Corporate Update

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM9.18**

2QFY26 Results Review

Earnings Beat, Replenishment Target Upgrade

Maintain BUY with an unchanged TP of RM9.18. SunCon is bolstered by strong fundamentals, resilient balance sheet, and promising growth prospects in the construction sector. The group continues its focus on the data centre (DC) construction segment, a key earnings driver, with 70% of its current RM10.5b 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 RM1.22b.

Above expectations. Sunway Construction (SunCon) recorded a core net profit of RM104.7m (+13.5%yoy; -7.9%qoq) in 2QFY26, bringing 1HFY26 core net profit to RM218.4m (+27.5%yoy). Revenue declined -31.1%yoy to RM1.02b in 2QFY26, mainly due to the high base from accelerated progress of several data centre (DC) projects in 2QFY25. Nonetheless, earnings grew year-on-year on stronger margins, underpinned by a more favourable project mix with a higher proportion of Advanced Technology Facilities (ATF) projects. The results came in well above expectations, accounting for 71.0% and 77.3% of our and consensus full-year estimates respectively. The group also declared a second interim dividend of 4.0sen/share, bringing cumulative FY26 dividends to 26.8sen/share, including the 15.2sen special dividend declared in 1QFY26.

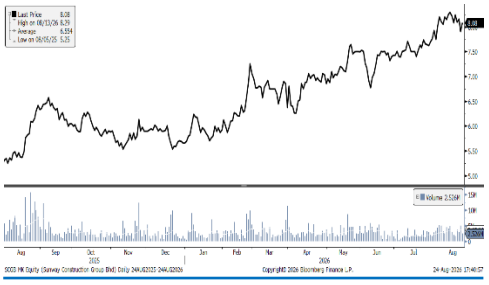
Construction segment. Construction revenue dipped to RM941.6m (-34.3%yoy) in 2QFY26, mainly due to the high base from accelerated progress of several DC projects in 2QFY25. Despite the lower revenue, PBT edged up +2.8%yoy to RM124.8m, with margins expanding +5ppt yoy to 13.3%, reflecting a more favourable project mix with a higher proportion of ATF projects. Sequentially, revenue was broadly stable (-0.9%qoq), while PBT dropped -16.1%qoq from RM148.7m as margins normalised from 15.6% in 1QFY26.

Precast segment. Precast revenue soared +75.3%yoy to RM76.1m in 2QFY26, spurred by higher contributions across ongoing projects. PBT jumped to RM6.5m from RM1.2m in 2QFY25, while margins expanded +5.7ppt yoy to 8.5% on the higher revenue base. Sequentially, revenue grew +5.5%qoq while PBT rose +8.3%qoq, with margins holding broadly stable at 8.5%.

Record-high RM10.5b order book. As at Jun-26, SunCon's order book reached a record RM10.5b, with YTD wins of RM6.85b already exceeding its initial RM6.0b FY26 target, prompting management to raise its target to RM7.0b-RM9.0b. Around 80%-90% of its RM15.3b active tender book as at Aug-26 comprised DC projects, mainly follow-on phases from existing clients, split roughly evenly between Johor and the Klang Valley. We see further upside from Serendah Phase 2 (RM1.0b-RM2.0b) and c.RM1.0b of internal hospital and TOD projects.

RETURN STATISTICS	
Price @ 24th August 2026 (RM)	7.90
Expected share price return (%)	+16.2
Expected dividend yield (%)	+6.7
Expected total return (%)	+22.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.6	3.5
3 months	8.7	9.3
12 months	41.0	29.7

INVESTMENT STATISTICS

FYE Dec	2026F	2027F	2028F
Revenue	5847.2	6964.2	7925.7
Operating Profit	614.0	731.2	832.2
Profit Before Tax	643.2	766.1	871.8
Core Net Profit	467.8	527.9	554.8
Core EPS (sen)	35.4	39.9	41.9
DPS (sen)	46.8	52.8	55.5
Dividend Yield	5.9	6.7	7.0

