

26 February 2026

Sunway

Corporate Exercise Heavy 2026

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SUNWAY's FY25 earnings (+22%) missed our expectations as we had overestimated the group's enlarged Singapore property development contributions for 4QFY25. The group would be kept busy in FY26 with numerous corporate exercises, namely with the upcoming listing of its healthcare unit, SHH as well as a voluntary takeover offer for IJM. While we have yet to factor in the post-completion impact of these exercises to the group, they are expected to be earnings accretive in nature. Maintain our UNDERPERFORM call with a higher SoP-TP of RM4.98 (from RM4.73) from RNAV and model updates.

FY25 missed. SUNWAY's FY25 core net profit of RM1.33b only made up of 73% of our full-year forecast but exceeded consensus full-year expectations by 17%. The negative deviation from our end is attributed to our overestimation of Hongkong Land (MCL)'s contributions to the group post-acquisition and withheld development profits from two of the Group's ongoing Singapore executive condominium projects. As these projects did not see their completion and handover taking place in 4QFY25, their accumulated progressive profits of RM92.6m could not be recognised.

YoY, FY25 revenue increase of 25% was primarily led by the group's construction division (+79%) thanks to accelerated progress in its data centre projects. Property development revenue fell by 26% owing to the absence of lumpy accumulated development profits of RM124.0m as in the prior year. Meanwhile, its presently 84%-owned Sunway Healthcare reported flattish contributions due to the gestation of its newly opened SMC Damansara and SMC Ipoh which should contribute positively in the near-term as they achieve breakeven.

QoQ, 4FY25 core net profit surged by 38%. This was largely thanks to completed acquisition of Hongkong Land (MCL) which contributed to the group's property development earnings with the injection of ongoing Singapore-based developments.

Outlook. With its enlarged property development division, SUNWAY is raising its property launch target to RM4.8b (FY25: RM3.3b) and sales target to RM4.2b (FY25: RM3.8b), with Singapore expected to contribute 30% of its launch pipeline. In Malaysia, the product mix remains focused on the Southern region, anchored by Sunway Iskandar Puteri.

Meanwhile, SUNCON has secured RM5.2b in orderbook replenishments, within its RM4.5b-RM6.0b target range, and is confident of sustaining a similar RM6.0b replenishment pace. This is supported by a strong RM17.5b tender book, including eight data centre projects with a combined capacity exceeding 700MW.

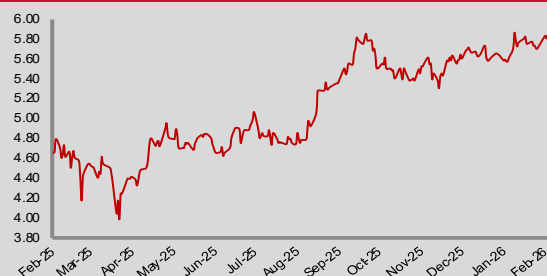
The group's pending conditional voluntary takeover offer for all ordinary shares of IJM could be strategically beneficial, given the overlap in property development and construction activities. The combined entity may realise synergies through improved PPE utilisation, optimisation of technical expertise and landbank, and stronger brand leverage under the more prominent SUNWAY name. In addition, IJM would provide exposure to new segments such as port operations (via its 60%-stake in Kuantan Port) and highway toll concessions, further diversifying SUNWAY's earnings base.

With regards to its healthcare division, the group is slated to launch the prospectus for SHH's IPO by 27 Feb 2026 with its listing expected to be completed in Mar 2026. Its listing market cap is expected to come in close to RM16b, we maintain our 20x EV/EBITDA valuation and implied market cap of RM11.7b for now, pending our formal review post-prospectus launch.

UNDERPERFORM ↔

Price : **RM5.84**
Target Price : **RM4.98** ↑

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	3.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	39,480.9
Shares Outstanding	6,760.4
52-week range (H)	5.86
52-week range (L)	3.98
3-mth avg. daily vol.	7,580,713
Free Float	48%
Beta	1.10

Major Shareholders

Sungei Way Corp SdnBhd	47.2%
Jef-San Enterprise SdnBhd	9.6%
Employees Provident Fund	9.5%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	9,813	10,917	10,827
Operating Profit	1,317	1,477	1,389
Profit Before Tax	1,874	1,844	1,746
Net Profit	1,304	1,394	1,320
Core Net Profit	1,223	1,394	1,320
Consensus (NP)	-	1,213	1,307
Earnings Revision	-	2.0	NEW
Core EPS (sen)	18.3	20.9	19.8
Core EPS Growth (%)	11.0	14.0	(5.3)
NDPS (sen)	6.0	6.5	6.5
BVPS (RM)	2.41	2.55	2.68
PER (x)	31.8	27.9	29.5
PBV (x)	2.43	2.29	2.18
Net Gearing (x)	0.65	0.72	0.63
Net Div. Yield (%)	1.0	1.1	1.1

* Defined as core earnings attributable to ordinary shareholders excluding preferential dividends owing to ICPS issuances

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Forecasts. Our FY26F is tweaked slightly after incorporating FY25 numbers. Meanwhile we introduce our FY27F earnings.

