

# Less job awards but better construction earnings expected

BY AHMAD NAQIB IDRIS

KUALA LUMPUR: The construction sector is expected to remain a bright spot amid the less-than-rosy prospects of the wider domestic and global economies — which are facing a multitude of uncertainties — with better earnings anticipated following the exceptional value of job awards seen last year.

In terms of job awards however, analysts expect the total value to be netted in 2017 to normalise after the peak seen in 2016.

Awards to listed construction players for 2016 totalled at around RM56 billion, according to Hong Leong Investment Bank Bhd analyst Jeremy Goh. The sum was more than double the amount netted in 2015 at RM22 billion and also surpassed the previous high of RM28 billion achieved in 2012.

"In 2016, we had the mass rapid transit (MRT) Line 2 and the Pan Borneo Highway rolled out. These two were the main contributors for the exceptionally high value of awards for the year, accounting for about 61% of total job awards.

"For 2017, these two mega projects will not be there anymore, so definitely the value of awards will be lower. It



to be called in the first half of 2017. We may see the ECRL rolled out next year (2017) as well.

"The agreement for the High Speed Rail project is also a positive for the sector, but we will only see the impact of that later as the tender for the system works is expected to be called only around end-2017. This means the construction of that would, at the earliest, start around end-2018," he told *The Edge Financial Daily*.

Most analysts prefer Gamuda Bhd as their top pick for next year, mainly due to its experience in railway projects.

"We are looking at Gamuda as our

would be fair to assume that it would normalise to about RM25 billion [this year]," he said.

Still, earnings prospect looks good, said Goh, based on the delivery of current contracts for the MRT Line 2 and the Pan Borneo Highway.

Similarly, TA Securities Holdings Sdn Bhd analyst Ooi Beng Hooi said outlook for the construction segment is positive this year, supported by the various railway projects that are being rolled out and the expected tenders for new projects, such as the light rail transit (LRT) 3 and the East Coast Rail Line (ECRL), which are expected to open next year.

"Outlook for next year should be more positive because the MRT Line 2 is being rolled out and the tender for the LRT 3's main packages are expected

top pick, in line with the rail theme for next year and earnings delivery from the MRT Line 2, and potential news flow that MRT Line 3 may kick off as well as the potential sale of its stake in SPLASH (Syarikat Pengeluar Air Sungai Selangor Sdn Bhd)," said Goh.

Affin Hwang Investment Bhd analyst Loong Chee Wei also sees Gamuda as among the key beneficiaries of the country's upcoming infrastructure projects. The others are Sunway Construction Group Bhd, WCI Holdings Bhd and Gabungan AQRS Bhd.

"These companies, in addition to Mudajaya Group Bhd and WZ Satu Bhd, are looking to submit bids," wrote Loong in a note, adding that the research house sees better value in mid- and small-cap construction stocks.



In terms of job awards, analysts expect the total value to be netted in 2017 to normalise after the peak seen in 2016. The Edge file photo