Malaysia
November 19, 2026 - 6:33 PM

HOLD *(no change)*

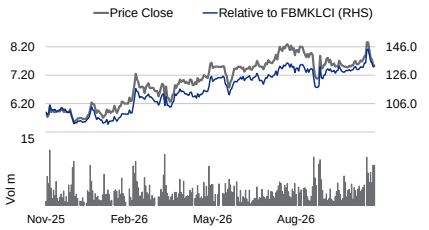
Consensus ratings*:	Buy 16	Hold 2	Sell 0

Current price:	RM7.54
Target price:	RM8.30
Previous target:	RM8.30
Up/downside:	10.1%
CGSI / Consensus:	-12.6%
Reuters:	SCOG.KL
Bloomberg:	SCGB MK
Market cap:	US$2,441m
	RM10,047m
Average daily turnover:	US$6.99m
	RM28.48m
Current shares o/s	1,332m
Free float:	45.6%

Source: Bloomberg

Key financial forecasts

	Dec-26F	Dec-27F	Dec-28F
Net Profit (RMm)	437.4	491.6	520.0
Normalised EPS (RM)	0.33	0.37	0.39
Normalised EPS Growth	19.1%	12.1%	5.8%
FD Normalised P/E (x)	22.90	20.43	19.31
Recurring ROE	56.6%	55.6%	45.7%
P/BV (x)	13.18	9.96	7.92
DPS (RM)	0.36	0.19	0.20
Dividend Yield	4.71%	2.52%	2.67%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.5	-8.5	31.8
Relative (%)	3.1	1.1	34.7

Major shareholders	% held
Sunway Berhad	54.4

Analyst(s)
CHONG Tjen-San, CFA
T (6) 012 292 2192
E tjen-san.chong@cgsi.com

Sunway Construction Group

Expect margins to normalise in FY27F

- 3Q26 results met expectations; construction pretax margins remained relatively high but we expect this to normalise to the 10% range in FY27F.
- Recent US BIS rule which requires a licence for advanced AI chips shipped to Malaysia may represent a regulatory overhang, in our view.
- Reiterate Hold with a TP of RM8.30.

3Q26 results met expectations

- Sunway Construction (Suncon) announced 3Q26 core net profit of RM105m (+9% yoy, +1% qoq), bringing 9M26 core net profit to RM323m (+18% yoy). We deem this within expectations at 74%/73% of our/Bloomberg consensus FY26F forecasts.
- Suncon declared a third interim dividend of 7.9 sen (vs. 6.25 sen in 3Q25). This, together with a special dividend of 15.2 sen announced in 1Q26, brought the total dividend to 34.7 sen for 9M26.
- The key highlight in 3Q26 was the construction pretax margin of 13.1% (vs. 13.3% in 2Q26), which we believe was due to cost savings arising from early completion of some DC projects. In our view, construction pretax margins should normalise to 10% in FY27F with the absence of early completion incentives seen in 1HFY26.
- 3Q26 construction pretax profit was up 6% yoy at RM131m, but revenue fell 26% yoy to RM1,072m due to the accelerated progress of some DC projects which have since been handed over. Its orderbook as at Nov 26 stood at RM12.5bn (76% DCs), which we believe provides adequate visibility going into FY27F.
- 3Q26 precast revenue was RM4.7m (+18% yoy), due to contributions from projects at peak delivery stages and its orderbook of RM552m as at Nov 26. 3Q26 precast margin was 6.1% (3Q25: 7%).
- Balance sheet was in a net cash position of RM1.4bn as at Sep 26 (vs. RM1.2bn as at Jun 26).

US BIS rule on export of AI chips may create a regulatory overhang

- The US Bureau of Industry and Security (BIS) on 15 Nov issued an interim rule where exports of advanced AI chips to DCs in Singapore, Malaysia, Thailand, Indonesia and Brazil now need a US licence.
- While we are comforted that almost all of Suncon's DC clients are US headquartered and not impacted by this change, this may now represent a regulatory overhang for the DC thematic in Malaysia and could delay future awards.
- Suncon's YTD Nov 26 wins are at RM9.8bn, which is above its target of RM7bn-9bn for FY26F. It continues to solidify its position in the DC space, with two recent wins amounting to RM2.7bn in Nov 26.
- It now has a RM15.7bn tenderbook which is still predominantly from DC projects, and the focus is to convert some of the upsizing potential from its existing DC projects and selectively penetrate new clients.
- While we expect newsflow to continue to buoy interest in the stock, we think this needs to be accompanied by equally strong earnings delivery given the higher expectations now. This may be more difficult given the higher earnings base and expectations of moderating margins.