Maintain UNDERPERFORM with a higher SoP-TP of RM4.98 (from RM4.73), following our updates on: (i) the property development sector's RNAV; (ii) revisions to our SUNCON TP to RM7.76 (from RM6.50) from a better orderbook outlook; (iii) revisions to our SUNREIT TP to RM2.28 (from RM2.21); and (iv) housekeeping adjustments from FY25's full-year numbers.

We like SUNWAY for: (i) having an eye for good land parcels, enabling it to execute quick turnaround for its property projects, (ii) its growing private health-care business backed by a pipeline of new medical centres within brownfield townships, (iii) a diversified range of investment assets that provides recurring incomes, and (iv) its well-established *Sunway* brand. However, its valuations appear excessive following the run-up in its share prices. A strong rerating catalyst could be in a higher-than-expected listing valuation for its healthcare unit in the planned pipeline.

Assuming we apply the implied market cap of RM16b for SHH into our SoP and adjusting to the post-listing ownership of 69.5% (from 84.0%), we would derive a hypothetical TP of RM5.06 for SUNWAY.

Risks to our call include: (i) a strong pick-up in the property, hospitality, and MICE sectors, (ii) improvements to affordability, and (iii) improved spending confidence, prompting consumers to buy big-ticket items including properties.

Results Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	2,319.1	2,565.2	-9.6%	2,854.6	-18.8%	9,813.0	7,882.5	24.5%
Operating Expenses	-2,088.8	-2,346.9	-11.0%	-2,672.0	-21.8%	-8,961.6	-7,285.8	23.0%
Other Operating Income	260.4	116.1	124.3%	114.6	127.2%	495.8	313.4	58.2%
Net Impairment Losses	-22.5	-2.6	759.1%	-2.4	834.7%	-29.8	-22.8	31.0%
Operating Profit	468.1	331.8	41.1%	294.9	58.8%	1,317.3	887.3	48.5%
Net Interest Income/(Expense)	-12.4	26.3	-146.9%	24.8	-149.9%	-1.7	-6.3	-73.0%
Associates/Joint Ventures	242.2	118.3	104.8%	174.1	39.1%	558.8	643.1	-13.1%
Extraordinary Items	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Profit before tax	698.0	476.4	46.5%	493.7	41.4%	1,874.4	1,524.1	23.0%
Taxation	-131.4	-88.6	48.3%	-107.3	22.4%	-353.8	-241.8	46.3%
Minority Interest	-64.2	-49.7	29.3%	-50.9	26.2%	-216.7	-128.0	69.2%
Net Profit	502.3	338.1	48.6%	335.5	49.7%	1,304.0	1,154.2	13.0%
Core Net Profit	447.1	325.3	37.5%	335.5	33.3%	1,223.1	1,006.9	21.5%
Operating Margin	20.2%	12.9%		10.3%		13.4%	11.3%	
Pretax Margin	30.1%	18.6%		17.3%		19.1%	19.3%	
Net Margin	19.3%	12.7%		11.8%		12.5%	12.8%	
Effective Tax Rate	18.8%	18.6%		21.7%		18.9%	15.9%	
Net Gearing (x)	0.51	0.38		0.44		0.44	0.49	

