Sunway Construction Group

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Results Review: 3QFY26

Solid delivery

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SunCon reported 3Q26 core earnings of RM104.7m (+1.4% QoQ, +25.4% YoY), bringing 9MFY26 core PATAMI to RM323.1m (+19% YoY). Results were within our (78%) and consensus (73%) expectations. Declared third interim dividend of 7.9 sen, bringing FYTD dividend tally to 34.7 sen. SunCon has been on a roll this year, securing almost RM10bn in contract wins YTD, lifting its unbilled orderbook to a record high of RM12.5bn as at Sep-26. As such, we expect bumper earnings in FY27 as project recognition accelerates heading into 2027. We maintain our BUY rating with an unchanged TP of RM10.00, based on FY27 EPS pegged to 23x PE.

Inline. SunCon reported 3Q26 core earnings of RM104.7m (+1.4% QoQ, +25.4% YoY), bringing 9MFY26 core PATAMI to RM323.1m (+19% YoY). Results were within our (78%) and consensus (73%) expectations. 3Q26 results have been adjusted mainly for net forex loss (-RM3m) and reversal for receivables impairment loss (RM3.4m).

Dividends. Declared third interim dividend of 7.9 sen (ex-date: 9 Dec), bringing FYTD dividend tally to 34.7 sen (9M25: 41.5 sen).

QoQ. Core earnings was flattish (+0.6%) as the group is in the midst of ramping up newly secured data centre (DC) projects in FY26.

YoY/FYTD. Top line declined 26% YoY/ 28% FYTD due to peak construction progress in a few DC projects in 9M25. However, core net profit grew (+10% YoY/+19% FYTD) thanks to positive margin recalibration on its key DC projects. SunCon's strong project execution and early completion of key projects have also boosted profitability.

Outlook. SunCon has been on a roll this year, securing almost RM10bn in contract wins YTD, lifting its unbilled orderbook to a record high of RM12.5bn as at Sep-26. As such, we expect bumper earnings in FY27 as project recognition accelerates heading into 2027. Its tenderbook remains sizeable at RM15.7bn (comprising >600MW DC jobs), providing strong visibility for continued orderbook replenishment. As highlighted in our recent strategy report we remain unfazed on the construction impact from the new restrictions imposed by the US Commerce Department's BIS on access to advanced US AI technology. While the new rule could slow the build-out of Chinese-linked DC operators in Malaysia, we expect the direct impact on local contractors to be limited, given that these developments typically engage China-based contractors. Notably, SunCon has predominantly secured DC contracts from US hyperscalers, which should be insulated from the new restrictions.

Forecast. Unchanged as results were inline.

Maintain BUY, TP: RM10.00. We maintain our BUY rating with an unchanged TP of RM10.00, based on FY27 EPS pegged to 23x PE (+0.5SD above the 2-year average of 22x). In our view, SunCon's premium valuation is justified given its (i) strong alpha to the DC theme, (ii) robust execution capabilities with solid margin delivery, and (iii) superior ROEs alongside an attractive dividend yield of 6% (150% payout).

BUY (Maintain)

Target price (TP):	**RM10.00**
Previous TP:	**RM10.00**
Current price:	**RM7.50**

Capital upside	33.3%
Dividend yield	6.3%
Total expected return	39.6%

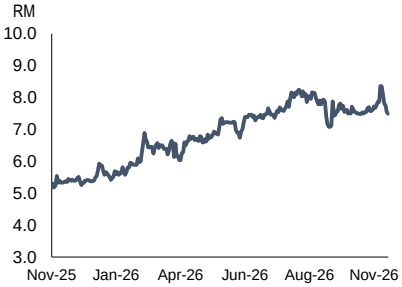
Sector classification
Construction

Company description
Sunway Construction Group (SunCon) is primarily involved in construction and precast products.

Major shareholders

Sunway Berhad	52.8%

Share price chart



Stock information

Bloomberg ticker	SCGB MK
Bursa stock code	5263
Issued shares (m)	1,332
Market capitalisation (RM m)	9,994
3M average volume ('000)	2,851
Shariah compliant	Yes
FTSE Russell ESG rating	★★★

Core earnings summary

FYE Dec	FY25	FY26f	FY27f
PATMI (RM m)	425.1	416.8	577.8
EPS (sen)	32.0	31.4	43.5
P/E (x)	23.4	23.9	17.2

