Sunway Construction (SCGB MK)

Record order book to drive earnings

MALAYSIA | CONSTRUCTION | RESULT

- SunCon's 9M26 core net profit rose 20% YoY to RM324m – result in line
- YTD contract wins total RM9.8bn, with outstanding order book reaching a record RM12.5bn; tender pipeline is also increasingly skewed towards DC projects
- We raise 2027–28E EPS forecasts by 3–7%. Maintain our BUY rating with a higher TP of RM10.20

20 November 2026

BUY (maintain)

LAST CLOSE PRICE	RM7.50
TARGET PRICE	RM10.20
TOTAL RETURN	36.0%
(PREVIOUS TP:	*RM9.55)*

COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN) :	1,332
MARKET CAP (USD mn / RM mn) :	2432 / 9994
52 - WK HI/LO (RM) :	8.58 / 5.36
3M Average Daily T/O (mn) :	3.93
NET CASH/(DEBT) (RMm)	1,417.95

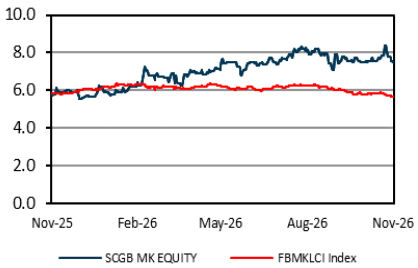
MAJOR SHAREHOLDERS (%)

Sunway Holdings	52.8%
EPF	7.5%
Sungei Way Corp	5.5%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.5	(8.0)	40.2
FBMKLCI RETURN	(2.5)	(8.1)	(3.1)

PRICE VS. FBMKLCI



Source: Bloomberg

Results within expectations

SunCon's 3Q26 core PATAMI came in at RM105m (+1% QoQ, +11% YoY), bringing 9M26 core earnings to RM324m (+20% YoY), accounting for 73% of our and consensus full-year estimates. We view the results as broadly in line with expectations, and expect a stronger 4Q26 as projects move into peak billing. 9M26 revenue declined 28% YoY, reflecting a high base in 9M25 when several DC projects recorded peak progress billings. Despite lower revenue, EBITDA margin expanded 4ppts to 12%, supported by a more favourable project mix with greater contributions from higher-margin DC jobs. While revenue fell short of our forecasts, margin came in stronger than expected. SunCon declared an interim DPS of 7.9sen, bringing cumulative 9M26 DPS to 34.7sen, which exceeded our previous DPS forecast of 34.3sen. Subsequently, we raised our DPS forecast to 43 sen.

Record order book, tender pipeline skewed further towards DC

YTD, SunCon has secured RM9.8bn in new contracts, lifting its outstanding order book to a record RM12.5bn (DC: 76%; in-house: 19%; precast: 5%). DC projects now make up c.80% of its RM16bn tender book (from c.70%), following the addition of a new client's project and Phase 3 of the Serendah job. We maintain our RM10bn order replenishment forecast for 2026, with potential upside from an additional contract currently in advanced negotiation.

Maintain BUY with a higher TP of RM10.20

We factor in lower 2026E revenue after deferring some project billings into 2027–28E, partly offset by improved assumed margins, lifting our 2026E earnings forecast by 1%. We raise our 2027–28E EPS by 3–7% as more projects move into their peak S-curve billing phase. We reiterate our BUY rating with a higher 12-month TP of RM10.20 (from RM9.55), based on an unchanged 22x 2027E EPS. We continue to like SunCon for its strong order book replenishment and dominant DC exposure, making it our preferred DC construction proxy. Key downside risks include: (i) a cutback in hyperscaler capex affecting DC expansion plans, (ii) margin pressure from fixed lump-sum contracts, and (iii) unforeseen project delays.

Key Financials

Y/E Dec	2024	2025	2026E	2027E	2028E
Revenue (RMm)	3,521.7	5,338.7	4,693.2	8,679.0	8,871.0
EBITDA (RMm)	259.8	528.8	586.4	809.6	827.0
Pretax profit (RMm)	253.3	525.5	649.5	896.8	916.6
Net profit (RMm)	167.2	361.8	447.2	617.1	631.1
EPS (sen)	12.6	27.2	33.7	46.5	47.5
PER (x)	59.6	27.5	22.3	16.1	15.8
Core net profit (RMm)	147.5	425.1	447.2	617.1	631.1
Core EPS (sen)	11.1	32.0	33.7	46.5	47.5
Core EPS growth (%)	(24.4)	188.1	5.2	38.0	2.3
Core PER (x)	67.5	23.4	22.3	16.1	15.8
Net DPS (sen)	8.5	41.5	43.0	27.0	27.6
Dividend Yield (%)	1.1	5.5	5.7	3.6	3.7
EV/EBITDA (x)	37.2	15.6	14.6	9.0	8.3
Chg in EPS (%)			+1.3	+6.8	+3.1
Phillip/Consensus (%)			1.0	1.1	1.1

