

Robust project rollout fuels construction sector optimism

PETALING JAYA: The prospects for the local construction sector look bright in the near term, backed by a selective rollout of mega projects, job flows and a strong order book pipeline.

UOB Kay Hian (UOBKH) Research remains sanguine on the sector's outlook, keeping its "overweight" stance.

It said this is anchored by the anticipated progressive rollout of selective mega projects and better private job flows throughout the second half of 2025.

"Given the sector's domestic-centric business model is less impacted by global uncertainties and a huge order book pipeline with continued expansion of data centres (DCs) within the industrial space, the sector shall continue to provide enormous earnings impetus," the research house noted.

"Current valuations of the companies

under our coverage [average 2026 forecast price-to-earnings (PE) of 18 to 19 times] are now above their five-year mean PE (average of 17 times), but this is justifiable amid multi-year high order books and rising optimism on the near-term earnings outlook.

"Note that the sector order book is now at a multi-year high (lifted by companies with DC exposure with ample opportunities for higher replenishment from both the public and private sectors)," UOBKH Research added.

The research house's top picks for the sector are still Gamuda Bhd, IJM Corp Bhd and Kerjaya Prospek Group Bhd.

"We mainly like these companies for their resilient order book replenishment, high order book cover ratio (2.6 to 6.9 times) and support from concentrated domestic liquidity," UOBKH Research said.