KEY STATISTICS	
FBM KLCI	1,736.33
Issued shares (m)	1321.35
Estimated free float (%)	38.07
Market Capitalisation (RM'm)	10,763.15
52-wk price range	RM5.01 - RM8.4
3-mth average daily volume (m)	2.85
3-mth average daily value (RM'm)	21.78
Top Shareholders (%)	
Sunway Holdings Sdn Bhd	52.81
Sungei Way Corp Sdn Bhd	5.50
Employees Provident Fund Board	5.18

Analyst

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Earnings estimates and TP. We raised our FY26E/FY27F earnings estimates by +6.2%/+8.7%, after upgrading FY26E/FY27F replenishment target to RM7b/RM8b. We maintain our **BUY** call with an unchanged **TP** of **RM9.18**, derived by pegging the revised FY27F EPS of 39.9 sen to a PER of 23x, which is +2SD above its historical two-year mean.

SunCon: 2QFY26 Results Summary

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**6MFY26**	**6MFY25**	**YoY**
Revenue	1,017.7	1,022.7	1,476.9	**-0.5%**	**-31.1%**	2,040.4	2,877.4	**-29.1%**
Net Operating Expenses	(905.4)	(908.4)	(908.4)	**0.3%**	**0.3%**	(1,813.8)	(2,199.5)	**17.5%**
Operating Profit	111.3	134.7	114.6	**-17.4%**	**-2.8%**	246.0	224.1	**9.8%**
Finance Income	20.0	22.5	134.7	**-10.9%**	**-85.1%**	42.5	148.9	**-71.5%**
Finance Costs	(4.3)	(4.4)	(12.8)	**3.3%**	**66.6%**	(8.7)	(25.7)	**66.2%**
JV and Associates	4.2	1.9	22.5	**118.3%**	**-81.1%**	6.2	24.8	**-75.0%**
Profit Before Tax	131.3	154.7	122.6	**-15.1%**	**7.1%**	286.0	235.8	**21.3%**
Tax Expense	(25.5)	(37.7)	(4.4)	**32.2%**	**-479.4%**	(63.2)	(31.9)	**-98.1%**
Minority Interest	2.2	(1.4)	10.3	**257.8%**	**-79.0%**	0.8	20.4	**-96.1%**
Reported Net Profit	103.6	118.4	83.9	**-12.5%**	**23.5%**	222.0	159.6	**39.1%**
Core Net Profit	104.7	113.7	92.3	**-7.9%**	**13.5%**	218.4	171.4	**27.5%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	3521.7	5338.7	5847.2	6964.2	7925.7
Net operating expenses	-3300.1	-4860.3	-5233.2	-6232.9	-7093.5
Operating profit	262.2	448.2	614.0	731.2	832.2
PBT	273.0	525.5	643.2	766.1	871.8
Net profit	186.9	361.8	467.8	527.9	554.8
Core net profit	179.9	384.8	467.8	527.9	554.8
EPS (sen)	13.6	29.1	35.4	39.9	41.9
DPS (sen)	8.5	50.5	46.8	52.8	55.5

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	643.2	766.1	871.8
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**	**1258.8**	**1273.8**	**1261.1**
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**	**893.2**	**1093.4**	**1067.5**
Beginning cash flow	**384.0**	**936.3**	**1913.6**	**2806.7**	**3900.1**
Ending cash flow	**936.3**	**1913.6**	**2806.7**	**3900.1**	**4967.6**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
Operating profit margin	7.4%	8.4%	10.5%	10.5%	10.5%
PBT margin	7.8%	9.8%	11.0%	11.0%	11.0%
PAT margin	5.3%	6.8%	8.0%	7.6%	7.0%
Core PAT margin	5.1%	7.2%	6.5%	6.8%	7.0%

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MBSB 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