Sunway Construction (SCGB MK)

In line **BUY**

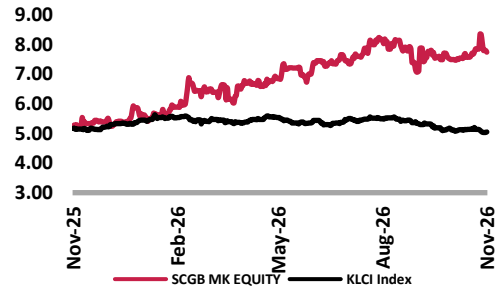
Share Price	RM7.50	
Target Price	RM10.63	+41.7%

3QFY26: Record Order Book Sets Up FY27 Growth

- **3QFY26 earnings were in line, with core NP up 11% YoY to RM105.2mn despite a 26% revenue decline.**
- **Record YTD wins of RM9.8bn lifted the order book to RM12.5bn, underpinning c.39% FY27F core NP growth, while the tender book rebuilt to RM15.7bn.**
- **Maintain BUY with a TP of RM10.63, as SunCon trades at 16.9x FY27F P/E and offers a 4.7% FY27F ordinary dividend yield, with RM1.42bn in net cash leaving room for further specials.**

- **In line with ours and consensus.** 3QFY26 core net profit of RM105.2mn (+11% YoY, +1% QoQ) brought 9MFY26 core NP to RM323.7mn (+20% YoY; 9MFY25: RM270.8mn), or 77%/73% of our/consensus FY26F of RM420.0mn/RM440.6mn. A third interim DPS of 7.9 sen takes FY26 YTD DPS to 34.7 sen (incl. a 15.2 sen special); the 19.5 sen ordinary payout is c.79% of 9M EPS.
- **Lower topline, firmer margins.** Revenue of RM1.07bn (-26% YoY, +5% QoQ) stayed below the RM1.45bn 3QFY25 base as JHB1X0 winds down and newer DC packages are still mobilising. Group pretax margin was 12.6% (2QFY26: 12.9%; 1QFY26: 15.1%, which included a provision reversal), with construction margin at 13.1% (2QFY26: 13.3%). Precast PBT of RM4.7mn (6.1% margin) fell 28% QoQ on receivable impairments.
- **Record wins, record order book.** YTD wins of RM9.8bn beat management's RM7.0–9.0bn target and are near our RM10.0bn. The record RM12.5bn order book (3.0x FY26F revenue; 76% DC) underpins our c.39% FY27F core NP growth.
- **Margins normalising from a flattered peak.** Pretax margin eased for a third straight quarter; ex-provision reversals and impairments, it slipped from 13.1% in 1QFY26 to 12.3%. Management cites a favourable project mix; we think the peak was flattered by account finalisations that will fade as early-phase packages (JHB01, Shell 2, Serendah) dominate billings. Our FY27F 10.0% pretax margin already assumes this.
- **Strong conversion, healthy refill.** DC capacity under construction rose to 395MW (2QFY26: 330MW) as tenders converted into awards, with a further >600MW still in tender. The active tender book has also rebuilt to RM15.7bn (2QFY26: RM14.2bn) after a record RM9.8bn of FY26 wins, leaving ample runway for FY27 replenishment.
- **Maintain BUY (TP: RM10.63).** With FY26–28F core NP unchanged, our TP still pegs FY27F EPS of 44.3 sen to 24x P/E (+0.5SD above the 10-year mean). SunCon trades at 16.9x FY27F P/E, below its 10-year mean, and offers a decent 4.7% FY27F yield on ordinary dividends alone (80% payout). Net cash of RM1.42bn (c.RM1.07/share) at end-Sep 26 also leaves room for further special dividends. The proposed US licensing rules on GPU computing services for certain markets, including China, could delay China-linked deployments and free up Malaysian colocation capacity for US operators. Existing facilities could meet near-term demand, but sustained US demand for long-term leases could accelerate new builds and fit-outs, supporting SunCon's FY27 order replenishment.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	1.5	(5.7)	43.2
vs FBM KLCI	3.5	3.8	42.9

Stock Data	
ESG Rating	Good
Mkt Cap (RM mn)	9993.8
Adjusted Beta	0.7
Free float (%)	80.5
Issued shares (mn)	1332.5
52w H/L (RM)	8.58 / 5.364
3m avg. daily volume	3,926,947

Major Shareholders (%)	
Sunway Holdings Sdn	11.3
Amanah Saham Nasiona	4.2
GENERASI SETIA M SDN	4.1

