Corporate Update

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM9.28**

3QFY26 Results Review - Record YTD Wins Underpin FY27 Earnings Visibility

Maintain BUY. We maintain our **BUY** recommendation on SunCon with an unchanged **TP** of **RM9.28**, implying 22.2x FY27F PE, which is +1SD above its two-year historical mean. We continue to like SunCon as stronger-than-expected order wins have lifted its backlog to a record RM12.45b, improving FY27 earnings visibility. Data centres remain the main earnings driver, accounting for 76% of the order book, alongside with an attractive 6%-7% dividend yield. Beyond the ATF segment, the group is diversifying into large-scale infrastructure, renewable energy projects, and private finance initiatives, while continuing to build on its track record in commercial and in-house works from Sunway Bhd. Balance sheet remains robust in a net cash position of RM1.22b.

Within expectations. Sunway Construction (SunCon) recorded a core net profit of RM99.2m (+5.3%yoy, -5.2%qoq) in 3QFY26, bringing 9MFY26 core earnings to RM317.5m (+19.6%yoy). This was within expectations, accounting for 70.0% and 72.1% of our and consensus full-year estimates, respectively. Revenue declined -25.8%yoy to RM1.07b in 3QFY26 against a high base from faster progress on several data centre (DC) and in-house projects in 3QFY25. A more favourable construction project mix lifted group PBT margin to 12.6% from 8.8% in 3QFY25. Sequentially, revenue grew +5.4%qoq, while PBT margin eased from 12.9% in 2QFY26. SunCon declared a third interim dividend of 7.9sen/share, taking cumulative FY26 dividends to 34.7sen/share, including the 15.2sen special dividend declared in 1QFY26.

Construction segment. Construction revenue slipped -28.3%yoy to RM995.1m in 3QFY26, reflecting stronger billings on DC and in-house projects a year earlier. PBT rose +6.0%yoy to RM130.5m as a more favourable project mix lifted PBT margin by 4.2ppt yoy to 13.1%. Sequentially, revenue and PBT grew +5.7%qoq and +4.5%qoq, respectively, as newly secured projects ramped up. PBT margin eased slightly from 13.3% in 2QFY26 to 13.1% in 3QFY26.

Precast segment. Precast revenue climbed +34.3%yoy to RM77.6m in 3QFY26 as several projects reached peak deliveries. PBT rose +17.5%yoy to RM4.7m, while PBT margin narrowed to 6.1% from 6.9% in 3QFY25, when the segment benefited from a reversal of material cost provisions on completed projects. Sequentially, revenue edged up +2.0%qoq, while PBT fell -27.7%qoq, mainly due to additional impairment provisions on outstanding receivables. PBT margin eased from 8.5% in 2QFY26 to 6.1% in 3QFY26.

Record RM12.45b order book, with new DC jobs set to fill the FY27 gap. SunCon's FY26 YTD wins reached RM9.80b, 8.9% above the upper end of its revised RM7.00b-RM9.00b target. DCs account for 76.0% of the order book and 92.0% of YTD wins. Further awards from the RM15.70b tender book, which includes over 600MW of DC tenders across Johor and the Klang Valley, could deepen that exposure.

RETURN STATISTICS	
Price @ 19th November 2026 (RM)	7.50
Expected share price return (%)	+23.7
Expected dividend yield (%)	+7.4
Expected total return (%)	+31.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	2.2
3 months	-3.1	2.5
12 months	36.0	41.0

INVESTMENT STATISTICS

FYE Dec	2026F	2027F	2028F
Revenue	5815.2	7284.2	8737.7
Operating Profit	610.6	764.8	917.5
Profit Before Tax	639.7	801.3	961.1
Core Net Profit	453.6	552.1	611.6
Core EPS (sen)	34.3	41.7	46.2
DPS (sen)	45.4	55.2	61.2
Dividend Yield	6.0	7.4	8.2

KEY STATISTICS	
FBM KLCI	1,566.16
Issued shares (m)	1321.35
Estimated free float (%)	39.54
Market Capitalisation (RM'm)	9,993.71
52-wk price range	RM5.36 - RM8.58
3-mth average daily volume (m)	3.93
3-mth average daily value (RM'm)	30.21
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	52.80
Employees Provident Fund Board	6.70
Sungei Way Corp Sdn Bhd	5.50

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Largely insulated from US chip curbs. SunCon's DC clients are predominantly US hyperscalers, alongside one Singapore-based client. We expect committed DC projects and the near-term pipeline to remain on schedule over the next 12-24 months, given the reported import licensing exemption for US-headquartered groups. Malaysia remains a strategic location for DC expansion, and slower Chinese-backed expansion could free up power and water capacity for SunCon's existing clients, opening up further replenishment opportunities. Over the longer term, however, we do not rule out the possibility that tighter chip controls, uncertainty over AI leadership and closer scrutiny of AI investment returns could delay DC expansion phases where capex has yet to be committed.

