Sunway Construction Group

Serendah Double-up; Record Order Book

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OUTPERFORM ↔

Price: **RM7.75**

Target Price: **RM9.70** ↔

Fresh off a RM920m MEP variation order for the JHB01 data centre, SUNCON has delivered another mega win, securing its second Serendah data centre project worth RM1.74b. This pushes YTD job wins to a massive RM9.8b, surpassing both management's target (RM7b–RM9b) and our RM9b assumption, lifting the outstanding order book to a record RM13.4b. Backed by intense tender activity and aggressive regional expansion by hyperscalers, SUNCON stands as a prime beneficiary of the data centre boom. Maintain OUTPERFORM with a TP of RM9.70.

Second Serendah data centre in the bag. SUNCON has secured its second data centre project in Serendah from an international hyperscaler, valued at RM1.74b. Structured on a cost-plus basis, the contract encompasses core and shell works, campus infrastructure, and MEP fit-out. Construction is scheduled to commence in 4QCY26, with completion targeted for 4QCY28. We expect PBT margin to be within the guided 10% range. To recap, SUNCON secured its first Serendah data centre project worth RM1.75b in April 2026 (refer to our report *"Third Data Centre Win Secured"* dated 20 April 2026). We understand that a third unit is planned for the Serendah site.

YTD contract wins hit RM9.8b. We view this win positively as it underscores SUNCON's competitive edge in securing high-value contracts from global hyperscalers, marking its second award from the same client. Inclusive of this award, SUNCON has secured seven data centre contracts totalling RM8.5b this year, pushing total YTD new job wins to RM9.8b. This exceeded management's target of RM7b–RM9b as well as our full-year assumption of RM9b. Consequently, current outstanding order book stands at a record RM13.4b, providing strong earnings visibility over the next 2–3 years.

Outlook. SUNCON maintains a healthy pipeline, actively tendering for six data centre projects across five clients (comprising four existing and one new customer). Overall, its active tender book remains robust at c.RM12b across the data centre, industrial building, and precast segments. Near-term prospects will also be supported by internal job flows from Sunway Group, including an upcoming hospital project in Seremban.

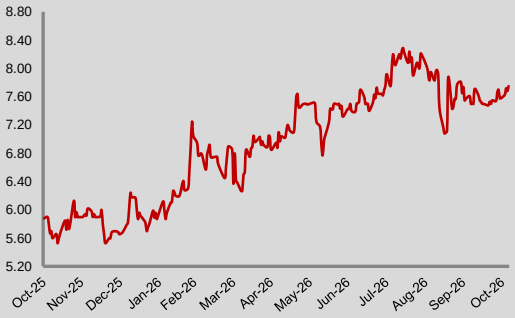
Forecasts. We raise our FY26 job win assumption to RM11b (from RM9b) while keeping our FY27 assumption unchanged at RM7b. However, we maintain our FY26–FY27 earnings forecasts as the higher FY26 order intake will have minimal impact on FY26 earnings, with revenue recognition expected to reflect from FY27 onwards.

Valuations. We maintain our TP of RM9.70, based on an unchanged PER of 22x, which is in line with our valuation for big-cap construction peers (i.e., GAMUDA and IJM). 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 RM13.4b 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 flow 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	1,635.86
YTD KLCI chg	-2.6%
YTD stock price chg	39.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGB MK
Market Cap (RM m)	10,326.4
Shares Outstanding	1,332.4
52-week range (H)	8.40
52-week range (L)	5.17
3-mth avg. daily vol.	3,490,305
Free Float	40%
Beta	0.7

Major Shareholders

Sunway Holdings Sdn Bhd	52.8%
Employees Provident Fund	7.4%
Sungei Way Corp Sdn Bhd	5.5%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	5338.7	5450.0	7750.0
EBIT	448.2	478.5	648.1
PBT	525.5	573.5	753.8
Net Profit	**361.8**	**422.8**	**555.7**
Core Net Profit	**425.1**	**422.8**	**555.7**
Consensus		439.2	542.8
Earnings Revision (%)		-	-
Core EPS (sen)	32.2	32.0	42.0
Core EPS Growth (%)	154.2	-0.6	31.4
NDPS (sen)	50.5	47.2	34.0
BVPS (RM)	0.59	0.44	0.52
NTA/share (RM)	0.59	0.44	0.52
PER (x)	17.6	24.2	18.4
PBV (x)	9.52	17.60	14.89
P/NTA (x)	9.52	17.60	14.89
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	7750
EBITDA	245	279	465	496	666
Depreciation	-21	-17	-17	-18	-18
Operating Profit	224	262	448	478	648
Interest Incomes	26	76	109	94	102
Interest Expense	-48	-65	-47	-14	-13
Associate	1	0	0	0	0
Exceptional	0	0	0	0	0
PBT	189	273	526	574	754
Taxation	-43	-76	-123	-138	-181
Minority Interest	-1	-10	-40	-13	-17
Net Profit	145	187	362	423	556
Core Net Profit	170	162	421	423	556

