

19 May 2026

Sunway Construction Group

1QFY26 In Line; Special 15.2 sen Div.

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SUNCON delivered a strong set of 1QFY26 results, with core profit jumping 38% YoY to RM113.7m, meeting expectations. The robust performance was driven by improved construction margins following project completions and reversal of provisions. It also declared a special dividend of 15.2 sen, bringing the total 1QFY26 NDPS to 22.8 sen. Looking ahead, however, we expect profit margins to normalise for the remainder of FY26. While keeping our earnings forecasts unchanged, we factor the 15.2 sen special dividend into our FY26 NDPS projection, raising it to 47.2 sen. **OUTPERFORM** reiterated with an unchanged TP of RM7.76.

1QFY26 results within expectations. Core profit of RM113.7m came in within expectations, accounting for 27% of both our and market consensus' full-year estimates. The strong performance was primarily driven by improved construction margins, supported by project completions and reversal of provisions made in FY25. A total NDPS of 22.8 sen was declared, comprising a 7.6 sen regular dividend and a 15.2 sen special dividend (ex-date: 09 Jun; payment date: 25 Jun), compared against our full-year assumption of 32.0 sen.

Earnings boosted by better contribution margin. Despite a 27% YoY revenue decline to RM1.02b, 1QFY26 core profit jumped 38% YoY to RM113.7m. This was largely thanks to exceptionally high construction margins, with pretax margins rising to 15.1% (vs. 8.1% in 1QFY25) due to the abovementioned project completions and provision reversals. Meanwhile, the lower revenue was mainly attributed to the completion of the RTS project last year. On a QoQ basis, the strong earnings momentum from high construction margins was a continuation from 4QFY25. Sequentially, the 24% decline in core profit from RM150.6m in 4QFY25 was widely expected, given the prior acceleration of the RTS and data centre projects. Consequently, pretax margin softened slightly to 15.1% from 16.0% in 4QFY25.

Outlook. SUNCON has secured RM3.59b in new contract wins YTD in FY26, including two project service requests (PSR) for data centres worth, a combined RM241m, putting it well on track to achieve its RM6.0b full-year job win target. Outstanding order book currently stands at a robust RM8.16b, heavily dominated by data centres (64%). The pipeline remains strong as the group actively participates in data centre tenders for six clients (four existing and two new). In total, its active tender book remains elevated at c.RM15.3b across both data centre and non-data centre segments. Other key pipeline prospects include the Penang LRT Package 2 and recurring in-house jobs from the SUNWAY Group.

Forecasts. While we maintain our FY26-FY27 earnings forecasts with job win assumptions of RM7.0b and RM5.0b, respectively, we raise our FY26 NDPS projection to 47.2 sen (previously 32.0 sen) after factoring in the 15.2 sen special dividend. Our FY27 NDPS assumption remains unchanged at 34.0 sen.

Valuations. We maintain our TP of RM7.76, 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 RM8.16b outstanding order book and recurring jobs from parent and sister companies, and (iii) its

OUTPERFORM ↔

Price: RM7.10
Target Price: RM7.76 ↔

Share Price Performance



KLCI	1,727.71
YTD KLCI chg	2.8%
YTD stock price chg	25.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	9,437.2
Shares Outstanding	1,329.2
52-week range (H)	7.25
52-week range (L)	4.84
3-mth avg. daily vol.	3,244,371
Free Float	36%
Beta	0.8

Major Shareholders

Sunway Holdings Sdn Bhd	52.9%
Sungei Way Corp Sdn Bhd	7.1%
Employees Provident Fund	4.2%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	5338.7	5450.0	6250.0
EBIT	448.2	524.3	508.2
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	-	417.3	448.1
Earnings Revision (%)	-	-	-
Core EPS (sen)	32.0	32.0	33.6
Core EPS Growth (%)	159.7	0.3	5.1
NDPS (sen)	50.5	47.2	34.0
BVPS (RM)	0.82	0.67	0.67
NTA/share (RM)	0.82	0.67	0.67
PER (x)	17.7	22.2	21.1
PBV (x)	6.86	10.60	10.66
P/NTA (x)	6.86	10.60	10.66
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	8.9	6.6	4.8

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extensive capabilities and track record in building, infrastructure, solar, mechanical, electrical and plumbing works. OUTPERFORM reaffirmed.

