Sunway Construction Group

Powering Up with RM1.15b DC Win

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OUTPERFORM ↔

Price: RM6.90

Target Price: RM7.76 ↑

SUNCON has secured RM1.15b in "Shell 2" contracts for two data centre projects from an existing US-based MNC client. This win demonstrates SUNCON's competitiveness in high-stakes tenders and paves the way for potential M&E package awards in the near future. Following this development, we have raised our FY26/FY27 earnings forecasts by 13%/12%, reflecting higher job win assumptions. Consequently, our TP is upgraded to RM7.76 (from RM6.55). OUTPERFORM maintained.

Secured two data centre projects. SUNCON has secured two new data centre contracts totalling RM1.146b from an existing US-based MNC client. These contracts, covering shell and core works, are set to commence immediately with a scheduled completion by May 2027. This development represents "Shell 2" for this specific client; SUNCON previously secured the "Shell 1" contracts (two data centres) worth RM1.155b in May 2025, which are slated for completion by February 2027. While the M&E fit-out works have not yet been awarded, we believe SUNCON stands a strong chance of securing them given their ongoing involvement in the shell and core construction.

YTD contract wins to RM1.2b. We view this development positively as it demonstrates SUNCON's ability to remain competitive in securing high-stakes contracts from US-based MNCs. Notably, data centre projects typically yield margins higher than the company's guided PBT range of 5% to 8%. To-date, SUNCON has secured a total of RM1.2b in FY26, on track to meet its job replenishment target of RM6b. Its current outstanding order book stands at RM6.9b, with data centre projects accounting for half.

Outlook: Following this contract wins, SUNCON maintains a robust pipeline with seven other clients for data centre job tenders – four existing clients and three new clients. In total, SUNCON has an active tender book of c.RM16b for both data centre and non-data centre tenders. Other pipeline projects include Penang LRT Package 2 and in-house SUNWAY Group jobs.

Forecasts. Given the strong data centre pipelines, and as we have additionally learnt that majority of its data centres tenders are for repeat clients which could spell improved chances, we have decided to raise our FY26 job win assumption to RM7b (RM5b from data centre), from RM5b previously, which is higher than company's RM6b target. However, we maintain our FY27 assumption at RM5b (RM3b from data centre). This revision leads us to upgrade our FY26/FY27 earnings forecasts by 13%/12%, respectively. Furthermore, we raised our NDPS to 32.0 sen and 34.0 sen (from 28.0 sen and 30.0 sen, previously), based on 100% payout (up from 99% previously).

Valuations. Following the earnings upgrade and a roll-over to FY27, we upgrade our TP to RM7.76 (from RM6.55) based on unchanged PER of 22x, which is in-line with our valuation for big cap construction companies, i.e. **GAMUDA (OP; TP: RM5.30)** and **IJM (OP; TP: RM3.40)**. Our TP also includes a 5% premium to reflect a 4-star ESG rating as appraised by us (see Page 4).

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 RM6.9b 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.

Share Price Performance

KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	21.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	9,126.8
Shares Outstanding	1,322.7
52-week range (H)	6.98
52-week range (L)	3.58
3-mth avg. daily vol.	2,929,439
Free Float	35%
Beta	1.0

Major Shareholders

Sunway Holdings Sdn	53.2%
Sungei Way Corp Sdn	7.1%
Employees Provident	4.2%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	5338.7	6450.0	6950.0
EBIT	448.2	526.4	504.5
PBT	525.5	573.5	603.0
Net Profit	**361.8**	**422.8**	**444.5**
Core Net Profit	**421.3**	**422.8**	**444.5**
Consensus	-	391.6	426.2
Earnings Revision (%)	-	+12.7	+11.7
Core EPS (sen)	32.0	32.0	33.6
Core EPS Growth (%)	159.7	0.3	5.1
NDPS (sen)	50.5	32.0	34.0
BVPS (RM)	0.82	0.82	0.82
NTA/share (RM)	0.82	0.82	0.82
PER (x)	17.7	19.7	18.8
PBV (x)	6.86	7.68	7.72
P/NTA (x)	6.86	7.68	7.72
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	8.9	5.1	5.4

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.

