

Upbeat outlook for builders on strong order book, expansion

PETALING JAYA: Market observers say the construction sector largely met expectations in the latest results season, driven by robust order books, strategic diversification and consistent contributions from key projects.

BIMB Securities Research said private-sector demand, particularly for data centres and property projects, continued to drive growth, as reflected in the solid performances of Sunway Construction Group Bhd (SunCon) and Kerjaya Prospek Group Bhd.

"Public-private partnership initiatives and government-backed mega-projects, including the Penang Light Rail Transit (LRT) line and renewable-energy ventures, further bolster the sector's mid to long-term prospects," the research house said in a report yesterday.

While most players under the research firms' coverage thrived, the research house said Gabungan AQRS Bhd fell short of market expectations as the group's earnings were impacted by one-off costs, including liquidated ascertained damages and settlements related to legacy projects.

"Despite these setbacks, we believe the company's sizeable order book and property developments with good potential and significant gross development value remain pivotal for its long-term growth prospects," the research house said.

BIMB Securities Research said it remains sanguine about Gabungan AQRS' earnings supported by the company's outstanding order book of RM406.6mil, which is expected to sustain earnings and cash flow contributions through 2026 and 2027.

"Additionally, we foresee stronger contributions from the property division as the company progresses with the delivery of vacant possession for E'Island Lake Haven project in Selangor, accelerates construction at The Peak in Johor, through newly secured financing, and initiates the first phase of Serena Gambang in Pahang," the research house said.

In SunCon's case, the research house said, the company capitalised on data centre projects to mitigate weaknesses in its precast-concrete segment, ensuring steady earnings visibility.

"Additionally, in India, we note its annuity collections are already underway for the Meensurutti-Chidambaram Highway, while the Thorapalli-Agraharam Jittandahalli Highway is on track for completion in the second quarter of 2025 (2Q25). Its exploration of projects for advanced-technology facilities in Asean through local partnerships also reflects a strategic push for regional diversification," the research house said.

Meanwhile, Kerjaya achieved record profits in 3Q24, supported by a robust order book, BIMB Securities Research said.

The research house said further upside in Kerjaya is anticipated from the first phase of the RM1.5bil Aspen project in Batu Kawan, Penang, which is expected to contribute meaningfully starting FY26, reinforcing earnings visibility.

Additionally, the research house noted that Gamuda Bhd concluded its FY24 with 62.4% year-on-year revenue growth, driven by strong contributions from its overseas operations.

The research house added that it expects Gamuda's FY25 performance to be driven by margin recovery in its construction division, supported by high-margin local projects like the Penang LRT and Upper Padas Hydroelectric Project in Sabah, alongside sustained international growth.

BIMB Securities Research maintained a "hold" call for SunCon and "buy" calls for Gamuda, Kerjaya, and Gabungan AQRS, with target prices of RM4.27, RM9.82, RM2.30, and 40 sen, respectively.