Sunway Construction Group

Secures RM1.02b MEP DC Project

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OUTPERFORM ↔

Price: RM7.75

Target Price: RM8.40 ↔

SUNCON has secured a RM1.02b data centre project for MEP work scope in Johor from a US-based multinational technology corporation. This follows its earlier win for the core and shell portion of the same data centre last December. The latest award brings YTD job wins to RM5.8b - against our FY26 assumption of RM7b - and expands the current outstanding order book to RM10.4b, ensuring strong earnings visibility moving forward. Maintain OUTPERFORM with an unchanged TP of RM8.40.

Secured a RM1.02b MEP data centre contract. Yesterday, SUNCON announced that it has been awarded a mechanical, electrical, and plumbing (MEP) fit-out contract worth RM1.02b for a data centre located in Johor from a US-based multinational technology corporation. The project is expected to be completed by 4QCY27. This contract is well guided, as SUNCON previously won the core and shell portion of this data centre worth RM570m last December, which included an option to award the MEP job to SUNCON. PBT margin is expected to land at the higher-end of the usual guided range of 5%–8% due to the MEP nature of the job scope.

YTD contract wins reach RM5.8b. We are positive on this latest contract win as it demonstrates SUNCON's competitive edge in securing high-stakes contracts from global data centre developers. With this win, SUNCON has secured a total of RM5.8b in new jobs for FY26, keeping it on track to meet our RM7b replenishment assumption (while management is expected to reveal its new target during the 2QFY26 results release later this month from its current target of RM6b). Its current outstanding order book now stands at RM10.4b, providing clear earnings visibility over the next 2-3 years.

Outlook. Following this win, SUNCON maintains a robust contract pipeline, actively participating in data centre tenders for five other clients (comprising three existing and two new clients). In total, its active tender book remains elevated at c.RM14.3b across both the data centre and non-data centre segments. Other key pipeline prospects include recurring in-house jobs from the SUNWAY Group.

Forecasts. Maintained with unchanged FY26-FY27 job win assumptions of RM7b-RM6b, of which RM5b and RM4b are from data centre jobs.

Valuations. We maintain our TP of RM8.40, based on 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 RM10.4b 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.

Share Price Performance

KLCI	1,725.73
YTD KLCI chg	2.7%
YTD stock price chg	39.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	10,321.0
Shares Outstanding	1,331.7
52-week range (H)	7.92
52-week range (L)	5.25
3-mth avg. daily vol.	2,744,668
Free Float	38%
Beta	0.6

Major Shareholders

Sunway Holdings Sdn Bhd	52.8%
Employees Provident Fund	5.6%
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	-	427.7	476.6
Earnings Revision (%)	-	-	-
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	24.2	21.3
PBV (x)	6.86	11.57	11.17
P/NTA (x)	6.86	11.57	11.17
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	8.9	6.1	4.4

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	2671	3522	5339	5450	6750
EBITDA	245	279	465	548	583
Depreciation	-21	-17	-17	-18	-18
Operating Profit	224	262	448	530	565
Interest Incomes	26	76	109	64	104
Interest Expense	-48	-65	-47	-36	-32
Associate	1	0	0	0	0
Exceptional	0	0	0	0	0
PBT	189	273	526	574	653
Taxation	-43	-76	-123	-138	-157
Minority Interest	-1	-10	-40	-13	-15
Net Profit	145	187	362	423	482
Core Net Profit	170	162	421	423	482

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	67	84
Receivables	1410	1579	1387	1475	1798
Other CA	312	237	199	203	207
Cash	470	1016	2000	1949	2192
Total Assets	3083	3596	4424	4482	5081
Payables	1193	1806	2784	2664	3293
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**	**886**	**917**
Share Capital	259	259	378	378	378
Reserves	562	619	709	507	539
Equity	**820**	**878**	**1087**	**886**	**917**

Cashflow Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	-294	709	1624	549	780
Investing CF	-66	138	-27	-20	-20
Financing CF	338	-303	-608	-579	-517
Change In Cash	-22	545	989	-51	243
Free CF	-360	848	1597	529	760

Financial Data & Ratios

FY Dec	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	23.9	31.8	51.6	2.1	23.9
EBITDA	16.7	13.9	66.6	17.8	6.3
Operating Income	20.2	16.9	71.0	18.3	6.6
Pre-tax Income	2.5	44.7	92.5	9.1	13.9
Net Income	7.3	28.8	93.6	16.9	13.9
Core Net Income	18.2	-4.7	159.7	0.3	13.9
Profitability (%)					
EBITDA Margin	9.2	7.9	8.7	10.1	8.6
Operating Margin	8.4	7.4	8.4	9.7	8.4
PBT Margin	7.1	7.8	9.8	10.5	9.7
Net Margin	5.4	5.3	6.8	7.8	7.1
Core Net Margin	6.4	4.6	7.9	7.8	7.1
Effective Tax Rate	24.6	22.7	27.8	23.5	24.0
ROE	7.4	5.6	11.1	10.9	11.8
ROA	18.6	22.0	46.1	56.3	53.4
DuPont Analysis					
Net margin (%)	6.4	4.6	7.9	7.8	7.1
Assets Turnover (x)	0.9	1.0	1.2	1.2	1.3
Leverage Factor (x)	3.8	4.1	4.1	5.1	5.5
ROE (%)	20.8	18.5	38.8	47.7	52.5
Leverage					
Debt/Asset (x)	0.30	0.20	0.07	0.15	0.12
Debt/Equity (x)	1.13	0.83	0.28	0.76	0.66
Net Debt/(Cash)	-456	285	1700	1274	1585
Net Debt/Equity (x)	0.56	-0.32	-1.56	-1.44	-1.73
Valuations					
Core EPS (sen)	13.2	12.6	32.0	32.0	36.4
NDPS (sen)	6.0	8.5	50.5	47.2	34.0
BV/share (RM)	0.64	0.68	0.82	0.67	0.69
NTA/share (RM)	0.64	0.68	0.82	0.67	0.69
Core PER (x)	15.2	36.8	17.7	24.2	21.3
Net Div. Yield (%)	3.0	1.8	8.9	6.1	4.4
PBV (x)	3.16	6.80	6.86	11.57	11.17
P/NTA (x)	3.16	6.80	6.86	11.57	11.17
EV/EBITDA (x)	12.4	20.3	16.3	16.4	14.9

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.
<u>Stocks Under Coverage</u>																	
GAMUDA	OP	4.29	5.30	23.5%	25,626.1	Y	07/2026	17.8	23.4	5.3%	31.3%	24.1	18.3	2.0	8.5%	10.0	2.3%
IJM	OP	2.39	3.35	40.2%	8,377.3	Y	03/2027	13.5	14.3	53.9%	5.3%	17.6	16.7	0.8	4.7%	8.0	3.3%
KERJAYA	OP	2.55	2.85	11.8%	3,198.1	Y	12/2026	20.3	21.3	12.1%	5.2%	12.6	12.0	2.4	20.1%	12.0	4.7%
KIMLUN	OP	0.980	1.50	53.1%	380.9	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.5	4.8	0.4	10.3%	2.0	2.0%
SUNCON	OP	7.75	8.40	8.4%	10,321.0	Y	12/2026	32.0	36.4	0.3%	13.9%	24.2	21.3	11.6	42.9%	47.2	6.1%
WCT	OP	0.405	0.950	134.6%	631.4	Y	12/2026	3.5	4.1	2.9%	16.3%	11.4	9.8	0.2	1.6%	0.0	0.0%
SECTOR AGGREGATE					**48,534.9**					**14.1%**	**18.3%**	**20.5**	**17.3**	**1.6**	**7.9%**		**3.1%**

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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