Financial forecast table

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	1,015.8	2,000.1	1,264.6	1,489.0	1,477.4
Receivables	1,968.9	1,789.2	1,903.8	2,380.8	2,257.7
Inventories	43.3	60.1	61.8	76.5	72.8
PPE	85.1	122.1	130.0	136.4	136.4
Others	483.2	452.5	462.5	472.5	487.5
Assets	**3,596.2**	**4,424.0**	**3,822.8**	**4,555.3**	**4,431.9**
Debts	730.6	300.2	360.8	447.0	424.9
Payables	1,805.7	2,965.2	2,471.5	3,061.7	2,910.3
Others	121.4	293.3	293.3	293.3	293.3
Liabilities	**2,657.7**	**3,558.7**	**3,125.6**	**3,802.0**	**3,628.5**
Shareholder's equity	877.9	783.9	575.5	575.5	575.5
Minority interest	60.6	81.4	121.6	177.8	227.9
Equity	**938.5**	**865.3**	**697.2**	**753.3**	**803.4**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	254.2	588.9	598.2	831.0	747.1
Depreciation & amortisation	17.3	17.2	17.1	18.6	20.0
Changes in working capital	539.9	1,322.3	(610.0)	98.5	(24.5)
Share of JV profits	(0.3)	(15.3)	(10.0)	(10.0)	(15.0)
Taxation	(71.1)	(123.5)	(141.2)	(197.0)	(175.7)
Others	(23.4)	(170.5)	-	-	-
Operating cash flow	**716.4**	**1,619.1**	**(145.8)**	**741.1**	**551.8**
Net capex	32.5	52.0	(25.0)	(25.0)	(20.0)
Others	106.0	(81.1)	-	-	-
Investing cash flow	**138.4**	**(29.1)**	**(25.0)**	**(25.0)**	**(20.0)**
Changes in borrowings	(195.3)	(430.4)	60.6	86.2	(22.1)
Issuance of shares	-	119.8	-	-	-
Dividends paid	(112.9)	(671.0)	(625.2)	(577.8)	(521.3)
Others	4.9	374.0	-	-	-
Financing cash flow	**(303.4)**	**(607.6)**	**(564.6)**	**(491.7)**	**(543.4)**
Net cash flow	**551.5**	**982.4**	**(735.4)**	**224.4**	**(11.6)**
Forex	-	-	-	-	-
Others	(6.1)	1.9	-	-	-
Beginning cash	470.4	1,015.8	2,000.1	1,264.6	1,489.0
Ending cash	1,015.8	2,000.1	1,264.6	1,489.0	1,477.4

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**3,521.7**	**5,338.7**	**5,345.4**	**6,684.6**	**6,339.1**
EBITDA	260.6	528.8	521.8	763.4	677.5
EBIT	243.4	511.6	504.7	744.8	657.5
Net finance income/ (co	10.5	61.9	83.5	76.2	74.5
Associates & JV	0.3	15.3	10.0	10.0	15.0
Profit before tax	**254.2**	**588.9**	**598.2**	**831.0**	**747.1**
Tax	(71.1)	(123.5)	(141.2)	(197.0)	(175.7)
Net profit	**183.0**	**465.4**	**457.0**	**634.0**	**571.4**
Minority interest	(10.1)	(40.3)	(40.2)	(56.2)	(50.1)
Core PATAMI	**172.9**	**425.1**	**416.8**	**577.8**	**521.3**
Exceptional items	14.0	(63.4)	-	-	-
Reported earnings	186.9	361.8	416.8	577.8	521.3

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	13.0	32.0	31.4	43.5	39.2
P/E (x)	57.6	23.4	23.9	17.2	19.1
EV/EBITDA (x)	39.2	19.3	19.6	13.4	15.1
DPS (sen)	8.5	50.5	47.1	43.5	39.2
Dividend yield (%)	1.1	6.7	6.3	5.8	5.2
BVPS (RM)	0.7	0.6	0.4	0.4	0.4
P/B (x)	11.4	12.7	17.3	17.3	17.3
EBITDA margin (%)	7.4	9.9	9.8	11.4	10.7
EBIT margin (%)	6.9	9.6	9.4	11.1	10.4
PBT margin (%)	7.2	11.0	11.2	12.4	11.8
Net margin (%)	4.9	8.0	7.8	8.6	8.2
ROE (%)	20.4	51.2	61.3	100.4	90.6
ROA (%)	4.2	7.7	7.2	10.4	8.7
Net gearing (%)	CASH	CASH	CASH	CASH	CASH

Assumptions

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Construction	3,778	4,827	10,000	6,000	4,000
Precast	443	380	350	350	350
Total new job wins	**4,221**	**5,207**	**10,350**	**6,350**	**4,350**

Figure #1 Results table

FYE Dec (RM' m)	3QFY25	2QFY26	3QFY26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	**1,445.2**	**1,017.7**	**1,072.7**	***5.4***	***(25.8)***	**4,322.6**	**3,113.1**	***(28.0)***
EBIT	107.5	111.8	113.3	*1.3*	*5.4*	346.1	355.7	*2.8*
Finance income	39.6	20.0	20.8	*4.0*	*(47.4)*	73.6	63.3	*(14.0)*
Finance cost	(13.6)	(4.3)	(5.5)	*28.9*	*(59.7)*	(39.3)	(14.2)	*(64.0)*
PBT	138.9	131.8	134.9	*2.3*	*(2.9)*	391.0	417.3	*6.7*
PAT	108.2	106.3	106.3	*0.0*	*(1.7)*	304.5	325.6	*6.9*
Core PATMI	**95.6**	**104.1**	**104.7**	***0.6***	***9.5***	**271.5**	**323.1**	***19.0***
Reported PATMI	83.8	103.6	105.1	*1.4*	*25.4*	243.4	328.3	*34.9*
Core EPS (sen)	7.2	7.8	7.9	*0.6*	*9.5*	20.4	24.3	*19.0*
EBIT margin (%)	7.4	11.0	10.6			8.0	11.4	
PBT margin (%)	9.6	13.0	12.6			9.0	13.4	
Core PATMI margin (%)	6.6	10.2	9.8			6.3	10.4	

Company

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NON RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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