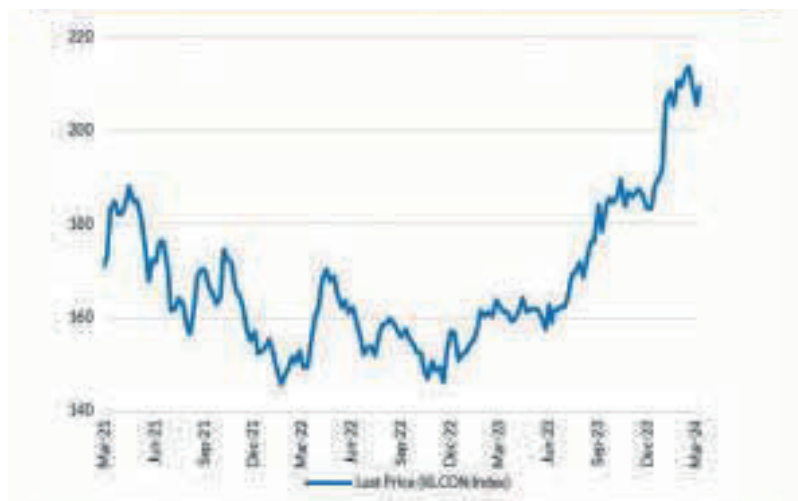


Construction

Overweight. CY24 Key Drivers Still Intact.



Source: Bloomberg, RHB Research

THE market is anticipating the rollout of certain infrastructure projects that have been making headlines. The ones we expect to make a debut in the coming months include the: i) Penang Light Rail Transit (LRT) (finalisation of details likely to be known during the first parliamentary meeting ending March), ii) RM11.8 billion nationwide flood mitigation projects under Budget 2024, and iii) reinstatement of the five LRT3 stations. For Mass Rapid Transit 3 (MRT3), we envisage the rollout to be after Q4'24, as MRT Corp is only set to finalise the land to be acquired in Q3'24.

While the market awaits such rollouts, we take comfort from the slew of private sector projects that we think may continue to grow, particularly in the industrial space. According to the National Property Information Centre, the value of transactions for industrial properties grew by 13.1% YoY in 2023. On further scrutiny, the new planned supply of industrial properties saw outstanding growth of nearly 200% to reach 1,372 units (2022: 468 units) – this should keep contractors busy going ahead. Foreign investments into Malaysia should also potentially bring in demand for factories and warehouses to be built.

Gamuda, Kerjaya Prospek, and SunCon – given commendable earnings visibility over the next two years – are our Top Picks. Gamuda has a sizeable presence overseas while still retains domestic relevance. Kerjaya Prospek and SunCon do not only have steady pipelines from related-party transactions with their parent firms, but also have ongoing involvements in industrial jobs. Key downside risks to our sector call are longer-than-expected delays in contract rollouts and larger-than-expected cost reductions for the MRT3 project.

Still OVERWEIGHT.