Earnings estimates and TP. We cut our FY26E/FY27F earnings estimates by -6.2%/-1.1%, factoring in smaller provision reversals sequentially. We maintain our **BUY** call with an unchanged **TP** of **RM9.28**, derived by pegging a revised FY27F EPS of 41.7 sen and a PER of 22.2x, or +1SD above its historical two-year mean.

SunCon: 3QFY26 Results Summary

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3QFY26**	**2QFY26**	**3QFY25**	**QoQ**	**YoY**	**9MFY26**	**9MFY25**	**YoY**
Revenue	1,072.7	1,017.7	1,445.2	**5.4%**	**-25.8%**	3,113.1	4,322.6	**-28.0%**
Net Operating Expenses	(962.5)	(905.4)	(1,344.6)	**-6.3%**	**28.4%**	(2,776.3)	(3,544.1)	**21.7%**
Operating Profit	113.6	111.3	95.7	**2.1%**	**18.8%**	359.6	319.7	**12.5%**
Finance Income	20.8	20.0	39.6	**4.0%**	**-47.4%**	63.3	188.5	**-66.4%**
Finance Costs	(5.5)	(4.3)	(13.6)	**-28.9%**	**59.7%**	(14.2)	(39.3)	**64.0%**
JV and Associates	6.3	4.2	5.4	**47.7%**	**15.1%**	12.5	30.2	**-58.8%**
Profit Before Tax	135.2	131.3	127.1	**3.0%**	**6.4%**	421.2	362.9	**16.1%**
Tax Expense	(28.5)	(25.5)	(30.7)	**-11.7%**	**7.0%**	(91.7)	(62.6)	**-46.6%**
Minority Interest	1.6	2.2	12.6	**-24.8%**	**-87.0%**	2.4	33.0	**-92.6%**
Reported Net Profit	105.1	103.6	83.8	**1.4%**	**25.4%**	327.1	243.4	**34.4%**
Core Net Profit	99.2	104.6	94.2	**-5.2%**	**5.3%**	317.5	265.5	**19.6%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	3521.7	5338.7	5815.2	7284.2	8737.7
Net operating expenses	-3300.1	-4860.3	-5204.6	-6519.3	-7820.2
Operating profit	262.2	448.2	610.6	764.8	917.5
PBT	273.0	525.5	639.7	801.3	961.1
Net profit	186.9	361.8	465.2	552.1	611.6
Core net profit	179.9	384.8	453.6	552.1	611.6
EPS (sen)	13.6	29.1	34.3	41.7	46.2
DPS (sen)	8.5	50.5	45.4	55.2	61.2

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	85.4	122.1	119.6	113.7	108.0
Other investments and assets	636.4	656.0	532.0	532.0	533.0
Non-current assets	**721.8**	**778.0**	**651.6**	**645.7**	**641.0**
Cash	1,015.8	2,000.0	1,900.0	1,805.0	1,714.8
Trade debtors	1,795.1	1,567.1	1,369.4	1,369.4	1,370.4
Current assets	**2,874.4**	**3,646.0**	**3,348.3**	**3,253.3**	**3,164.0**
Trade creditors	1,912.7	2,890.9	1,335.4	1,335.4	1,336.4
Short-term debt	730.6	157.7	173.5	175.2	178.7
Current liabilities	**2,656.6**	**3,102.6**	**1,562.8**	**1,564.6**	**1,569.1**
Long-term debt	0.0	142.5	118.3	98.2	81.5
Non-current liabilities	**1.2**	**153.0**	**1,132.0**	**848.8**	**750.3**
Share capital	258.6	378.4	378.4	378.4	378.4
Retained earnings	660.9	747.9	926.7	1,107.2	1,107.2
Equity	**938.5**	**1,168.4**	**1,305.1**	**1,485.6**	**1,485.6**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	273.0	525.5	639.7	801.3	961.1
Depreciation	17.3	17.2	17.0	17.0	17.0
Change in WC	534.7	1132.7	785.4	688.7	594.9
Operating cash flow	**716.4**	**1617.0**	**1258.8**	**1273.8**	**1261.1**
Capital expenditure	-9.4	-43.7	-30.0	-30.0	-30.0
Investing cash flow	**138.4**	**-27.0**	**189.8**	**189.8**	**189.8**
Debt raised/(repaid)	-167.2	-422.1	-145.4	-145.4	-145.4
Dividends paid	-116.0	-274.8	-410.1	-224.9	-238.1
Financing cash flow	**-303.4**	**-607.6**	**-555.5**	**-370.3**	**-383.5**
Net cash flow	**551.5**	**982.4**	**893.2**	**1093.4**	**1067.5**
Beginning cash flow	**384.0**	**936.3**	**1913.6**	**2806.7**	**3900.1**
Ending cash flow	**936.3**	**1913.6**	**2806.7**	**3900.1**	**4967.6**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
Operating profit margin	7.4%	8.4%	10.5%	10.5%	10.5%
PBT margin	7.8%	9.8%	11.0%	11.0%	11.0%
PAT margin	5.3%	6.8%	8.0%	7.6%	7.0%
Core PAT margin	5.1%	7.2%	7.8%	6.8%	7.0%

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology