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Sunway Construction Group Berhad

TP: RM8.15 (+6.1%)

Last Traded: RM7.68

DC Wins Continue; Risk-Reward Remain Elusive

Hold (ESG: ★★★★)

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Secured Additional RM920.8mn of MEP Works Contract for a DC in Johor

Yesterday, Sunway Construction Sdn Bhd, a wholly-owned subsidiary of Sunway Construction Group Bhd (SUNCON), secured a RM920.8mn variation order from a US-based multinational technology corporation for additional mechanical, electrical and plumbing (MEP) works for a hyperscale data centre project in Johor. Based on our channel check, this contract is an extension of the RM570mn contract announced on 18 Dec 2025 from the same US MNC for the development of a core and shell DC in Johor where the client had the option and the right (but not the obligation) to award this MEP portion to SUNCON.

Construction is expected to commence immediately, with completion targeted by 1QCY28.

Our Views

Including this latest contract win, SUNCON's FY26 YTD new job wins have reached RM7.8bn. We estimate this will lift its outstanding order book to approximately RM11.4bn, equivalent to 2.1x its FY25 construction revenue. This solid order book backlog should provide SUNCON clear earnings visibility for at least 1-2 years.

At the current replenishment pace, SUNCON has achieved c.97.5% of our FY26 new job win assumption of RM8.0bn. We remain constructive on its near-term order book replenishment prospects, supported by a solid tender book of c. RM13bn, of which around 70% comprises of DC-related projects. Besides, we expect the management to continue focus on converting some of the upsizing potential from its existing DC projects and selectively penetrate new clients.

Impact

Given the job win was within our assumption, we keep FY26 new job win assumption unchanged at this juncture.

Valuation

We trim our TP to **RM8.15/share** (from **RM8.52** previously), based on a lower target P/E multiple of 22x its CY27 EPS and a 3% ESG premium in line with our 4-star ESG rating. We believe the lower multiple is justified as SUNCON's current valuation of 25.2x FY26F core earnings has largely priced in its strong positioning as a key beneficiary of robust data centre (DC) investment momentum. While we remain positive on its DC exposure and order book prospects, we see limited room for further valuation re-rating, warranting a more conservative valuation approach. Accordingly, we maintain our **HOLD** recommendation on SUNCON.

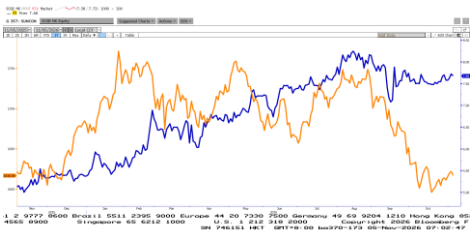
Share Information	
Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1332.4
Market Cap (RMmn)	10233.1
52-wk Hi/Lo (RM)	8.40/5.2
12-mth Avg Daily Vol ('000 shrs)	3125.3
Estimated Free Float (%)	39.5
Beta	0.50
Major Shareholders (%)	
	Sunholdings - 52.8
	Employee Provident Fund - 6.0
	Sungei Way Corp Sdn Bhd - 5.5
	Amanah Saham Nasional Bhd - 2.4

Forecast Revision	FY26	FY27
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	403.4	476.4
Consensus	434.9	524.6
TA's / Consensus (%)	92.8	90.8
Previous Rating	Hold (Maintained)	
Consensus Target Price		9.21

Financial Indicators	FY26	FY27
Net Debt / Equity (%)	(309.8)	(365.7)
CFPS (sen)	(2.1)	55.4
Price / CFPS (x)	(360.3)	13.9
ROA (%)	8.3	8.3
NTA/Share (sen)	40.7	49.7
Price/NTA (x)	18.9	15.5

Share Performance (%)	SUNCON	FBM KLCI
1 mth	1.5	(0.9)
3 mth	(4.0)	(6.7)
6 mth	12.9	(7.1)
12 mth	40.7	(0.4)