Reiterate Hold and TP of RM8.30

- We reiterate our Hold rating given its more subdued earnings growth relative to its competitors. Our GGM-derived TP of RM8.30 (LTG: 4.5%, COE: 7.7%, ROE: 45%) is unchanged.
- We expect Suncon to show a 2-year EPS CAGR of just 9% over FY26-28F, which is lower vs. Gamuda's 23% and IJM's 16%; it will be more difficult to fill the void from DC projects once the global AI capex cycle slows. In our view, Suncon needs to diversify out of DCs to government infrastructure, industrial and semiconductor factories. Downside risks: higher costs and cuts in global AI capex, which may compress P/E valuations. Upside risks: more DC wins locally and potentially abroad.

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Figure 1: Peers Comparison (Share prices as at 19 November 2026)

Company	Bloomberg Tickers	Rec.	Price (lcl curr)	TP (lcl curr)	Mkt Cap (US$ m)	Core P/E (x) CY26F	Core P/E (x) CY27F	PEG (x)	P/BV (x) CY26F	P/BV (x) CY27F	Recurring ROE (%) CY26F	Recurring ROE (%) CY27F	Dividend Yield (%) CY26F	Dividend Yield (%) CY27F
Gamuda	GAM MK	Add	4.59	6.40	6,767	23.1	17.7	0.9	2.10	1.93	9.4%	11.4%	2.2%	2.2%
IJM Corp Bhd	IJM MK	Add	2.49	3.42	2,207	23.9	16.7	0.2	0.86	0.84	3.6%	5.1%	2.4%	2.4%
WCT Holdings	WCTHG MK	Add	0.25	1.12	93	10.1	5.3	0.4	0.10	0.10	1.0%	1.8%	0.0%	0.0%
Sunway Construction Group	SCGB MK	Hold	7.54	8.30	2,441	22.9	20.4	2.4	13.18	9.96	56.5%	55.6%	4.7%	2.5%
Muhibbah Engineering	MUHI MK	Add	0.40	0.81	71	5.4	4.7	-1.3	0.20	0.20	3.8%	4.3%	6.5%	8.6%
HSS Engineers	HSS MK	Add	0.46	0.66	56	9.9	8.3	1.0	0.78	0.73	8.2%	9.1%	2.2%	2.6%
YTL Corporation	YTL MK	Add	1.73	3.19	4,934	12.7	11.8	-6.4	1.22	1.14	9.5%	10.0%	2.9%	2.9%
Malayan Cement Bhd	LMC MK	Add	5.22	8.00	2,114	8.6	9.4	152.2	1.07	1.15	13.0%	12.7%	3.1%	3.4%
Sunway Bhd	SWB MK	Add	4.32	5.20	7,096	23.3	21.1	20.7	1.73	1.64	7.6%	8.0%	2.1%	2.3%
Econpile Holdings Bhd	ECON MK	Add	0.13	0.24	43	20.4	12.6	0.3	0.48	0.46	2.4%	3.7%	0.0%	2.0%
Kumpulan Kitacon Bhd	KITACON MK	Add	0.61	1.05	74	6.8	6.4	3.2	0.82	0.78	12.4%	12.6%	6.4%	6.3%
Construction sector						**15.2**	**12.2**	**15.78**	**2.05**	**1.72**	**11.6%**	**12.2%**	**2.9%**	**3.2%**

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Figure 2: Suncon's 3QFY26 results comparison, yoy and qoq

