40) | (27) | 33.4 | (30) | -10.6 | (30) | (29) | (27) |
| Extraordinary items | 25 | (15) | 64 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Net earnings (local GAAP)** | **170** | **171** | **425** | **443** | 4.3 | **564** | 27.2 | **578** | **545** | **510** |
| **Net earnings (UBS)** | **145** | **187** | **362** | **443** | 22.6 | **564** | 27.2 | **578** | **545** | **510** |
| Tax rate (%) | 22.7 | 27.8 | 23.5 | 24.0 | 2.2 | 24.0 | 0.0 | 24.0 | 24.0 | 24.0 |

| Per Share (RM) | 12/23 | 12/24 | 12/25 | 12/26E | %ch | 12/27E | %ch | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| EPS (UBS, diluted) | 0.11 | 0.14 | 0.28 | 0.34 | 22.6 | 0.44 | 27.2 | 0.45 | 0.42 | 0.40 |
| EPS (local GAAP, diluted) | 0.13 | 0.13 | 0.33 | 0.34 | 4.3 | 0.44 | 27.2 | 0.45 | 0.42 | 0.40 |
| EPS (UBS, basic) | 0.11 | 0.14 | 0.28 | 0.34 | 22.6 | 0.44 | 27.2 | 0.45 | 0.42 | 0.40 |
| DPS (net) (RM) | 0.06 | 0.09 | 0.51 | 0.50 | -1.3 | 0.44 | -12.3 | 0.45 | 0.42 | 0.40 |
| Cash EPS (UBS, diluted) [1] | 0.13 | 0.16 | 0.29 | 0.36 | 23.4 | 0.46 | 26.0 | 0.47 | 0.44 | 0.42 |
| Book value per share | 0.63 | 0.68 | 0.61 | 0.46 | -24.8 | 0.46 | 0.0 | 0.46 | 0.46 | 0.46 |
| Average shares (diluted) | 1,289 | 1,289 | 1,289 | 1,289 | 0.0 | 1,289 | 0.0 | 1,289 | 1,289 | 1,289 |

| Balance Sheet (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | %ch | 12/27E | %ch | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and equivalents | 582 | 1,016 | 2,000 | 1,607 | -19.6 | 2,068 | 28.7 | 2,052 | 2,091 | 2,082 |
| Other current assets | 1,657 | 1,859 | 1,646 | 1,670 | 1.5 | 2,302 | 37.8 | 2,411 | 2,340 | 2,212 |
| **Total current assets** | **2,239** | **2,874** | **3,646** | **3,278** | -10.1 | **4,371** | 33.3 | **4,463** | **4,431** | **4,293** |
| Net tangible fixed assets | 99 | 85 | 122 | 128 | 4.6 | 132 | 3.5 | 136 | 139 | 141 |
| Net intangible fixed assets | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Investments / other assets | 745 | 636 | 656 | 671 | 2.3 | 687 | 2.3 | 702 | 717 | 733 |
| **Total assets** | **3,083** | **3,596** | **4,424** | **4,077** | -7.9 | **5,189** | 27.3 | **5,301** | **5,287** | **5,167** |
| Trade payables & other ST liabilities | 1,264 | 1,926 | 3,248 | 2,997 | -7.7 | 4,009 | 33.8 | 4,021 | 3,907 | 3,687 |
| Short term debt | 438 | 731 | 158 | 210 | 33.3 | 263 | 25.0 | 315 | 368 | 420 |
| **Total current liabilities** | **1,702** | **2,657** | **3,406** | **3,207** | -5.8 | **4,272** | 33.2 | **4,336** | **4,275** | **4,107** |
| Long term debt | 489 | 1 | 152 | 200 | 31.2 | 247 | 23.8 | 295 | 342 | 390 |
| Other long term liabilities | 0 | 0 | 1 | 1 | 0.0 | 1 | 0.0 | 1 | 1 | 1 |
| Preferred shares | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Total liabilities (incl pref shares)** | **2,191** | **2,658** | **3,559** | **3,407** | -4.3 | **4,520** | 32.7 | **4,632** | **4,618** | **4,498** |
| **Common s/h equity** | **820** | **878** | **784** | **588** | -25.0 | **588** | 0.0 | **588** | **588** | **588** |
| Minority interests | 72 | 61 | 81 | 81 | 0.0 | 81 | 0.0 | 81 | 81 | 81 |
| **Total liabilities & equity** | **3,083** | **3,596** | **4,424** | **4,077** | -7.9 | **5,189** | 27.3 | **5,301** | **5,287** | **5,167** |