Source: Company, Kenanga Research

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Segmental Breakdown

FYE Dec (RM m)	4Q FY25	3Q FY25	QoQ Chg	4Q FY24	YoY Chg	12M FY25	12M FY24	YoY Chg
Revenue								
Property Development	457.2	380.9	20.0%	809.6	-43.5%	1,452.8	1,964.9	-26.1%
Property Investment	283.6	275.3	3.0%	254.9	11.3%	1,028.2	988.7	4.0%
Construction	737.2	1,174.2	-37.2%	1,099.8	-33.0%	4,418.1	2,464.1	79.3%
Trading and Manufacturing	460.4	366.2	25.7%	362.1	27.1%	1,468.8	1,143.2	28.5%
Quarry	133.9	146.4	-8.5%	128.6	4.1%	514.9	486.0	5.9%
Healthcare	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Investment Holdings	1.3	2.1	-38.3%	5.6	-77.5%	7.9	13.0	-39.8%
Others	245.5	220.2	11.5%	194.0	26.6%	922.4	822.5	12.2%
Total Revenue	2,319.1	2,565.2	-9.6%	2,854.6	-18.8%	9,813.0	7,882.5	24.5%
Profit Before Tax								
Property Development	253.2	55.1	359.6%	162.5	55.8%	393.9	456.6	-13.7%
Property Investment	130.9	118.6	10.4%	132.3	-1.1%	418.1	364.1	14.8%
Construction	162.5	121.3	33.9%	116.7	39.2%	533.1	281.3	89.5%
Trading and Manufacturing	14.3	16.6	-13.5%	20.2	-29.2%	71.0	52.8	34.6%
Quarry	17.1	21.4	-20.1%	18.1	-6.0%	64.8	53.0	22.3%
Healthcare	96.9	51.4	88.7%	67.0	44.7%	215.6	216.2	-0.2%
Investment Holdings	-16.8	63.0	-126.7%	-35.5	-52.7%	51.3	29.7	72.6%
Others	39.8	29.1	36.8%	12.2	224.7%	126.5	70.4	79.6%
Total Profit Before Tax	698.0	476.4	46.5%	493.7	41.4%	1,874.4	1,524.1	23.0%
Pre-tax Margin								
Property Development	55.4%	14.5%		20.1%		27.1%	23.2%	
Property Investment	46.2%	43.1%		51.9%		40.7%	36.8%	
Construction	22.0%	10.3%		10.6%		12.1%	11.4%	
Trading and Manufacturing	3.1%	4.5%		5.6%		4.8%	4.6%	
Quarry	12.7%	14.6%		14.1%		12.6%	10.9%	
Healthcare	N.M	N.M		N.M		N.M	N.M	
Investment Holdings	-1321.1%	3053.5%		-629.2%		653.5%	228.1%	
Others	16.2%	13.2%		6.3%		13.7%	8.6%	
Total Pre-tax Margin	30.1%	18.6%		17.3%		19.1%	19.3%	

^ excluding extraordinary items

Source: Company, Kenanga Research

SUNWAY's SoP

Segment	Value (RM m)	Valuation basis
Property Development	12,446.3	40% discount to RNAV
Real estate investment trust (via 40.9%-owned SUNREIT)	3,534.4	Kenanga's TP of RM2.28 for SUNREIT
Property Investment (Ex-SUNREIT)	2,508.1	1.0x PBV based on FY24
Construction (via 54.6%-owned Sunway Construction)	5,463.1	Kenanga's TP of RM7.76 for SUNCON
Trading & Manufacturing	616.9	P/E of 10x on FY26 earnings
Quarry	128.5	P/E of 12x on FY26 earnings
Healthcare	8,788.4	20x on FY26 EV/EBITDA
Investment Holdings & Others	245.0	P/E of 7x on FY26 earnings
Net cash / (debt) at holding company level	-315	As at 31 Dec 2024
Aggregate Valuation	33,415.7	
No of shares (m)	6,714.3	
FV per share (RM)	4.98	

Source: Company, Kenanga Research

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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.				
PROPERTY DEVELOPERS																	
Eco World Development Group	OP	2.17	2.24	3.2%	6,982.5	Y	10/2026	15.9	16.2	14.9%	1.5%	13.6	13.4	1.0	7.7%	7.5	3.5%
IOI Properties Group Bhd	MP	3.63	2.81	-22.6%	19,987.3	Y	06/2026	11.2	12.4	112.3%	10.1%	32.3	29.4	0.8	4.5%	5.0	1.4%
LBS Bina Bhd	OP	0.410	0.640	56.1%	628.0	Y	12/2025	6.2	7.6	45.7%	23.3%	6.6	5.4	0.3	5.4%	2.3	5.6%
Mah Sing Group Bhd	OP	1.21	1.78	47.1%	3,097.8	Y	12/2025	10.5	11.0	12.0%	4.7%	11.6	11.0	0.8	6.4%	5.0	4.1%
Malaysian Resources Corp Bhd	MP	0.325	0.560	72.3%	1,451.9	Y	12/2025	1.8	1.4	19.2%	-18.9%	45.8	24.6	0.3	1.7%	1.0	3.1%
Paramount Corporation Bhd	OP	1.09	1.47	34.9%	678.8	Y	12/2026	21.0	22.0	82.8%	4.7%	5.2	5.0	0.4	8.6%	8.5	7.8%
S P Setia Bhd	OP	0.955	1.43	49.7%	4,778.2	Y	12/2025	6.1	7.3	-33.3%	18.9%	15.7	13.2	0.3	2.4%	2.0	2.1%
Sime Darby Property Bhd	OP	1.48	1.97	33.1%	10,065.2	Y	12/2025	8.3	8.6	11.9%	4.6%	17.9	17.1	0.9	5.3%	3.0	2.0%
Sunway Bhd	UP	5.84	4.98	-14.7%	39,480.9	Y	12/2026	20.5	19.4	7.8%	-5.4%	28.4	30.1	2.2	7.8%	6.5	1.1%
UOA Development Bhd	MP	1.91	1.91	0.0%	5,071.1	Y	12/2026	13.7	14.5	18.1%	6.0%	13.9	13.1	0.8	5.8%	12.0	6.3%
SECTOR AGGREGATE					92,221.8					21.2%	3.1%	24.4	23.7	0.8	5.3%		3.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★	★	
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★	☆	
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
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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