

Construction sector's 4QFY23 results surprises analysts

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KUCHING: The local construction sector's fourth quarter of financial year 2023 (4QFY23) results has positively surprised Kenanga Investment Bank Bhd's research arm, Kenanga Research.

In a sector update, the research arm stated that sequentially, they found significant improvement in the sector's earnings delivery in 4QFY23 as half of the players under their coverage had beat their in-house forecasts.

The three players that exceeded Kenanga Research's expectations in 4QFY23 are IJM Corporation Bhd (IJM), Sunway Construction Bhd (Suncon), and Kimlun Corporation Bhd (Kimlun).

IJM's first nine months of financial year 2024 (9MFY24) results had exceeded expectations due to better

property billings while Suncon's FY23 results surpassed forecasts due to higher-than-expected progress billings.

"Kimlun Corporation Bhd's (Kimlun) FY23 results beat our forecast although not significant in absolute terms given its much reduce earnings base, RM7.1 million in FY23," the research arm added.

Of the remaining players, Gamuda Bhd (Gamuda) and Kerjaya Prospek Group (Kerjaya) met expectations while WCT Holdings Bhd (WCT) had missed expectations due to a kitchen sinking exercise involving a lumpy RM209.4 million reversal of construction profits due to work prolongation and escalation which drove up input and labour costs.

According to Kenanga Research, Gamuda's 1QFY24 core profit jumped 35 per cent due to stronger overseas earnings

while Kerjaya's FY23 earnings leapt 20 per cent due to higher construction and property billings.

In contrast to the sector's 3QFY23's results this was a stark improvement as the research arm guided that only 17 per cent of players under their coverage had exceeded their expectations, another 17 per cent met expectations while a large 67 per cent had missed expectations.

Looking ahead, Kenanga Research is expecting the construction sector's earnings to see further improvement in 2024 as player's work progress gathers momentum.

"Similarly, the job flow should accelerate with the roll-out of MRT3, Penang LRT, various flood mitigation projects as well as private-sector projects such as new data centres and semiconductor foundries," the research arm opined.