	3QFY26 RMm	3QFY25 RMm	% change yoy	2QFY26 RMm	% change qoq
Revenue	1072.7	1445.2	-26%	1017.7	5%
Other operating income	3.9	5.9	-35%	3.6	6%
Other operating expense	-963.0	-1355.5	-29%	-910.0	6%
EBIT	113.6	95.7	19%	111.3	2%
Finance income	20.8	39.6	-47%	20.0	4%
Finance cost	-5.5	-13.6	-60%	-4.3	29%
Share of JV profits	6.3	5.4	15%	4.2	48%
Profit before taxation	135.2	127.1	6%	131.3	3%
Taxation	-28.5	-30.7	-7%	-25.5	12%
Net income	106.7	96.4	11%	105.8	1%
Minority interest	-1.6	-12.6	-87%	-2.2	-25%
Atributed to shareholders	105.1	83.8	25%	103.6	1%
Less: Exceptional Items	0.1	-12.8	-101%	-0.6	-117%
Core net profit	105.0	96.6	9%	104.2	1%
	3QFY26	3QFY25	% change yoy	2QFY26	% change qoq
	RMm	RMm		RMm	
Construction	995.2	1387.4	-28%	941.6	6%
Precast Concrete	77.6	57.8	34%	76.1	2%
Revenue	1072.7	1445.2	-26%	1017.7	5%
Construction	130.5	123.0	6%	124.8	5%
Precast Concrete	4.7	4.0	18%	6.5	-27%
Profit before taxation	135.2	127.1	6%	131.3	3%
Construction pretax margins	13.1%	8.9%	48%	13.3%	-1%
Precast concrete pretax margins	6.1%	7.0%	-12%	8.5%	-100%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Net Revenues	**5,324**	**5,408**	**6,291**	**6,655**
Gross Profit	**1,108**	**1,220**	**1,285**	**1,324**
Operating EBITDA	**465**	**571**	**630**	**662**
Depreciation And Amortisation	(17)	(26)	(31)	(35)
Operating EBIT	**448**	**545**	**599**	**627**
Financial Income/(Expense)	62	46	61	71
Pretax Income/(Loss) from Assoc.	15	2	2	2
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**526**	**593**	**662**	**700**
Exceptional Items	64	0	0	0
Pre-tax Profit	**589**	**593**	**662**	**700**
Taxation	(123)	(152)	(170)	(180)
Exceptional Income - post-tax				
Profit After Tax	**466**	**441**	**492**	**520**
Minority Interests	(40)	(4)	0	0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**425**	**437**	**492**	**520**
Normalised Attributable Profit	362	437	492	520

Balance Sheet

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Cash And Equivalents	2,000	1,900	2,399	2,782
Total Debtors	1,567	1,625	1,892	2,001
Inventories	60	66	78	82
Total Other Current Assets	19	19	19	19
Total Current Assets	**3,646**	**3,611**	**4,388**	**4,885**
Fixed Assets	122	146	166	181
Total Investments	208	208	208	208
Intangible Assets	403	403	403	403
Total Other Non-Current Assets	45	45	45	45
Total Non-current Assets	**778**	**802**	**822**	**837**
Short-term Debt	158	158	158	158
Current Portion of Long-Term Debt				
Total Creditors	2,965	2,922	3,423	3,625
Other Current Liabilities	283	283	283	283
Total Current Liabilities	**3,406**	**3,363**	**3,863**	**4,065**
Total Long-term Debt	143	193	243	293
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**143**	**193**	**243**	**293**
Total Provisions	10	10	10	10
Total Liabilities	**3,559**	**3,566**	**4,116**	**4,368**
Shareholders' Equity	**784**	**762**	**1,008**	**1,268**
Minority Interests	81	85	85	85
Total Equity	**865**	**847**	**1,093**	**1,353**