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	2671	3522	5339	6450	6950
EBITDA	245	279	465	544	522
Depreciation	-21	-17	-17	-18	-18
Operating Profit	224	262	448	526	505
Interest Incomes	26	76	109	75	120
Interest Expense	-48	-65	-47	-43	-38
Associate	1	0	0	0	0
Exceptional	0	0	0	0	0
PBT	189	273	526	574	603
Taxation	-43	-76	-123	-138	-145
Minority Interest	-1	-10	-40	-13	-14
Net Profit	145	187	362	423	445
Core Net Profit	170	162	421	423	445

Balance Sheet

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	98	85	122	119	117
Associates	0	0	0	0	0
JV	253	224	208	212	217
Intangibles	1	0	0	0	0
Other FA	492	412	448	457	466
Inventories	46	43	60	81	88
Receivables	1410	1579	1387	1721	1847
Other CA	312	237	199	203	207
Cash	470	1016	2000	2385	2432
Total Assets	3083	3596	4424	5179	5374
Payables	1193	1806	2784	3159	3421
ST Borrowings	438	731	158	319	288
Other ST Liability	70	120	161	164	168
LT Borrowings	488	0	143	356	320
Other LT Liability	1	1	10	11	11
Minority Int.	72	61	81	83	85
Net Assets	**820**	**878**	**1087**	**1087**	**1081**
Share Capital	259	259	378	378	378
Reserves	562	619	709	708	703
Equity	**820**	**878**	**1087**	**1087**	**1081**

Cashflow Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	-294	709	1624	783	584
Investing CF	-66	138	-27	-20	-20
Financing CF	338	-303	-608	-378	-517
Change In Cash	-22	545	989	385	47
Free CF	-360	848	1597	763	564

Financial Data & Ratios

FY Dec	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	23.9	31.8	51.6	20.8	7.8
EBITDA	16.7	13.9	66.6	16.9	-4.1
Operating Income	20.2	16.9	71.0	17.4	-4.2
Pre-tax Income	2.5	44.7	92.5	9.1	5.1
Net Income	7.3	28.8	93.6	16.9	5.1
Core Net Income	18.2	-4.7	159.7	0.3	5.1
Profitability (%)					
EBITDA Margin	9.2	7.9	8.7	8.4	7.5
Operating Margin	8.4	7.4	8.4	8.2	7.3
PBT Margin	7.1	7.8	9.8	8.9	8.7
Net Margin	5.4	5.3	6.8	6.6	6.4
Core Net Margin	6.4	4.6	7.9	6.6	6.4
Effective Tax Rate	24.6	22.7	27.8	23.5	24.0
ROE	7.4	5.6	11.1	10.2	9.9
ROA	18.6	22.0	46.1	49.7	41.0
DuPont Analysis					
Net margin (%)	6.4	4.6	7.9	6.6	6.4
Assets Turnover (x)	0.9	1.0	1.2	1.2	1.3
Leverage Factor (x)	3.8	4.1	4.1	4.8	5.0
ROE (%)	20.8	18.5	38.8	38.9	41.1
Leverage					
Debt/Asset (x)	0.30	0.20	0.07	0.13	0.11
Debt/Equity (x)	1.13	0.83	0.28	0.62	0.56
Net Debt/(Cash)	-456	285	1700	1710	1825
Net Debt/Equity (x)	0.56	-0.32	-1.56	-1.57	-1.69
Valuations					
Core EPS (sen)	13.2	12.6	32.0	32.0	33.6
NDPS (sen)	6.0	8.5	50.5	32.0	34.0
BV/share (RM)	0.64	0.68	0.82	0.82	0.82
NTA/share (RM)	0.64	0.68	0.82	0.82	0.82
Core PER (x)	15.2	36.8	17.7	19.7	18.8
Net Div. Yield (%)	3.0	1.8	8.9	5.1	5.4
PBV (x)	3.16	6.80	6.86	7.68	7.72
P/NTA (x)	3.16	6.80	6.86	7.68	7.72
EV/EBITDA (x)	12.4	20.3	16.3	12.2	12.5

Source: Kenanga Research

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	4.19	5.30	26.5%	24,844.3	Y	07/2026	17.8	23.4	5.3%	31.3%	23.5	17.9	1.9	8.5%	10.0	2.4%
IJM	OP	2.54	3.40	33.9%	8,903.1	Y	03/2026	14.4	15.9	11.8%	10.1%	17.6	16.0	0.9	5.1%	8.0	3.1%
KERJAYA	OP	2.59	3.05	17.8%	3,256.5	Y	12/2025	16.7	18.9	29.8%	13.2%	15.5	13.7	2.7	17.8%	12.0	4.6%
KIMLUN	OP	1.27	1.50	18.1%	493.6	Y	12/2025	21.8	20.3	70.1%	-6.8%	5.8	6.2	0.6	10.3%	2.0	1.6%
SUNCON	OP	6.90	7.76	12.5%	9,126.8	Y	12/2026	32.0	33.6	0.3%	5.1%	21.6	20.5	8.4	38.9%	32.0	4.6%
WCT	OP	0.545	1.13	107.3%	849.6	Y	12/2025	4.1	4.4	19.2%	7.3%	13.3	12.4	0.2	1.9%	0.0	0.0%
SECTOR AGGREGATE					**47,473.9**					**9.4%**	**18.3%**	**20.1**	**17.0**	**1.6**	**7.9%**		**2.7%**

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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