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SunCon's premium valuation backed by strong job replenishment, say analysts

By Lee Weng Khuen / The Edge Malaysia 08 Jun 2026, 02:45 pm

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SUNWAY Construction Group Bhd (KL:SUNCON ASK EDGE) has emerged as the top-performing large-cap construction stock this year, with its share price climbing 32.5% year to date (YTD) and significantly outperforming the broader construction sector — the Bursa Malaysia Construction Index — which declined 6.4% over the same period.

The group has also outshone fellow construction giants Gamuda Bhd (KL:GAMUDA ASK EDGE) and IJM Corp Bhd (KL:IJM ASK EDGE), which are down 14.7% and 5.3% YTD respectively.

Over the past year, SunCon's share price has even surged nearly 50%, compared with declines of 6.3% for Gamuda and 7.8% for IJM, while the bourse's construction index slipped by 2.2%.

At last Thursday's closing price of RM7.50, SunCon's market cap stood just shy of the RM10 billion mark at RM9.97 billion. The stock hit an all-time high of RM7.70 on May 21, following the release of robust quarterly results.

Net profit for the first quarter ended March 31, 2026 (1QFY2026) rose 56.4% year on year to RM118.41 million from RM75.72 million previously, although earnings were largely unchanged from RM118.39 million in 4QFY2025. Worth noting is its 1QFY2026 net margin expansion to 11.6% from 6.8% in FY2025 and 5.3% in FY2024.

Consensus forecasts currently project SunCon's FY2026 and FY2027 net profit at RM421.5 million and RM460 million respectively.

In FY2025, SunCon posted record net earnings and revenue of RM361.78 million and RM5.34 billion respectively, driven mainly by RM2.9 billion worth of data centre (DC) projects, RM1.9 billion in in-house Sunway developments and RM400 million in new precast projects.

Trading at a forward price-earnings ratio (PER) of 23.2 times, analysts believe the stock's valuation is warranted based on its order book replenishment pace and strong foothold in the DC space.

Gamuda and IJM are trading at a forward PER of 22.9 times and 19 times respectively, Bloomberg data shows.

Of the 16 analysts covering SunCon, 15 maintain "buy" calls on the stock, while one has a "hold" recommendation, with the consensus target price of RM8.11. JP Morgan and Hong Leong Investment Bank (HLIB) Research have the highest target prices of RM9.50 and RM9.10 respectively.

HLIB Research says SunCon's premium valuation is justified, given its strong alpha to the DC theme, robust execution capabilities with solid margin delivery, as well as superior return on equity (ROE), alongside an attractive dividend yield of 6.6% with a 150% dividend payout.

"With selected jobs on track for project closure in 1HFY2026, we expect margins in the coming quarter to stay fairly comparable," the research house notes.

SunCon's trailing 12-month ROE is 45%, much higher than Gamuda's 8.6% and IJM's 3%, according to AskEdge data.

SunCon's order book expanded further to RM8.2 billion as at end-March 2026 (1.5 times cover on FY2025 revenue) from RM5.7 billion as at end-December 2025, following RM5.2 billion in new contract wins in FY2025 — the highest annual replenishment since listing in July 2015. Of the RM8.2 billion order book, 64% is linked to DC jobs.

The group has set a RM6 billion replenishment target for FY2026. In 1QFY2026 alone, it has impressively secured RM3.6 billion worth of new contracts, representing 60% of its full-year target. HLIB Research expects the group to exceed management guidance and secure RM8 billion worth of order book this year.

CGS International notes that SunCon's FY2026 order win target of RM6 billion could surprise on the upside if the conversion of the larger DC upsizing for JHB1XO Building 2 (piling works completed) is awarded in 2HFY2026, while another DC award is expected by 1HFY2026.

Among the group's notable recent wins are a RM1.75 billion data centre job for the development of a hyperscale data centre in Serendah, and new work orders totalling RM1.15 billion for shell-and-core projects from a US-headquartered multinational technology company.

As at 1QFY2026, SunCon had delivered over 180mw of DC capacity and is managing 10 ongoing projects for global technology clients.