| Cash Flow (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | %ch | 12/27E | %ch | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| Net income (before pref divs) | 170 | 171 | 425 | 443 | 4.3 | 564 | 27.2 | 578 | 545 | 510 |
| Depreciation & amortisation | 21 | 17 | 17 | 24 | 42.1 | 26 | 4.6 | 26 | 27 | 28 |
| Net change in working capital | (498) | 535 | 1,133 | (276) | - | 381 | - | (97) | (42) | (92) |
| Other operating | (10) | 25 | 12 | (12) | - | (15) | -27.5 | (15) | (15) | (15) |
| **Operating cash flow** | **(317)** | **749** | **1,587** | **180** | -88.7 | **955** | NM | **492** | **514** | **430** |
| Tangible capital expenditure | (18) | (9) | (44) | (30) | 31.4 | (30) | 0.0 | (30) | (30) | (30) |
| Intangible capital expenditure | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Net (acquisitions) & disposals | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Other investing | 0 | 0 | 17 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Investing cash flow** | **(18)** | **(9)** | **(27)** | **(30)** | -11.0 | **(30)** | 0.0 | **(30)** | **(30)** | **(30)** |
| Equity dividends paid | (71) | (116) | (275) | (643) | -133.9 | (564) | 12.3 | (578) | (545) | (510) |
| Share issues / (buybacks) | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Other financing | 0 | 0 | 119 | 0 | - | 0 | - | 0 | 0 | 0 |
| Change in debt & pref shares | 421 | (167) | (422) | 100 | - | 100 | 0.0 | 100 | 100 | 100 |
| **Financing cash flow** | **350** | **(283)** | **(578)** | **(543)** | 6.0 | **(464)** | 14.5 | **(478)** | **(445)** | **(410)** |
| **Cash flow inc/(dec) in cash** | **15** | **456** | **982** | **(393)** | - | **461** | - | **(16)** | **39** | **(10)** |
| FX / non cash items | (9) | (22) | 2 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Balance sheet inc/(dec) in cash** | **6** | **434** | **984** | **(393)** | - | **461** | - | **(16)** | **39** | **(10)** |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

# Sunway Construction (SCOG.KL)

| Valuation (x) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| P/E (local GAAP, diluted) | 13.3 | 27.5 | 15.9 | 21.3 | 16.7 | 16.3 | 17.3 | 18.5 |
| P/E (UBS, diluted) | 15.6 | 25.2 | 18.7 | 21.3 | 16.7 | 16.3 | 17.3 | 18.5 |
| P/CEPS | 13.6 | 23.1 | 17.9 | 20.2 | 16.0 | 15.6 | 16.5 | 17.6 |
| Equity FCF (UBS) yield % | (14.7) | 15.6 | 22.7 | 1.6 | 9.8 | 4.9 | 5.1 | 4.2 |
| Dividend yield (net) % | 3.4 | 2.3 | 9.6 | 6.8 | 6.0 | 6.1 | 5.8 | 5.4 |
| P/BV | 2.8 | 5.4 | 8.7 | 16.1 | 16.1 | 16.1 | 16.1 | 16.1 |
| EV/revenues (core) | 0.8 | 1.3 | 1.1 | 1.5 | 1.1 | 1.1 | 1.1 | 1.2 |
| EV/EBITDA (UBS core) | 8.6 | 16.4 | 12.2 | 13.4 | 10.4 | 10.0 | 10.6 | 11.3 |
| EV/EBIT (core) | 9.4 | 17.5 | 12.7 | 14.0 | 10.8 | 10.3 | 11.0 | 11.8 |
| EV/OpFCF (core) | - | 17.0 | 13.5 | 14.1 | 10.9 | 10.4 | 11.0 | 11.8 |
| EV/op. invested capital | 2.8 | 6.5 | NM | NM | NM | NM | NM | NM |

| Enterprise value (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| Market cap. | 2,270 | 4,728 | 6,795 | 9,464 | 9,464 | 9,464 | 9,464 | 9,464 |
| Net debt (cash) | 31 | 31 | (987) | (1,444) | (1,378) | (1,500) | (1,412) | (1,327) |
| Buy out of minorities | 72 | 61 | 81 | 81 | 81 | 81 | 81 | 81 |
| Pension provisions/other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total enterprise value** | **2,372** | **4,819** | **5,889** | **8,102** | **8,168** | **8,045** | **8,134** | **8,219** |
| Non core assets | (253) | (225) | (208) | (224) | (239) | (254) | (270) | (285) |
| **Core enterprise value** | **2,119** | **4,595** | **5,681** | **7,878** | **7,929** | **7,791** | **7,864** | **7,934** |