(12-Mth) **Share Price** relative to the **FBMKLCI**



Source: Bloomberg

Exhibit 1: FY26 YTD New Job Win

FY26 YTD New Job Win

Projects	Client	Expected Completion Date	Contract Sum (RM mn)
Core and shell for 2 Data Centres	US based Multinational Technology Company	Dec-27	1,146.0
Core and shell for DC @ Bandar Serendah	International hyperscaler	Q3CY28	1,750.0
Revision of order for 2 subtation job in Johor	US based Multinational Technology Company	Q4CY27/ Q2CY28	664.4
MEP works for DC in Johor	US based Multinational Technology Company	Q4CY27	1,020.0
MEP works for two DCs	US based Multinational Technology Company	Mar-28	1,044.0
MEP works for DC in Johor	US based Multinational Technology Company		921.0
Others (mostly DC)	Various	Various	2,146.6
		Total	**7,771.0**

Source: Company, TA Research

Exhibit 2: Earnings Summary

Profit & Loss (RMmn)

YE Dec 31		2024	2025	2026F	2027F	2028F
Revenue		3,521.7	5,338.7	6,240.6	7,352.9	7,784.1
EBITDA		279.4	465.4	541.8	653.7	698.0
Dep. & amortisation		(17.3)	(17.2)	(17.4)	(19.8)	(22.1)
Net finance cost		10.5	61.9	81.5	81.5	81.5
PBT		273.0	525.5	605.9	715.4	757.4
Taxation		(75.9)	(123.5)	(157.5)	(186.0)	(196.9)
MI		(10.1)	(40.3)	(44.9)	(53.1)	(56.2)
Net profit		186.9	361.8	403.4	476.4	504.3
Core net profit		166.6	420.7	403.4	476.4	504.3
GDPS	(sen)	8.5	50.5	45.0	27.0	29.0
Div Yield	(%)	1.1%	6.6%	5.9%	3.5%	3.8%

Cash Flow (RMmn)

YE Dec 31	2024	2025	2026F	2027F	2028F
PBT	**273.0**	**525.5**	**605.9**	**715.4**	**757.4**
Adjustments	6.8	(44.8)	(64.1)	(61.7)	(59.4)
Changes in WC	534.9	1132.7	186.8	637.1	(77.9)
Others	(21.9)	129.1	(44.9)	(53.1)	(56.2)
Operational cash flow	**716.7**	**1619.1**	**526.2**	**1051.7**	**367.0**
Capex	(9.2)	(44.1)	(40.0)	(40.0)	(40.0)
Others	(53.7)	182.7	10.9	0.0	0.0
Investment cash flow	**(62.9)**	**138.6**	**(29.1)**	**(40.0)**	**(40.0)**
Debt raised/(repaid)	(167.0)	(415.6)	0.0	0.0	0.0
Dividend	(116.0)	(274.8)	(596.0)	(357.6)	(384.1)
Others	(20.2)	82.8	81.5	81.5	81.5
Financial cash flow	**(303.2)**	**(607.6)**	**(514.5)**	**(276.1)**	**(302.6)**
Forex effect	0.2	(5.1)	0.0	0.0	0.0
Deposit	(79.5)	(86.5)	(86.5)	(86.5)	(86.5)
Net cash flow	**552.1**	**982.4**	**(28.3)**	**735.7**	**24.4**
Beginning cash	**384.0**	**936.3**	**1913.6**	**1885.3**	**2620.9**
Ending cash	**936.3**	**1913.6**	**1885.3**	**2620.9**	**2645.3**
Adjustments	0.0	(0.0)	0.0	0.0	(0.0)
Cash	**936.3**	**1913.6**	**1885.3**	**2620.9**	**2645.3**

YE Dec 31	2024	2025	2026F	2027F	2028F
Order book replenishment	4,221	5,207	8,000	6,000	6,000

Balance Sheet (RMmn)