RM'mn	FY24A	FY25A	FY26F	FY27F	FY28F
Revenue	3,522	5,339	4,199	8,379	8,648
Revenue growth	31.8%	51.6%	-21.3%	99.5%	3.2%
EBIT	262	478	459	800	834
EBIT margin	7.4%	9.0%	10.9%	9.5%	9.6%
PBT	273	526	541	841	895
PBT margin	7.8%	9.8%	12.9%	10.0%	10.3%
PATAMI	187	362	420	584	617
Core PATAMI	172	425	420	584	617
Core NP margin	4.9%	8.0%	10.0%	7.0%	7.1%
Consensus core PATAMI	-	-	441	548	580
Core EPS (sen)	13.0	32.3	31.9	44.3	46.8
DPS (sen)	8.5	50.5	40.7	35.4	37.4
BVPS (RM)	0.7	0.8	0.7	0.8	0.9
ROE	22.0%	36.8%	40.8%	56.7%	53.7%
PER	35.6	17.5	23.5	16.9	16.0
P/BV	11.0	9.1	10.2	9.1	8.2
Yield	1.1%	6.7%	5.4%	4.7%	5.0%
Net gearing	Net cash	Net cash	Net cash	Net cash	Net cash

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Results Review | Construction | Equity

Table 1: Results review

RM'mn, FYE Dec	3QFY26	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	YoY
Construction	995.1	1,387.4	-28%	941.6	+6%	2,887.3	4,190.8	-31%
Precast	77.6	57.8	+34%	76.1	+2%	225.8	131.8	+71%
Revenue	**1,072.7**	**1,445.2**	**-26%**	**1,017.7**	**+5%**	**3,113.1**	**4,322.6**	**-28%**
EBIT	**113.6**	**95.7**	**+19%**	**111.3**	**+2%**	**359.6**	**319.8**	**+12%**
margin	*10.6%*	*6.6%*	*+4.0ppt*	*10.9%*	*-0.3ppt*	*11.6%*	*7.4%*	*+4.2ppt*
Net finance income	15.3	26.0	-41%	15.7	-3%	49.2	32.5	+51%
Associates & JV	6.3	5.4	+15%	4.2	+48%	12.5	10.6	+17%
PBT	**135.2**	**127.1**	**+6%**	**131.3**	**+3%**	**421.2**	**362.9**	**+16%**
margin	*12.6%*	*8.8%*	*+3.8ppt*	*12.9%*	*-0.3ppt*	*13.5%*	*8.4%*	*+5.1ppt*
Taxation	(28.5)	(30.7)	-7%	(25.5)	+12%	(91.7)	(86.6)	+6%
effective tax rate	*21.1%*	*24.2%*	*-3.0ppt*	*19.4%*	*+1.6ppt*	*21.8%*	*23.9%*	*-2.1ppt*
Minority interests	(1.6)	(12.6)	-87%	(2.2)	-25%	(2.4)	(32.9)	-93%
PATAMI	**105.1**	**83.8**	**+25%**	**103.6**	**+1%**	**327.1**	**243.4**	**+34%**
One-off adjustments*	0.1	10.7	n.m.	0.6	n.m.	(3.4)	27.4	n.m.
Core PATAMI	**105.2**	**94.5**	**+11%**	**104.2**	**+1%**	**323.7**	**270.8**	**+20%**
margin	*9.8%*	*6.5%*	*+3.3ppt*	*10.2%*	*-0.4ppt*	*10.4%*	*6.3%*	*+4.1ppt*
Core EPS (sen)	8.0	7.2	+11%	7.9	+1%	24.6	20.6	+20%
Segment PBT								
Construction	130.5	123.1	+6%	124.8	+5%	404.0	356.5	+13%
margin	*13.1%*	*8.9%*	*+4.2ppt*	*13.3%*	*-0.1ppt*	*14.0%*	*8.5%*	*+5.5ppt*
Precast	4.7	4.0	+18%	6.5	-28%	17.2	6.5	>100%
margin	*6.1%*	*6.9%*	*-0.9ppt*	*8.5%*	*-2.5ppt*	*7.6%*	*4.9%*	*+2.7ppt*

Forex and exceptional items sit within EBIT; shown as the add-back from PATAMI to core PATAMI. PBT = EBIT + net finance income + associates. Core EPS on 1,316.5mn shares, consistent with forecast basis.

Source: Company, BIMB Securities

Table 2: Earnings vs expectations

RM'mn, FYE Dec	YTD 9MFY26	BIMBSec FY26F	% full year	Consensus FY26F	% full year
Revenue	3,113.1	4,199.0	74%	5,722.0	54%
PBT	421.2	540.9	78%	613.6	69%
Core PATAMI	323.7	420.0	77%	440.6	73%
New wins (RM bn)^	9.8	10.0	98%	9.0	109%
PBT margin	13.5%	12.9%		10.7%	
Core PATAMI margin	10.4%	10.0%		7.7%	

^Consensus column shows the upper end of management's RM7.0–9.0bn target. Source: Company, Bloomberg, BIMB Securities

Table 3: FY27F pretax margin sensitivity

FY27F pretax margin	PBT (RM mn)	Core NP (RM mn)	TP @ 24x (RM)	Chg vs base TP
8%	670.3	465.4	8.47	-20%
9%	754.1	523.6	9.53	-10%
10.0% (base)	840.7	583.7	10.63	-
11%	921.7	639.9	11.65	+10%
12%	1,005.5	698.1	12.71	+20%
13%	1,089.3	756.3	13.77	+30%

Note: FY27F revenue held at RM8,379mn; PBT-to-core NP conversion at 69.4%; 24x P/E is +0.5SD above the 10-year mean. Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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