

# Positive construction outlook

## Maybank IB sees more jobs from the second half to next year

**PETALING JAYA:** Maybank Investment Bank (IB) Research, which is maintaining a “positive” call on the construction sector, expects more construction jobs in the second half of 2017 and into next year.

The research house said construction companies with healthy order books would benefit the most as infrastructure projects pick up.

“Our sector top ‘buy’ pick is IJM Corp as a direct proxy to growing Chinese investments in Kuantan through MCKIP and Kuantan Port.

“Sunway Construction is our mid-cap pick as the only pure major construction stock with strong earnings visibility and potential for higher orderbook replenishment,” it said.

The research house said the slower pace of infrastructure job awards in the first half of this year could have been due to the high of RM88bil in 2016.

“We expect the momentum on contract awards and job flows to pick up again in the second half of 2017, continuing into 2018.”

Based on historical trends, Maybank IB said the second half of 2017 should see infrastructure job awards picking up, with the major packages of the RM9bil Kuala Lumpur Light Rail Transit 3 expected to kick off first.

Additionally, the research house said maiden packages from the East Coast Rail Link (RM55bil) and Gemas-JB double track rail (RM9bil) should be awarded as well.

“The tabling of National Budget 2018 slated for Oct 27 is a key event to reaffirm infrastructure development with financing from direct government development expenditure and off the government’s balance sheet,” said Maybank IB.

The research house believes earn-



**Good prospects:** Maybank IB says construction companies with healthy order books will benefit the most as infrastructure projects pick up. — Bloomberg

ings delivery could be a further rerating catalyst for the sector given the robust outstanding orderbooks and decent orderbook cover ratios.

“We expect companies with exposure to the Klang Valley Mass Rapid Transit (KVMRT) 2 (Gamuda, IJM and Sunway Construction within our coverage) to report relatively stronger earnings as work progress accelerates from the second half of 2017.

“However, construction progress at the Pan Borneo Sarawak Highway which has been slow due to finalisation of contract details, would delay meaningful earnings contribution expected in the third quarter of 2017 to the fourth quarter of 2017 or first quarter of 2018.”

Maybank IB also expects the major civil works tender to kick off in 2018, as the Kuala Lumpur-Singapore High Speed Rail AssetsCo

tender is only expected to be called in the fourth quarter of this year.

“In 2018 too, we expect the Bandar Malaysia development (with a gross development product of RM150bil) to have selected a new master developer with the request for proposal currently ongoing. Over the longer term, the KVMRT 3 project could acquire Cabinet’s approval by mid-2018 with contract awards potentially in 2019,” said the research house.