Among analysts with active coverage, TA Securities has the lowest target price of RM7.64, based on a FY2027 target PER of 22 times and a relatively conservative new job win assumption of RM6.5 billion.

YTD new job wins

CLIENT	EXPECTED COMPLETION DATE	CONTRACT SUM (RM MIL)
US-based multinational tech firm	December 2027	1,146
International hyperscaler	3Q2028	1,750
Various	Various	694
		3,590

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SunCon is currently tendering for RM15 billion worth of jobs, of which about 80% are DC-related contracts. At the same time, the group stands to benefit from potential in-house construction awards from Sunway Bhd's (KL:SUNWAY) upcoming property development pipeline, with launches worth RM4 billion in gross development value targeted for FY2026.

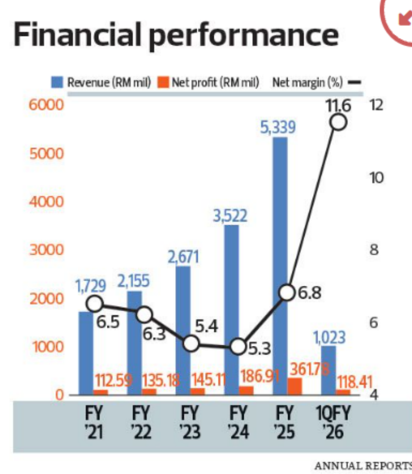
TA Securities says, assuming a conservative gross development cost of 50% for internal property projects pipeline and a conservative tender success rate of 30%, these planned launches and tender book could translate into more than RM6 billion in potential new construction jobs opportunities for SunCon.

The research house continues to favour SunCon for the following reasons: its strong position as a contender for mega infrastructure projects, including the Johor elevated autonomous rapid transit (eART) system and Penang Light Rail Transit (LRT) Segment 2; and its leading position in securing new contracts within the thriving advanced technology projects (ATP) industry.

RHB Research, which values SunCon at a FY2027 PER of 23.5 times, says the group's robust financial position allows it to gear up for more jobs moving forward. As at end-March 2026, SunCon had a net cash position of RM1.22 billion, with cash and bank balances of RM1.56 billion against borrowings of RM340 million.

Buoyed by the higher order book assumption and earnings forecast, Phillip Capital upgraded SunCon to a "buy" with a higher target price of RM7.83. Nonetheless, it cautions key risks that include delays in project execution, slower-than-expected contract wins and potential cost overruns.

Apart from construction activity, SunCon is also involved in the highly profitable precast concrete product manufacturing operations in Malaysia and Singapore, including the supply of hose concrete products for Housing & Development Board (HDB) projects in Singapore. The precast concrete segment contributed about 7% to 1QFY2026 revenue.



Dividend play

Amid growing investor appetite for yield plays, SunCon has emerged as one of the construction sector's standout dividend stocks.

The group declared a total dividend per share (DPS) of 22.8 sen for 1QFY2026, comprising a first interim dividend of 7.6 sen and a special dividend of 15.2 sen, payable on June 25. This was significantly higher than the five sen dividend given out in the same quarter a year ago.

This prompted TA Securities to raise its forecast FY2026 DPS to 45 sen. In FY2025, SunCon paid a record-high total dividend of 50.5 sen per share.

The stock currently offers a dividend yield of about 6.6%, significantly more attractive than Gamuda's 2.3% and IJM's 3.7%. Within the mid-cap construction space, Kerjaya Prospek Group Bhd (KL:KERJAYA) is among the closest peers, with a dividend yield of about 5.6%.

HLIB is positive on SunCon's ability to distribute over 100% dividend payouts for both FY2026 and FY2027 supported by its net cash position and potential monetisation of long-term receivables, which stood at RM357.54 million as at end-March 2026.

In 1QFY2026, it posted RM20.43 million in reversal for impairment losses for receivables, compared with an allowance of RM22.32 million incurred in 4QFY2025.

SunCon is 52.92% owned by Sunway, whose listed entities include Sunway Real Estate Investment Trust (KL:SUNREIT) and Sunway Healthcare Holdings Bhd (KL:SUNMED).