

19 June 2026

Sunway Construction Group

DC Substations Converted to Full Awards

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SUNCON has converted its two data centre substations in Johor into full awards from previous PSRs with a US-based hyperscaler, increasing the total contract value by RM664.4m to RM865.6m. These two substations have the capacity to cater to 5-6 data centre projects in the future. With this upgrade, its YTD job wins rise to RM4.2b, tracking well against our FY26 assumption of RM7b, while its total outstanding order book expands to RM8.8b. Given the strong data centre pipeline, we raise our FY27 earnings forecast by 8% as we up our job win assumption by RM1b to RM6b, while leaving our FY26 estimates unchanged. We maintain our **OUTPERFORM** call with a higher target price of RM8.40.

Higher substation value of RM865.6m. On Wednesday, SUNCON announced that the previous Project Services Requests (PSRs) from a US-based multinational technology corporation to build two data centre substation projects in Johor have been converted into a full contract award. Consequently, the total contract value has increased by RM664.4m to RM865.6m. The projects already commenced in April 2026, with one scheduled for completion in 2QCY27 and the other in 2QCY28. We understand these two substations could cater to 5–6 data centres. The PBT margin is expected to be within the guided range of 5%-8%.

Order book raised to RM8.8b. While we acknowledge this latest contract value upgrade, which brings SUNCON's YTD job wins to RM4.2b, we remain neutral as this progress is well within our FY26 job win assumption of RM7b and management's target of RM6b. Its outstanding order book now stands at RM8.8b, providing clear earnings visibility for the next three years.

Outlook. Following this win, SUNCON maintains a robust contract pipeline, actively participating in data centre tenders for six other clients (comprising four existing and two new clients). In total, its active tender book remains elevated at c.RM15.3b across both the data centre and non-data centre segments. Other key pipeline prospects include recurring in-house jobs from the SUNWAY Group.

Forecasts. While we maintain our FY26F earnings based on RM7b job win assumption (RM5b from data centres), we raise our FY27F earnings by 8%. This is driven by a higher FY27F job win assumption of RM6b (RM4b from data centres), up from RM5b (RM3b from data centres), as construction revenue recognition increased by RM500m to RM6.5b.

Valuations. Post earnings upgrade, our TP is increased to RM8.40 (from 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: RM3.35)**. 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 RM8.8b 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.

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.

OUTPERFORM ↔

Price: RM7.42
Target Price: RM8.40 ↑

Share Price Performance



KLCI	1,711.39
YTD KLCI chg	1.9%
YTD stock price chg	34.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	9,876.5
Shares Outstanding	1,331.1
52-week range (H)	7.64
52-week range (L)	5.22
3-mth avg. daily vol.	3,291,044
Free Float	38%
Beta	0.7

Major Shareholders

Sunway Holdings Sdn Bhd	52.9%
Employees Provident Fund	6.3%
Sungei Way Corp Sdn Bhd	5.5%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	5338.7	5450.0	6750.0
EBIT	448.2	530.2	565.3
PBT	525.5	573.5	653.3
Net Profit	361.8	422.8	481.6
Core Net Profit	421.3	422.8	481.6
Consensus	-	423.3	464.9
Earnings Revision (%)	-	-	+8.3
Core EPS (sen)	32.0	32.0	36.4
Core EPS Growth (%)	159.7	0.3	13.9
NDPS (sen)	50.5	47.2	34.0
BVPS (RM)	0.82	0.67	0.69
NTA/share (RM)	0.82	0.67	0.69
PER (x)	17.7	23.2	20.4
PBV (x)	6.86	11.08	10.70
P/NTA (x)	6.86	11.08	10.70
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	8.9	6.4	4.6

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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	4.41	5.30	20.2%	26,302.6	Y	07/2026	17.8	23.4	5.3%	31.3%	24.7	18.8	2.1	8.5%	10.0	2.3%
IJM	OP	2.38	3.35	40.8%	8,342.3	Y	03/2027	13.5	14.3	53.9%	5.3%	17.6	16.7	0.8	4.7%	8.0	3.4%
KERJAYA	OP	2.30	2.85	23.9%	2,884.6	Y	12/2026	16.7	18.9	29.8%	13.2%	13.8	12.1	2.4	17.8%	12.0	5.2%
KIMLUN	OP	1.00	1.50	50.0%	388.7	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.6	4.9	0.4	10.3%	2.0	2.0%
SUNCON	OP	7.42	8.40	13.2%	9,876.2	Y	12/2026	32.0	36.4	0.3%	13.9%	23.2	20.4	11.1	42.9%	47.2	6.4%
WCT	OP	0.400	0.950	137.5%	623.6	Y	12/2026	3.5	4.1	2.9%	16.3%	11.3	9.7	0.2	1.6%	0.0	0.0%
SECTOR AGGREGATE					48,417.9					15.5%	19.2%	20.9	17.5	1.6	7.8%		3.2%

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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