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)	1Q FY26	4Q FY25	Q-o-Q Chg	1Q FY25	Y-o-Y Chg	3M FY26	3M FY25	Y-o-Y Chg
Turnover	1,022.7	1,016.1	1%	1,400.5	-27%	1,022.7	1,400.5	-27%
EBITDA	139.6	134.9	3%	113.1	23%	139.6	113.1	23%
Depreciation	-4.9	-6.4	-24%	-3.6	37%	-4.9	-3.6	37%
EBIT	134.7	128.5	5%	109.5	23%	134.7	109.5	23%
Interest and other incomes	22.5	37.0	-39%	14.3	58%	22.5	14.3	58%
Interest expense	-4.4	-7.6	-42%	-12.9	-66%	-4.4	-12.9	-66%
Associates	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
JV incomes	1.9	4.7	-59%	2.3	-16%	1.9	2.3	-16%
Exceptional items	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Pretax profit	154.7	162.6	-5%	113.2	37%	154.7	113.2	37%
Taxation	-37.7	-36.9	2%	-27.5	37%	-37.7	-27.5	37%
Profit after tax	117.0	125.7	-7%	85.7	37%	117.0	85.7	37%
Minority interest	1.4	-7.3	N/A	-10.0	N/A	1.4	-10.0	N/A
Net profit	118.4	118.4	0%	75.7	56%	118.4	75.7	56%
Core net profit	113.7	150.6	-24%	82.2	38%	113.7	82.2	38%
EPS (sen)	8.6	11.4	-24%	6.2	38%	8.6	6.2	38%
DPS (sen)	22.80	9.00	153%	5.00	356%	22.80	5.00	356%
NTA/share (RM)	0.67	0.82	-19%	0.73	-9%	0.67	0.73	-9%
EBITDA margin	13.6%	13.3%		8.1%		13.6%	8.1%	
EBIT margin	13.2%	12.6%		7.8%		13.2%	7.8%	
Pretax margin	15.1%	16.0%		8.1%		15.1%	8.1%	
Core net margin	11.1%	14.8%		5.9%		11.1%	5.9%	
Effective tax rate	24.3%	22.7%		24.3%		24.3%	24.3%	

Source: Company

Segmental Breakdown								
FY Dec (RM m)	1Q FY26	4Q FY25	Q-o-Q Chg	1Q FY25	Y-o-Y Chg	3M FY26	3M FY25	Y-o-Y Chg
Turnover								
Construction	950.6	940.8	1%	1,369.9	-31%	950.6	1,369.9	-31%
Precast Concrete	72.1	75.3	-4%	30.6	136%	72.1	30.6	136%
Group Turnover	1,022.7	1,016.1	1%	1,400.5	-27%	1,022.7	1,400.5	-27%
Segment Results								
Construction	148.7	155.4	-4%	112.0	33%	148.7	112.0	33%
Precast Concrete	6.0	7.2	-18%	1.2	379%	6.0	1.2	379%
Group PBT	154.7	162.6	-5%	113.2	37%	154.7	113.2	37%
PBT Margin								
Construction	15.6%	16.5%		8.2%		15.6%	8.2%	
Precast Concrete	8.3%	9.6%		4.1%		8.3%	4.1%	
Group PBT Margin	15.1%	16.0%		8.1%		15.1%	8.1%	

Source: Company

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SUNCON's Outstanding Order Book	
Project	Outstanding Value (RM m)
Building	
Oxley Tower (MEP) + VO	6
Daiso	25
Data Centre	
JHB1X0 - Data Centre & TIW	51
JHB1X0 – Building 2	130
JHB01 – Core & Shell Works	472
General Contractor Works – Shell 1 - MNC	1,039
General Contractor Works – Shell 2 - MNC	1,362
PSR – MNC	124
PSR – MNC – JB01	153
PSR – MNC – JB02	88
K2 Building 4 + VO	53
Data Centre – Serendah	1,750
Infrastructure/Piling	
RTS Link Package 1B & Package 5	28
India	
Thorapalli-Jittandahalli (TJ)	63
Singapore	
Precast	690
New Order 2026 – External	35
Internal – Sunway Group	
Sunway Square – Superstructure + VO	124
SunMed PH3 Fit-Out	15
RTS Transit Oriented Development Project	1,185
Sunway Ipoh Mall Extension	477
Sunway Ipoh Mall Extension – Hotel	224
Sunway Ipoh Mall Extension – Office	63
Total	8,157

Source: Company

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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.39	5.30	20.7%	26,166.5	Y	07/2026	17.8	23.4	5.3%	31.3%	24.6	18.8	2.0	8.5%	10.0	2.3%
IJM	OP	2.18	3.40	56.0%	7,641.3	Y	03/2026	14.4	15.9	11.8%	10.1%	15.1	13.7	0.8	5.1%	8.0	3.7%
KERJAYA	OP	2.09	3.05	45.9%	2,627.8	Y	12/2026	16.7	18.9	29.8%	13.2%	12.5	11.0	2.2	17.8%	12.0	5.7%
KIMLUN	OP	1.08	1.50	38.9%	419.8	Y	12/2026	21.8	20.3	70.1%	-6.8%	5.0	5.3	0.5	10.3%	2.0	1.9%
SUNCON	OP	7.10	7.76	9.3%	9,437.2	Y	12/2026	32.0	33.6	0.3%	5.1%	22.2	21.1	8.6	38.9%	47.2	6.6%
WCT	OP	0.495	1.13	128.3%	771.7	Y	12/2026	4.1	4.4	19.2%	7.3%	12.1	11.2	0.2	1.9%	0.0	0.0%
Sector Aggregate					47,064.2					9.4%	18.3%	19.9	16.8	1.6	7.9%		3.4%

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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