Sunway Construction Group

9MFY26 In Line; Riding High on DC Wins

OUTPERFORM ↔

Price: RM7.50

Target Price: RM9.70 ↔

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SUNCON reported another strong set of 9MFY26 results, with core profit rising 19% YoY to RM323.1m, matching expectations. The robust performance was driven by resilient construction margins, supported by a higher proportion of data centre projects. YTD job wins of RM9.8b have already exceeded management's FY26 target of RM7b-RM9b, keeping it well on track to meet our RM11b replenishment assumption. Looking ahead, data centre tender activity remains elevated as hyperscalers continue to aggressively expand capacity. We leave our earnings forecasts unchanged. Reiterate OUTPERFORM at TP of RM9.70.

9MFY26 results came in within expectations, with a core profit of RM323.7m accounting for 77% and 74% of house and street full-year FY26 estimates, respectively. A third interim NDPS of 7.9 sen (ex-date: 09 Dec; payment date: 17 Dec) was declared for 3QFY26, bringing 9MFY26 NDPS to 34.7 sen (11.6 sen regular + 23.1 sen special), compared to 41.5 sen (18.5 sen regular + 23.0 sen special) paid in 9MFY25.

Construction margins stabilised at the 12% level in 3QFY26. 3QFY26 core profit inched up 1% QoQ to RM105.1m despite a stronger 5% revenue increase, as bottom-line growth was capped by slightly higher interest expenses and taxation. Pretax margin remained healthy at 12.6% (vs. 12.9% in 2QFY26), supported by an elevated mix of higher-margin data centre projects. YoY, core profit for 3QFY26 and 9MFY26 jumped 11% and 19% to RM105.1m and RM323.7m, respectively, despite top-line contractions of 26% and 28%. Margin expansion was driven by a higher proportion of data centre projects, whereas the elevated revenue base in 9MFY25 reflected peak construction progress on several data centre jobs and the RTS project last year.

Outlook. SUNCON maintains a healthy tender pipeline, with data centre tenders increasing to nine projects across seven clients (five existing and two new customers), up from six projects across five clients (four existing and one new customer). Overall, its active tender book remains robust at c.RM15.7b across the data centre, industrial building, and precast segments. Near-term prospects will also be supported by internal job flows from Sunway Group.

Forecasts. We maintain our FY26–FY27 earnings forecasts, based on job win assumptions of RM11b and RM7b, respectively.

Valuations. We maintain our TP of RM9.70, based on unchanged PER of 22x, which is in line with our valuation for big cap construction companies, i.e. **GAMUDA (OP; TP: RM5.90)** and **IJM (OP; TP: RM3.35)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 5).

Investment case. We like SUNCON for: (i) strong job prospects of the sector with the imminent roll-out of key public infrastructure projects, (ii) its strong earnings visibility underpinned by RM12.45b outstanding order book and recurring jobs from parent and sister companies, and (iii) its extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works. **OUTPERFORM** reaffirmed.

Risks to our recommendation include: (i) weak flows of construction jobs from public and private sectors, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

Share Price Performance



KLCI	1,566.16
YTD KLCI chg	-6.8%
YTD stock price chg	35.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	9,993.7
Shares Outstanding	1,332.5
52-week range (H)	8.36
52-week range (L)	5.53
3-mth avg. daily vol.	3,957,990
Free Float	40%
Beta	0.7

Major Shareholders

Sunway Holdings Sdn Bhd	52.8%
Employees Provident Fund	6.7%
Sungei Way Corp Sdn Bhd	5.5%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	5338.7	5450.0	7750.0
EBIT	448.2	478.5	648.1
PBT	525.5	573.5	753.8
Net Profit	**361.8**	**422.8**	**555.7**
Core Net Profit	**425.1**	**422.8**	**555.7**
Consensus		440.6	547.7
Earnings Revision (%)		-	-
Core EPS (sen)	32.2	32.0	42.0
Core EPS Growth (%)	154.2	-0.6	31.4
NDPS (sen)	50.5	47.2	34.0
BVPS (RM)	0.59	0.44	0.52
NTA/share (RM)	0.59	0.44	0.52
PER (x)	17.6	23.5	17.9
PBV (x)	9.52	17.03	14.41
P/NTA (x)	9.52	17.03	14.41
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	8.9	6.3	4.5