YE Dec 31	2024	2025F	2026F	2027F	2028F
Fixed assets	224.6	208.5	208.5	208.5	208.5
Others	497.2	569.6	540.3	560.5	578.4
NCA	**721.8**	**778.0**	**748.7**	**769.0**	**786.8**
Cash and cash equivalent	936.3	1,913.6	1,885.3	2,620.9	2,645.3
Others	1,938.1	1,732.4	2,681.9	2,743.7	3,108.9
CA	**2,874.4**	**3,646.0**	**4,567.1**	**5,364.6**	**5,754.2**
Total assets	**3,596.2**	**4,424.0**	**5,315.9**	**6,133.6**	**6,541.0**
ST borrowings	730.6	157.7	157.7	157.7	157.7
Other liabilities	1,925.9	3,248.0	4,384.3	5,083.3	5,370.5
CL	**2,656.6**	**3,405.7**	**4,542.0**	**5,241.0**	**5,528.2**
Shareholders' funds	**877.9**	**783.9**	**539.5**	**658.2**	**778.4**
MI	60.6	81.4	81.4	81.4	81.4
LT borrowings	0.0	142.5	142.5	142.5	142.5
Other LT liabilities	1.2	10.5	10.5	10.5	10.5
Total capital	**3,596.2**	**4,424.0**	**5,315.9**	**6,133.6**	**6,541.0**

Ratio

YE Dec 31	2024	2025F	2026F	2027F	2028F
EBITDA Margins (%)	7.9	8.7	8.7	8.9	9.0
Core EPS (sen)	12.6	31.8	30.5	36.0	38.1
EPS Growth (%)	(5.8)	152.0	(4.1)	18.1	5.9
PER (x)	60.9	24.2	25.2	21.4	20.2
GDPS (sen)	8.5	50.5	45.0	27.0	29.0
Div Yield (%)	1.1	6.6	5.9	3.5	3.8
Net cash (RMmn)	285.1	1699.8	1671.5	2407.2	2431.6
Net gearing (%)	(32.5)	(216.8)	(309.8)	(365.7)	(312.4)
ROE (%)	22.0	43.5	61.0	79.5	70.2
ROA (%)	5.6	9.0	8.3	8.3	8.0
NTA/share (sen)	66.5	59.2	40.7	49.7	58.8
P/NTA(x)	11.6	13.0	18.9	15.5	13.1

Sector Recommendation Guideline

OVERWEIGHT: The total return of the sector, as per our coverage universe, exceeds 12%.

NEUTRAL: The total return of the sector, as per our coverage universe, is within the range of 7% to12%.

UNDERWEIGHT: The total return of the sector, as per our coverage universe, is lower than 7%.

Stock Recommendation Guideline

BUY : Total return of the stock exceeds 12%.
HOLD : Total return of the stock is within the range of 7% to12%.
SELL : Total return of the stock is lower than 7%.
Not Rated: The company is not under coverage. The report is for information only.

Total Return of the stock includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.
Total Return of the sector is market capitalisation weighted average of total return of the stocks in the sector.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★★	★★★★	★★★★★	★★★★
Remark	Environmental management system in place with ISO 14001:2015 certification. SUNCON will embark on the environmental supply chain assessment in 2021 and complete it by 2023.	Adopted e-bidding. CSR events include Build A Home which focuses on the welfare of the Orang Asli community.	Established anti-bribery and whistle-blower policies. 20.0%-woman representation on the board. Transparent in its sustainability report and has won several ESG and IR awards.	

★★★★★	**(≥80%)** : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.	+5% premium to target price
★★★★	**(60-79%)** : Above adequate integration of ESG factors into most aspects of operations, management and future directions.	+3% premium to target price
★★★	**(40-59%)** : Adequate integration of ESG factors into operations, management and future directions.	No changes to target price
★★	**(20-39%)** : Have some integration of ESG factors in operations and management but are insufficient.	-3% discount to target price
★	**(<20%)** : Minimal or no integration of ESG factors in operations and management.	-5% discount to target price

Disclaimer

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As of Thursday, November 05, 2026, the analyst, Ng Hong Tong, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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