Sources: Company, Bloomberg, Phillip Research forecasts

Jack Heng Shao Jun
jack.heng@phillipcapital.com.my

Results at a glance

Y/E Dec (RMm)	3Q25	2Q26	3Q26	QoQ % chg	YoY % chg	9M25	9M26	YoY % chg	Comment
Revenue	1,445.2	1,017.7	1,072.7	*5.4*	*(25.8)*	4,322.6	3,113.1	*(28.0)*	9M26 revenue declined following faster recognition in 9M25 from accelerated DC project progression
Op costs	(1,335.0)	(900.9)	(953.8)	*5.9*	*(28.6)*	(3,964.6)	(2,741.9)	*(30.8)*	
EBITDA	**110.2**	**116.8**	**119.0**	*1.9*	*8.0*	**358.0**	**371.2**	*3.7*	
EBITDA margin (%)	*7.6*	*11.5*	*11.1*	*(0.4 ppt)*	*3.5 ppt*	*8.3*	*11.9*	*3.6 ppt*	9M26 benefited from a higher-margin project mix
Depn and amort	(3.7)	(4.8)	(5.3)	*9.3*	*42.6*	(10.8)	(14.9)	*38.7*	
EBIT	**106.5**	**112.0**	**113.7**	*1.6*	*6.8*	**347.2**	**356.3**	*2.6*	
EBIT margin (%)	*7.4*	*11.0*	*10.6*	*(0.4 ppt)*	*3.2 ppt*	*8.0*	*11.4*	*3.4 ppt*	
Int expense	(13.6)	(4.3)	(5.5)	*28.9*	*(59.7)*	(39.3)	(14.2)	*(64.0)*	
Int and other inc	39.6	20.0	20.8	*4.0*	*(47.4)*	71.8	63.3	*(11.9)*	
EI	(10.8)	(0.7)	(0.1)	*n.m*	*n.m*	(27.6)	3.3	*n.m*	Reversal of impairment losses for receivables, forex losses and fair value loss on ESOS
Pretax profit	**127.1**	**131.3**	**135.2**	*3.0*	*6.4*	**362.9**	**421.2**	*16.1*	
Core pretax	**137.9**	**132.0**	**135.3**	*2.5*	*(1.9)*	**390.4**	**417.9**	*7.0*	
Tax	(30.7)	(25.5)	(28.5)	*11.7*	*(7.0)*	(86.5)	(91.7)	*6.0*	
Tax rate (%)	*24.1*	*19.4*	*21.1*	*1.6 ppt*	*(3.0 ppt)*	*23.8*	*21.8*	*(2.1 ppt)*	
MI	(12.6)	(2.2)	(1.6)	*(24.8)*	*(87.0)*	(33.0)	(2.4)	*(92.6)*	
Net profit	**83.8**	**103.6**	**105.1**	*1.4*	*25.4*	**243.4**	**327.1**	*34.4*	
Basic EPS (sen)	6.3	7.8	7.9	*1.4*	*25.4*	18.3	24.6	*34.4*	
Core net profit	**94.6**	**104.3**	**105.1**	*0.8*	*11.1*	**270.9**	**323.7**	*19.5*	Within expectations

Source: Company, Phillip Research

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA
Phillip Capital Sdn Bhd
B-18-6 Block B Level 18 Unit 6 Megan Avenue II,
No .12, Jalan Yap Kwan Seng, 50450 Kuala
Lumpur
Tel +603 2783 0300
Fax +603 2166 5099
Website: www.phillip.com.my

HONG KONG
Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA
PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA
Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND
Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM
King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES
Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

CAMBODIA
Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

INDIA
PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel:+91-22-2300 2999/Fax:+91-22-2300 2969
Website: www.phillipcapital.in

TURKEY
PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI
Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Contact Information (Phillip Malaysia Investor Centres)

MALAYSIA
Phillip Investor Centre – Alor Setar (Kedah)
Lot T-30 2nd Floor,
Wisma PKNK, Jalan Sultan Badlisha,
05000 Alor Setar, Kedah
Tel: +604 731 7088 / Fax: 604 731 8428
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Johor Bahru (Johor)
15-01A, Jalan Molek 1/29,
Taman Molek, 81100 Johor Bahru,
Johor Darul Takzim, Malaysia
Tel: +607 352 1808 / Fax: 607 352 4808
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Skudai (Johor)
9A, Jalan Sutera Tanjung 8/2,
Taman Sutera Utama,
81300 Skudai, Johor, Malaysia.
Tel: +607 557 2188 / Fax: 607 557 8788
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Kluang (Johor)
No. 73, 1st Floor,
Jalan Rambutan, 86000 Kluang.
Tel: +607 771 7922 / Fax: 607 771 7909
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Kota Damansara (Petaling Jaya)
12A, Jalan PJU 5/8,
Dataran Sunway, Kota Damansara,
47810 Petaling Jaya, Selangor, Malaysia.
Tel: +603 9212 2818 / Fax: 603 6140 7133
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Kota Kinabalu (Sabah)
Lot No. G-4, Ground Floor,
Menara MAA, No 6, Lorong Api-Api 1,
88000 Kota Kinabalu, Sabah.
Tel: +6088 335 346 / Fax: -
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Kuantan (Pahang)
1st Floor, B400,
Jalan Beserah, 25300 Kuantan.
Tel: +609 566 0800 / Fax: 609 566 0801
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Melaka
No. 542A, Jalan Merdeka,
Taman Melaka Raya,
75000 Melaka, Malaysia
Tel: +606 292 0018 / Fax: 606 292 4511
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Penang
No. 29A Ground Floor Suite 2, Beach Street,
10300 Penang, Malaysia.
Tel: +604 202 0039 / Fax: 607 261 3822
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Kuching (Sarawak)
Lot 2650 1st Floor, Suite A, Block 10 KCLD
Central Park Commercial Centre,
3rd Mile, Jalan Rock, 93200, Kuching,
Sarawak, Malaysia.
Tel: +6082 247 633 / Fax: 6082 245 644
Website: www.phillip.com.my

MALAYSIA
Phillip Investor Centre – Sibu (Sarawak)
No. 6B Jalan Bako,
96000 Sibu, Sarawak.
Tel: +6084 377 933 / Fax: -
Website: www.phillip.com.my

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