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	68	97
Receivables	1410	1579	1387	1475	2044
Other CA	312	237	199	203	207
Cash	470	1016	2000	1771	2307
Total Assets	3083	3596	4424	4305	5454
Payables	1193	1806	2965	3070	4133
ST Borrowings	438	731	158	142	128
Other ST Liability	70	120	283	288	294
LT Borrowings	488	0	143	128	115
Other LT Liability	1	1	10	11	11
Minority Int.	72	61	81	83	85
Net Assets	**820**	**878**	**784**	**582**	**688**
Share Capital	259	259	378	378	378
Reserves	562	619	406	204	310
Equity	**820**	**878**	**784**	**582**	**688**

Cashflow Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	-294	709	1626	445	1033
Investing CF	-66	138	-29	-20	-20
Financing CF	338	-303	-608	-654	-477
Change In Cash	-22	545	989	-229	536
Free CF	-360	848	1597	425	1013

Financial Data & Ratios

FY Dec	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	23.9	31.8	51.6	2.1	42.2
EBITDA	16.7	13.9	66.6	6.6	34.1
Operating Income	20.2	16.9	71.0	6.7	35.5
Pre-tax Income	2.5	44.7	92.5	9.1	31.4
Net Income	7.3	28.8	93.6	16.9	31.4
Core Net Income	18.2	-4.7	159.7	0.3	31.4
Profitability (%)					
EBITDA Margin	9.2	7.9	8.7	9.1	8.6
Operating Margin	8.4	7.4	8.4	8.8	8.4
PBT Margin	7.1	7.8	9.8	10.5	9.7
Net Margin	5.4	5.3	6.8	7.8	7.2
Core Net Margin	6.4	4.6	7.9	7.8	7.2
Effective Tax Rate	24.6	22.7	27.8	23.5	24.0
ROE	7.4	5.6	11.7	11.0	12.7
ROA	18.6	22.0	43.5	61.9	87.4
DuPont Analysis					
Net margin (%)	6.4	4.6	7.9	7.8	7.2
Assets Turnover (x)	0.9	1.0	1.2	1.3	1.4
Leverage Factor (x)	3.8	4.1	5.6	7.4	7.9
ROE (%)	20.8	18.5	53.7	72.6	80.7
Leverage					
Debt/Asset (x)	0.30	0.20	0.07	0.06	0.04
Debt/Equity (x)	1.13	0.83	0.38	0.46	0.35
Net Debt/(Cash)	-456	285	1700	1500	2064
Net Debt/Equity (x)	0.56	-0.32	-2.17	-2.58	-3.00
Valuations					
Core EPS (sen)	13.2	13.0	32.2	32.0	42.0
NDPS (sen)	6.0	8.5	50.5	47.2	34.0
BV/share (RM)	0.64	0.68	0.59	0.44	0.52
NTA/share (RM)	0.64	0.68	0.59	0.44	0.52
Core PER (x)	15.2	35.7	17.6	24.2	18.4
Net Div. Yield (%)	3.0	1.8	8.9	6.1	4.4
PBV (x)	3.16	6.80	9.52	17.60	14.89
P/NTA (x)	3.16	6.80	9.52	17.60	14.89
EV/EBITDA (x)	12.4	20.3	12.4	17.6	12.3

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	4.93	5.90	19.7%	29,893.3	Y	07/2027	22.9	29.4	31.9%	28.2%	21.5	16.8	2.2	10.6%	10.0	2.0%
IJM	OP	2.56	3.35	30.9%	9,337.8	Y	03/2027	13.5	14.3	53.9%	5.3%	18.9	17.9	0.9	4.7%	18.0	7.0%
KERJAYA	OP	3.42	4.20	22.8%	4,289.2	Y	12/2026	21.9	27.2	20.9%	24.6%	15.6	12.6	3.3	21.6%	14.0	4.1%
KIMLUN	OP	0.825	1.50	81.8%	320.7	Y	12/2026	21.8	20.3	70.1%	-6.8%	3.8	4.1	0.4	10.3%	2.0	2.4%
SUNCON	OP	7.75	9.70	25.2%	10,326.4	Y	12/2026	32.0	42.0	0.3%	31.4%	24.2	18.4	17.6	61.9%	47.2	6.1%
SECTOR AGGREGATE					**54,167.3**					**28.6%**	**23.0%**	**20.4**	**16.5**	**2.0**	**9.9%**		**4.3%**

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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