

# Local equities

COMPILED BY ESTHER LEE

## Sunway Construction Group Bhd

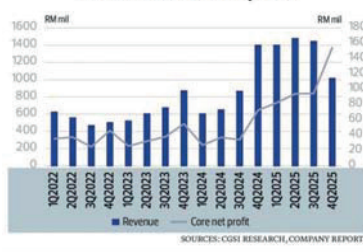
Target price: **RM7.90 ADD**



**CGS INTERNATIONAL (FEB 23):** Sunway Construction Group Bhd (KL:SUNCON) announced core net profit of RM154 million for 4QFY25, bringing it to RM425 million for FY25. We deem this above expectations at 125% and 123% of our and Bloomberg consensus forecasts respectively for the full year. Suncon declared a fourth interim dividend of nine sen, bringing dividends for FY25 to 50.6 sen (including a special dividend of 23 sen).

The key highlight in 4Q25 was a 45% year-on-year (y-o-y) increase in construction pretax profit to RM155 million with margins of 16.5% due to the handover of its upsized Senedak data centre (DC) project in November 2025 and

## 4Q2025 was Suncon's strongest quarter in terms of core net profit

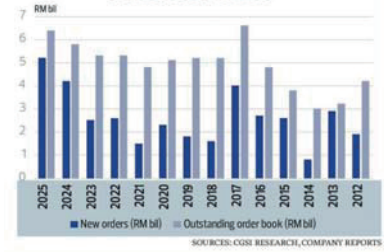


recalibration of margins to reflect cost savings arising from accelerated progress in certain DC projects. Precast revenue in 4Q25 was RM75 million, up 62% y-o-y, due to the ramp-up of newly secured projects and driven by its order book of RM787 million as at December 2025. The balance sheet was in a net cash position of RM1.7 billion as at December 2025 and Suncon is committed to quarterly dividends and a 100% payout in FY26F.

Suncon has a tender book of RM17 billion as at February 2026, 80% of which are DC projects with three new clients. It continues to see visible tenders for DCs as one hyperscaler has opened its maiden tender in Johor after accumulating a large Johor land bank in 2023/2024.

Suncon has revised its order book target for FY26F to RM6 billion, from RM4.5 billion to RM6 billion previously.

## Historical new order wins in FY2012 to FY2025



We think this is achievable if the conversion of the larger DC upsizing for the JHB1X0 Building 2 is awarded soon and upsizing for existing multinational companies comes through. Besides DCs, it targets RM1 billion in FY26 from the expansion of Sunway's hospitals and a transit-oriented development (TOD) in Johor. It is bidding for Penang LRT Civil Main Contract 2, where tenders will close by mid-2026. Suncon's order book as at December 2025 was RM5.7 billion, of which DC projects accounted for 41%.

We raise FY26/FY27 EPS by 16%/21% to factor in higher interest income which we had underestimated, and tweak up our construction margins slightly. We reiterate our "add" call with a higher Gordon Growth Model-derived target price of RM7.90 (from RM7.30) due to our raised earnings forecasts.

## Kerjaya Prospek Group Bhd

Target price: **RM3.22 BUY**



**PHILLIP CAPITAL (FEB 24):** Kerjaya Prospek Group Bhd's (KL:KERJAYA) wholly-owned subsidiary, Future Rock Sdn Bhd (FRSB), has secured a letter of award from Tanjung Development Sdn Bhd (TDP) for a RM502 million construction contract.

Following this contract, Kerjaya's year-to-date new contract wins have reached RM704 million, representing 35% of our 2026 full-year replenishment target of RM2 billion, keeping the group on track to meet our expectations. Assuming a historical 10% net profit margin, we estimate the project to contribute RM50 million Patami over 2026-2028. The group's outstanding order book stands at RM4.4 billion, equivalent to 2.4 times FY24 revenue, providing earnings visibility for the next three to four years. We see further replenishment potential of RM300 million to RM500 million, underpinned by Eastern & Oriental Bhd's (KL:E&O) plan to roll out launches with an annual gross development value of RM1 billion at Andaman Island. With land formation works currently only 70% completed, the remaining reclamation progress should continue to support construction activities and translate into a steady pipeline of contract flow for Kerjaya over the medium term.

We continue to favour Kerjaya for its solid earnings outlook, supported by steady contract flows from E&O and Kerjaya Prospek Property Bhd (KL:KPPROP).

## Malaysia Marine and Heavy Engineering Holdings Bhd

Target price: **66 sen BUY**



**RHB RESEARCH (FEB 24):** Malaysia Marine and Heavy Engineering Holdings Bhd's (KL:MHB) FY25 core profit of RM119.3 million exceeded our and the street's full-year forecasts by 183% and 149% respectively.

MHB's revenue rose 14% quarter on quarter (q-o-q) to RMs81.7 million, driven mainly by higher conversion activity in the marine segment. As a result, operating profit jumped 76% q-o-q to RM55.8 million — supported by the marine segment's operating profit rising to RM25.2 million, alongside favourable close-out adjustments from completed projects within the heavy engineering (HE) segment, which had an operating profit increase of 44% q-o-q. As at 4Q25, the group's order book stood at RM4 billion, as revenue recognition continued to outpace replenishment from new contract wins.

We lift our FY26-27 earnings forecasts by 96% and 80% — reflecting stronger execution and improving earnings visibility. Previously, we valued the stock on P/B value given its volatile earnings and history of losses. Following nine consecutive profitable quarters, we believe a PER-based approach is now more appropriate to reflect its strengthening profile. Our target price has been revised to 66 sen from 62 sen, pegged to nine times FY26F PER (five-year mean), which includes a 4% ESG discount.

## Kossan Rubber Industries Bhd

Target price: **RM1.50 OUTPERFORM**



**PUBLICINVEST RESEARCH (FEB 24):** Kossan Rubber Industries Bhd's (KL:KOSSAN) 4QFY25 revenue decreased 15.1% y-o-y to RM439.5 million, as lower contributions from its glove and clean-room divisions were only partially offset by higher revenue from the technical rubber product (TRP) division. Management noted that the glove division was partly impacted by port congestion, which deferred shipments.

Kossan reported a 4QFY25 net profit of RM46.7 million, up 68.5% y-o-y from RM27.7 million in 4QFY24, driven by lower production costs arising from improved operational efficiencies. After excluding non-operating items, 4QFY25 core net profit rose 73.6% y-o-y to RM41 million from RM23.6 million in 4QFY24. Kossan's overall PBT margin improved to 10% in FY25 from 8.2% in FY24.

Heading into FY26, we think that the clean-room division will remain stable, while the glove and TRP divisions continue to face challenging market conditions. Ongoing glove oversupply is expected to exert pressure on average selling prices, and the stronger ringgit may weigh on margins.

Nevertheless, we remain positive on Kossan, underpinned by stable glove demand from the healthcare and industrial sectors, as well as the ongoing cost optimisation initiatives through automation and digitalisation. We believe its strong net cash position of RM1.6 billion provides a solid buffer against near-term headwinds.