Income Statement

FY Dec (RM m)	3Q FY26	2Q FY26	Q-o-Q Chg	3Q FY25	Y-o-Y Chg	9M FY26	9M FY25	Y-o-Y Chg
Turnover	1,072.7	1,017.7	5%	1,445.2	-26%	3,113.1	4,322.6	-28%
EBITDA	118.9	116.1	2%	99.3	20%	374.5	330.5	13%
Depreciation	-5.3	-4.8	9%	-3.7	43%	-14.9	-10.8	39%
EBIT	113.6	111.3	2%	95.7	19%	359.6	319.7	12%
Interest and other incomes	20.8	20.0	4%	39.6	-47%	63.3	71.8	-12%
Interest expense	-5.5	-4.3	29%	-13.6	-60%	-14.2	-39.3	-64%
Associates	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
JV incomes	6.3	4.2	48%	5.4	15%	12.5	10.6	17%
Exceptional items	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Pretax profit	135.2	131.3	3%	127.1	6%	421.2	362.9	16%
Taxation	-28.5	-25.5	12%	-30.7	-7%	-91.7	-86.5	6%
Profit after tax	106.7	105.8	1%	96.4	11%	329.5	276.4	19%
Minority interest	-1.6	-2.2	-25%	-12.6	-87%	-2.4	-33.0	-93%
Net profit	105.1	103.6	1%	83.8	25%	327.1	243.4	34%
Core net profit	105.1	104.3	1%	94.6	11%	323.7	271.0	19%
EPS (sen)	7.9	7.9	1%	7.2	11%	24.5	20.5	19%
DPS (sen)	7.90	4.00	98%	29.25	-73%	34.70	41.50	-16%
NTA/share (RM)	0.51	0.47	10%	0.79	-35%	0.51	0.79	-35%
EBITDA margin	11.1%	11.4%		6.9%		12.0%	7.6%	
EBIT margin	10.6%	10.9%		6.6%		11.6%	7.4%	
Pretax margin	12.6%	12.9%		8.8%		13.5%	8.4%	
Core net margin	9.8%	10.2%		6.5%		10.4%	6.3%	
Effective tax rate	21.1%	19.4%		24.1%		21.8%	23.8%	

Source: Company

Segmental Breakdown

FY Dec (RM m)	3Q FY26	2Q FY26	Q-o-Q Chg	3Q FY25	Y-o-Y Chg	9M FY26	9M FY25	Y-o-Y Chg
Turnover								
Construction	995.2	941.6	6%	1,387.4	-28%	2,887.3	4,190.8	-31%
Precast Concrete	77.6	76.1	2%	57.8	34%	225.8	131.8	71%
Group Turnover	**1,072.7**	**1,017.7**	**5%**	**1,445.2**	**-26%**	**3,113.1**	**4,322.6**	**-28%**
Segment Results								
Construction	130.5	124.8	5%	123.0	6%	404.0	356.4	13%
Precast Concrete	4.7	6.5	-27%	4.0	18%	17.2	6.5	165%
Group PBT	**135.2**	**131.3**	**3%**	**127.1**	**6%**	**421.2**	**362.9**	**16%**
PBT Margin								
Construction	13.1%	13.3%		8.9%		14.0%	8.5%	
Precast Concrete	6.1%	8.5%		7.0%		7.6%	4.9%	
Group PBT Margin	**12.6%**	**12.9%**		**8.8%**		**13.5%**	**8.4%**	

Source: Company

SUNCON's Outstanding Order Book		
Project		**Outstanding Value (RM m)**
Data Centre		
JHB1X0 - Data Centre & TIW		48
JHB1X0 – Building 2		87
JHB01 – C&S Works and MEP Fit-Out		2,073
JHB02 – Pilling		78
General Contractor Works – Shell 1 - MNC		576
General Contractor Works – Shell 2 - MNC		2,149
PSR – MNC		44
PSR – MNC – JB01		534
PSR – MNC – JB02		335
K2 Building 4 + VO		37
Data Centre – Serendah		1,710
Data Centre 2 – Serendah		1,739
India		
Thorapalli-Jittandahalli (TJ)		45
Singapore		
Precast		552
New Order 2026 – External		114
Internal – Sunway Group		
Sunway Square – Superstructure + VO		
SunMed PH3 Fit-Out		24
RTS Transit Oriented Development Project		921
Sunway Ipoh Mall Extension		486
Sunway Ipoh Mall Extension – Hotel		224
Sunway Ipoh Mall Extension – Office		56
Sunway Ipoh Staff Quarters – Pilling		2
Sunway Medical Iskandar		400
Sunway Sanctuary Fit-Out Works		20
Sunway Medical Seremban		200
Total		**12,452**

Source: Company

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.56	5.90	29.4%	27,668.7	Y	07/2027	22.9	29.4	31.9%	28.2%	19.9	15.5	2.0	10.6%	10.0	2.2%
IJM	OP	2.49	3.35	34.5%	9,082.4	Y	03/2027	13.5	14.3	53.9%	5.3%	18.4	17.4	0.9	4.7%	18.0	7.2%
KERJAYA	OP	3.06	4.20	37.3%	3,837.7	Y	12/2026	21.9	27.2	20.9%	24.6%	14.0	11.2	2.9	21.6%	14.0	4.6%
KIMLUN	OP	0.785	1.50	91.1%	305.1	Y	12/2026	21.8	20.3	70.1%	-6.8%	3.6	3.9	0.3	10.3%	2.0	2.5%
SUNCON	OP	7.50	9.70	29.3%	9,993.7	Y	12/2026	32.0	42.0	0.3%	31.4%	23.5	17.9	17.0	61.9%	47.2	6.3%
Sector Aggregate					**50,887.7**					**28.6%**	**23.0%**	**19.1**	**15.5**	**1.9**	**9.9%**		**4.6%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★	★	
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★	☆	
	Carbon-Neutral Initiatives	★	★	★	★	☆
SPECIFIC	Migrant Worker Welfare	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★	★	
	Energy Efficiency	★	★	★	★	
	OVERALL	★	★	★	★	

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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