| Growth (%) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| Revenue | 23.9 | 31.8 | 51.6 | (2.8) | 36.3 | 0.5 | (3.2) | (6.0) |
| EBITDA (UBS) | 16.7 | 13.9 | 66.6 | 26.2 | 29.5 | 2.5 | (4.8) | (5.3) |
| EBIT (UBS) | 20.2 | 16.9 | 71.0 | 25.5 | 30.6 | 2.5 | (5.1) | (5.6) |
| EPS (UBS, diluted) | 7.3 | 28.8 | 93.6 | 22.6 | 27.2 | 2.6 | (5.8) | (6.4) |
| Net DPS | 9.1 | 41.7 | NM | (1.3) | (12.3) | 2.6 | (5.8) | (6.4) |

| Margins & Profitability (%) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| Gross profit margin | 16.3 | 13.6 | 15.4 | 17.8 | 17.2 | 17.4 | 17.2 | 17.3 |
| EBITDA margin | 9.2 | 7.9 | 8.7 | 11.3 | 10.7 | 10.9 | 10.8 | 10.8 |
| EBIT (UBS) margin | 8.4 | 7.4 | 8.4 | 10.8 | 10.4 | 10.6 | 10.4 | 10.4 |
| Net earnings (UBS) margin | 5.4 | 5.3 | 6.8 | 8.5 | 8.0 | 8.1 | 7.9 | 7.9 |
| ROIC (EBIT) | 30.1 | 37.1 | NM | NM | NM | NM | NM | NM |
| ROIC post tax | 23.8 | 26.8 | NM | NM | NM | NM | NM | NM |
| ROE (UBS) | 18.6 | 22.0 | 43.5 | 64.6 | 95.9 | 98.4 | 92.6 | 86.7 |

| Capital structure & Coverage (x) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| Net debt / EBITDA | 1.4 | (1.0) | (3.6) | (2.0) | (2.0) | (1.9) | (1.9) | (1.8) |
| Net debt / total equity % | 38.7 | (30.3) | (195.3) | (178.9) | (232.8) | (215.4) | (206.4) | (190.0) |
| Net debt / (net debt + total equity) % | 27.9 | (43.4) | NM | NM | NM | NM | NM | NM |
| Net debt/EV % | 5.3 | 0.6 | (16.8) | (17.8) | (16.9) | (18.6) | (17.4) | (16.1) |
| Capex / depreciation % | 84.4 | 54.5 | NM | 122.9 | 117.5 | 113.5 | 110.5 | 108.3 |
| Capex / revenue % | 0.7 | 0.3 | 0.8 | 0.6 | 0.4 | 0.4 | 0.4 | 0.5 |
| EBIT / net interest | 9.8 | - | - | - | - | - | - | - |
| Dividend cover (UBS) | 1.9 | 1.7 | 0.6 | 0.7 | 1.0 | 1.0 | 1.0 | 1.0 |
| Div. payout ratio (UBS) % | 53.3 | 58.6 | 180.0 | 144.9 | 100.0 | 100.0 | 100.0 | 100.0 |

| Revenues by division (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| Others | 2,671 | 3,522 | 5,339 | 5,192 | 7,079 | 7,117 | 6,887 | 6,475 |
| **Total** | **2,671** | **3,522** | **5,339** | **5,192** | **7,079** | **7,117** | **6,887** | **6,475** |

| EBIT (UBS) by division (RMm) | 12/23 | 12/24 | 12/25 | 12/26E | 12/27E | 12/28E | 12/29E | 12/30E |
|---|---|---|---|---|---|---|---|---|
| Others | 224 | 262 | 448 | 563 | 735 | 753 | 715 | 674 |
| **Total** | **224** | **262** | **448** | **563** | **735** | **753** | **715** | **674** |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

## Forecast returns

| | |
|---|---|
| Forecast price appreciation | 36.6% |
| Forecast dividend yield | 6.8% |
| Forecast stock return | 43.4% |
| Market return assumption | 8.6% |
| Forecast excess return | 34.8% |

### Company Description

Sunway Construction is the largest pure-play construction group in Malaysia in terms of revenue and is the flagship construction arm for Sunway Berhad, a prominent property developer. It has over 40 years of experience in the construction industry and provides a full range of integrated design and construction services, including building, infrastructure, foundation and geotechnical engineering; mechanical, electrical and plumbing (MEP) services; manufacturing and sales of precast concrete products; as well as renewable energy services.

### Valuation Method and Risk Statement

Sunway Construction: We base our price target on average FY27/28E PE, corresponding to its long-term historical PE.
We think the main downside risks to our earnings estimates, price target and rating are any abrupt changes in new construction job flows that could affect sentiment and construction progress. Other risks are raw material prices and labour costs, which are the key drivers of construction margins. We believe risks to our earnings estimates, price target and rating include abrupt changes in: 1) the momentum of new construction job flow; 2) raw material and labour costs, which could materially affect construction margins. Upside risks include new orders and margins beating our forecasts.

### Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

**Sunway Construction**

| Question | Response |
|---|---|
| 1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view) | 4 |
| 2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view) | 3 |
| 3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view) | 4 |
| 4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view) | 4 |
| 5. What's driving the difference? | Margins should surprise on the upside. |
| 6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view) | 4 |
| 7. What's driving the difference? | Margins should surprise on the upside. |
| 8. Is there an upcoming catalyst for the company over the next three months? | Positive Catalyst |
| 9. Is there an actual or approximate date for the catalyst? | August 20, 2026 |
| 10. Is the catalyst date an actual or approximate date? | Approximate |
| 11. What is the catalyst? | Expect announcements on data centre wins. |

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| 12-Month Rating | Definition | Coverage[1] | IB Services[2] |
|---|---|---|---|
| **Buy** | FSR is > 6% above the MRA. | 55% | 24% |
| **Neutral** | FSR is between -6% and 6% of the MRA. | 40% | 21% |
| **Sell** | FSR is > 6% below the MRA. | 6% | 21% |

Source: UBS. Rating allocations are as of 30 June 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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**UBS Securities Malaysia Sdn Bhd.:** Jia Zhen Lim.

## Company Disclosures

| Company Name | Reuters | 12-month rating | Price | Price date |
|---|---|---|---|---|
| **Sunway Construction**[13,3,6] | SCOG.KL | Buy | RM7.60 | 13 Jul 2026 |

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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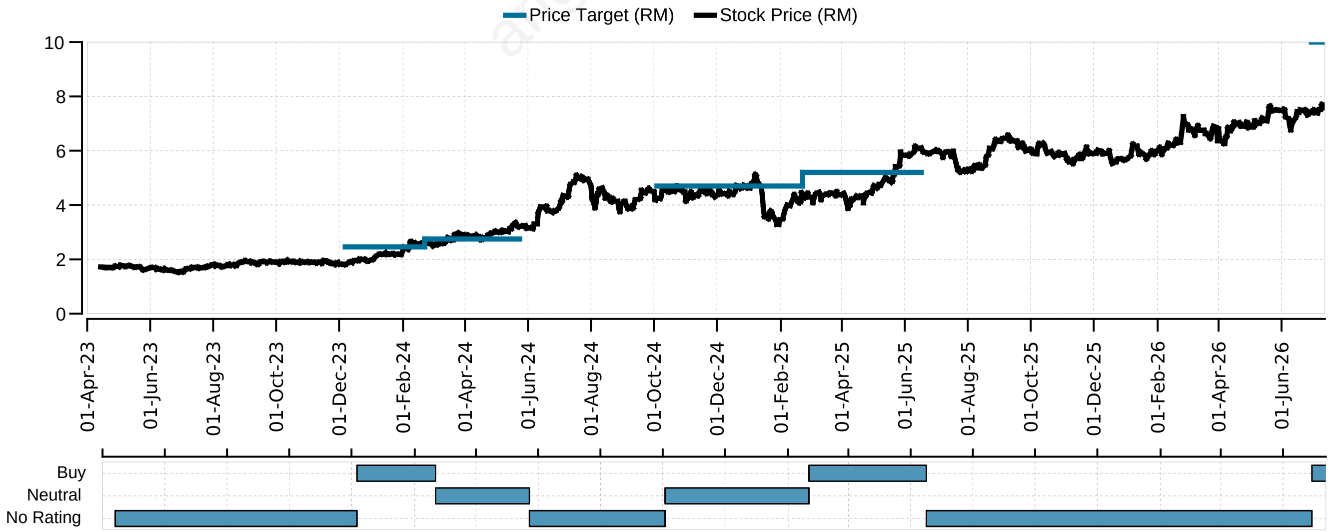
**Sunway Construction (RM)**




| Date | Stock Price (RM) | Price Target (RM) | Rating |
|---|---|---|---|
| 2023-04-13 | 1.72 | - | No Rating |
| 2023-12-06 | 1.81 | 2.46 | Buy |
| 2024-02-21 | 2.61 | 2.75 | Neutral |
| 2024-05-23 | 3.20 | - | No Rating |
| 2024-10-03 | 4.19 | 4.70 | Neutral |
| 2025-02-21 | 4.45 | 5.20 | Buy |
| 2025-06-16 | 6.09 | - | No Rating |
| 2026-06-29 | 7.40 | 10.00 | Buy |

Source: UBS Global Research; LSEG Eikon as of 13-Jul-2026. All prices as of local market close. Ratings as of date shown.

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