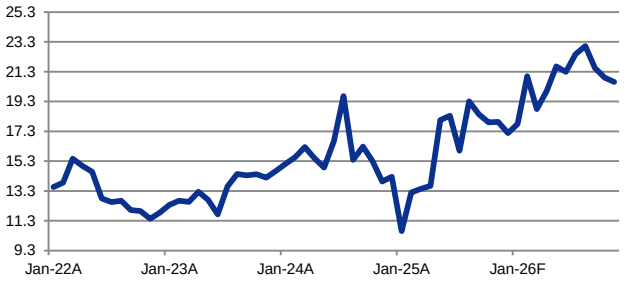
Cash Flow

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
EBITDA	465.4	571.1	629.8	661.7
Cash Flow from Invt. & Assoc.				
Change In Working Capital	1,311.6	(107.7)	222.7	88.1
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(31.5)	(28.3)	(33.3)	(38.3)
Other Operating Cashflow	(64.9)	0.0	0.0	0.0
Net Interest (Paid)/Received	61.9	46.0	61.0	71.3
Tax Paid	(123.5)	(151.8)	(170.1)	(179.9)
Cashflow From Operations	**1,619.1**	**329.3**	**710.1**	**602.9**
Capex	(44.1)	(50.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	15.0	0.0	0.0	0.0
Cash Flow From Investing	**(29.1)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt Raised/(repaid)	(430.4)	50.0	50.0	50.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(274.8)	(459.3)	(245.8)	(260.0)
Preferred Dividends				
Other Financing Cashflow	99.5	30.0	35.0	40.0
Cash Flow From Financing	**(605.7)**	**(379.2)**	**(160.8)**	**(170.0)**
Total Cash Generated	984.3	(100.0)	499.3	382.9
Free Cashflow To Equity	**1,159.6**	**329.3**	**710.1**	**602.9**
Free Cashflow To Firm	**1,636.9**	**309.3**	**695.1**	**592.9**

Key Ratios

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Revenue Growth	51.6%	1.0%	16.4%	5.8%
Operating EBITDA Growth	66.5%	22.7%	10.3%	5.1%
Operating EBITDA Margin	8.7%	10.6%	10.0%	10.0%
Net Cash Per Share (RM)	1.28	1.16	1.50	1.75
BVPS (RM)	0.59	0.57	0.76	0.95
Gross Interest Cover	9.56	18.17	17.10	15.66
Effective Tax Rate	21.0%	25.6%	25.7%	25.7%
Net Dividend Payout Ratio	184%	105%	50%	50%
Accounts Receivables Days	116.6	108.0	102.3	107.3
Inventory Days	4.47	5.51	5.26	5.50
Accounts Payables Days	211.1	256.6	231.3	241.9
ROIC (%)	104%	(53%)	(67%)	(57%)
ROCE (%)	39.1%	52.1%	51.3%	44.5%
Return On Average Assets	8.48%	8.95%	8.95%	8.21%

12-mth Fwd FD P/E (x) - Sunway Construction Group



Key Drivers

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
New order wins	5,200.0	8,000.0	6,500.0	6,500.0
Construction revenue	5,131.6	4,976.6	5,817.5	6,140.7
Precast revenue	207.1	417.0	460.0	500.0
Construction EBIT margins	8.7	10.2	9.6	9.5
Precast EBIT margins	0.9	9.4	8.6	8.6

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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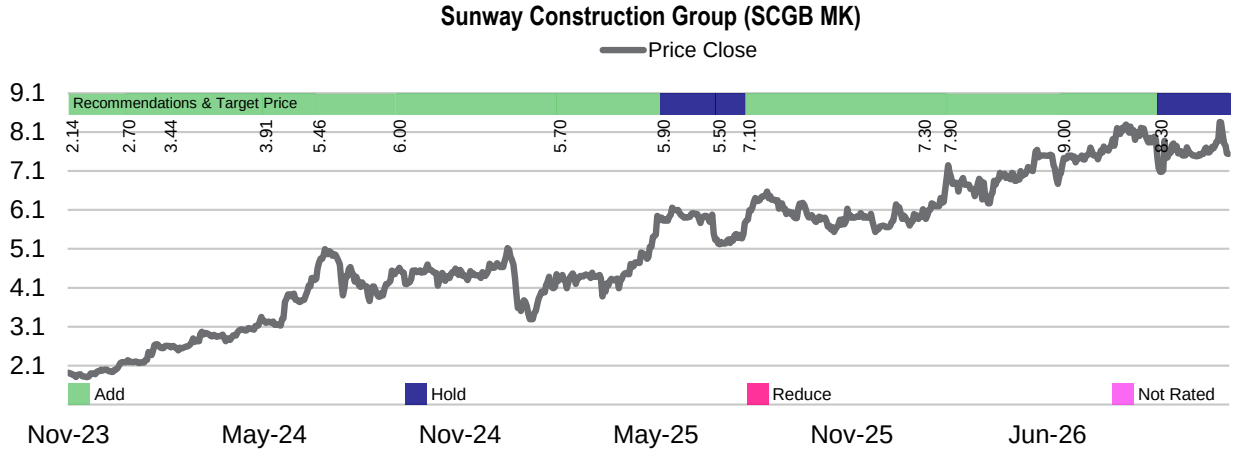
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2026 511 companies under coverage for quarter ended on 30 September 2026		
	Rating Distribution (%)	Investment Banking clients (%)
Add	74.4%	3.5%
Hold	20.2%	0.8%
Reduce	5.5%	0.4%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.