

Infrastructure and DC projects set to boost construction

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It preferred contractors with DC capabilities, such as [Gamuda Bhd](#) and [Sunway Construction Group Bhd](#) (SunCon), which may see valuation re-ratings ahead of their peers.

The sector's 2025 price earnings ratio of 16 times was undemanding, given the more substantial earnings growth and anticipated surge in contract news flows, which should act as key re-rating catalysts, it said.

The construction sector's order books, which stand at 2.4 times-to-4.1 times historical revenue, provided strong earnings visibility. Thus, the research house kept its "overweight" call on the sector.

Phillip Capital Research picked Gamuda as its top sector "buy", with a target price (TP) of RM5.55 per share.

It deemed Gamuda a strong frontrunner for most domestic infrastructure projects, supported by the group's proven execution track record and ability to undertake DC jobs with its industrialised building system capabilities.

Its small-cap pick was Binastra Corp Bhd – with a "buy" call and a TP of RM2.30 per share – as a proxy that will benefit from Exsim Jalil Link Sdn Bhd's aggressive expansion plans.

Its other "buy" recommendations included [Kerjaya Prospek Group Bhd](#) (TP: RM2.60 per share), offering attractive dividend yield, and AME Elite Consortium Bhd (TP: RM2.15 per share), positioned as a direct beneficiary of the Johor-Singapore Special Economic Zone.

Due to relatively lofty valuation, it had a "hold" rating on SunCon (TP: RM4.50 per share).

For DC projects, the robust pipeline of 3.8GW-4GW in committed investments is expected to spur an increase in contract awards, with RM40bil-RM80bil in projects up for grab over the next five to 10 years.

Phillip Capital Research expected SunCon and Binastra to register the highest growth, premised on DC and Johor order book prospects.

Gamuda's earnings are likely to be supported by its sizeable international order book, while Kerjaya Prospek's growth will be driven by consistent contract flow from [Eastern and Oriental Bhd](#) and Kerjaya Prospect Property Bhd.

However, AME Elite is projected to see its earnings decline due to a high base in 2024, following a land sale to Quantum DC, the research house said.

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