Corporate Update

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

3 Stars | SHARIAH Compliant | FTSE4Good

Maintain TRADING BUY

Revised Target Price **RM7.68**
(from RM7.30)

Secures RM1.75b DC Award in Serendah

Maintain TRADING BUY with a higher TP of **RM7.68**. SunCon is supported by strong fundamentals, resilient balance sheet, and promising growth prospects in the construction sector. SunCon continues its focus on the data centre (DC) construction segment, a key earnings driver, with c.60% of its current RM8.70b billion order book dedicated to DC projects. Beyond the ATF segment, the group is diversifying into large-scale infrastructure, renewable energy projects, and private finance initiatives, while continuing to build on its track record in commercial and in-house works from Sunway Bhd. Balance sheet remains robust in a net cash position of RM1.70b.

Bags another DC contract. On 17 April, Sunway Construction Group Berhad (SunCon) secured a RM1.75b DC project in Serendah, Selangor, covering core and shell, campus infra and mechanical, electrical, and plumbing (MEP) works. This DC win came after SunCon scored its first major win for the year in February, with two new projects from a single client amounting to RM1.15b.

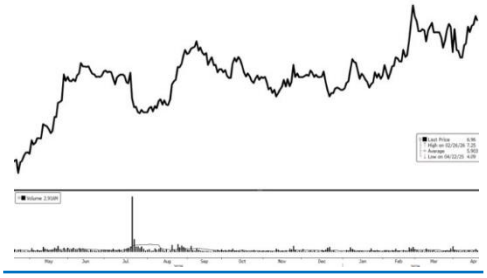
RM8.7b order book. This brings SunCon's outstanding orderbook to RM8.7b, including RM3.0b of new wins secured YTD. The group has achieved 48% of its 2026 replenishment target of RM6.0b. Data centre projects now make up the bulk of the order book at c.60%, followed by internal jobs from Sunway Group at RM2.42b (27.8%). The orderbook profile positions SunCon to ride the ongoing "second wave" of DC projects.

Relatively defensive profile amid cost headwinds, with downside risks mitigated by several structural factors. Its balanced project mix (c.50:50 cost-plus vs fixed price) supports resilience, with limited direct fuel exposure as diesel costs are largely borne by subcontractors. Cost-plus contracts allow for effective cost pass-through, while fixed-price jobs benefit from prudent tender pricing and are already 50-60% completed, limiting further cost inflation risk. In addition, SunCon adopts conservative accounting, provisioning upfront for cost overruns and only reversing excess provisions at 80-85% completion.

Earnings estimates and TP. We trimmed our FY26F/FY27F earnings by -3%/-3%, after factoring in the rising building material cost pressures. This translates to a net margin of 8%, reflecting a +1ppt improvement from last year. Despite the uncertain geopolitical backdrop, we remain optimistic on SunCon given its strong exposure to the structurally booming data centre projects. Hence, we are revising our **TP** to **RM7.68**, pegging its revised FY26F EPS of 33.1 sen to a PER of 23.2x, which is +1SD above its five-year mean.

RETURN STATISTICS	
Price @ 17th Apr 2026 (RM)	6.96
Expected share price return (%)	+10.3
Expected dividend yield (%)	+4.9
Expected total return (%)	+15.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.1	4.7
3months	9.3	17.8
12 months	67.5	48.2

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	5445.5	6262.3	6450.2
Operating Profit	435.6	519.8	548.3
Profit Before Tax	599.0	626.2	612.8
Core Net Profit	435.6	438.4	451.5
Core EPS (sen)	32.9	33.1	34.1
DPS (sen)	31.0	17.0	18.0
Dividend Yield	4.9	2.7	2.9

KEY STATISTICS

FBM KLCI	1,695.21
Issued shares (m)	1317.81
Estimated free float (%)	34.95
Market Capitalisation (RM'm)	9,245.20
52-wk price range	RM3.91 - RM7.4
3-mth average daily volume (m)	3.24
3-mth average daily value (RM'm)	21.17
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	52.96
Sungei Way Corp Sdn Bhd	7.06
Employees Provident Fund Board	4.21

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FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	3521.7	5338.7	5445.5	6262.3	6450.2
Net operating expenses	3300.1	-4860.3	-5009.8	-5742.5	-5901.9
Operating profit	262.2	448.2	435.6	519.8	548.3
PBT	273.0	525.5	599.0	626.2	612.8
Net profit	186.9	361.8	435.6	438.4	451.5
Core net profit	179.9	384.8	435.6	438.4	451.5
EPS (sen)	13.9	29.1	32.9	33.1	34.1
DPS (sen)	8.5	50.5	31.0	17.0	18.0

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	85.4	122.1	119.6	113.7	108.0
Other investments and assets	636.4	656.0	532.0	532.0	533.0
Non-current assets	**721.8**	**778.0**	**651.6**	**645.7**	**641.0**
Cash	1,015.8	2,000.0	1,900.0	1,805.0	1,714.8
Trade debtors	1,795.1	1,567.1	1,369.4	1,369.4	1,370.4
Current assets	**2,874.4**	**3,646.0**	**3,348.3**	**3,253.3**	**3,164.0**
Trade creditors	1,912.7	2,890.9	1,335.4	1,335.4	1,336.4
Short-term debt	730.6	157.7	173.5	175.2	178.7
Current liabilities	**2,656.6**	**3,102.6**	**1,562.8**	**1,564.6**	**1,569.1**
Long-term debt	0.0	142.5	118.3	98.2	81.5
Non-current liabilities	**1.2**	**153.0**	**1,132.0**	**848.8**	**750.3**
Share capital	258.6	378.4	378.4	378.4	378.4
Retained earnings	660.9	747.9	926.7	1,107.2	1,107.2
Equity	**938.5**	**1,168.4**	**1,305.1**	**1,485.6**	**1,485.6**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	**273.0**	**525.5**	**571.0**	**619.6**	**651.9**
Depreciation	17.3	17.2	17.0	17.0	17.0
Change in WC	**534.7**	1132.7	785.4	688.7	594.9
Operating cash flow	716.4	**1617.0**	**1315.1**	**1266.9**	**1205.4**
Capital expenditure	-9.4	-43.7	-30.0	-30.0	-30.0
Investing cash flow	**138.4**	**-27.0**	**189.8**	**189.8**	**189.8**
Debt raised/(repaid)	-167.2	**-422.1**	**-145.4**	**-145.4**	**-145.4**
Dividends paid	-116.0	-274.8	-410.1	-224.9	-238.1
Financing cash flow	**-303.4**	**-607.6**	**-555.5**	**-370.3**	**-383.5**
Net cash flow	551.5	**982.4**	**949.4**	**1086.5**	**1011.8**
Beginning cash flow	**384.0**	**936.3**	**1913.6**	**2863.0**	**3949.5**
Ending cash flow	936.3	**1913.6**	**2863.0**	**3949.5**	**4961.3**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
Operating profit margin	7.4%	8.4%	8.0%	8.3%	8.5%
PBT margin	7.8%	9.8%	11.0%	10.0%	9.5%
PAT margin	5.3%	6.8%	8.0%	7.0%	7.0%
Core PAT margin	5.1%	7.2%	6.5%	6.8%	7.0%

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MBSB INVESTMENT BANK (formerly known MIDF AMANAH INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology