# Malaysia Sector Update

9 September 2022

Construction & Engineering | Construction

# Construction

## Still a Slippery Slope Ahead

**Neutral** (Maintained)

| | |
|---|---|
| Stocks Covered | 10 |
| Rating (Buy/Neutral/Sell): | 6 / 4 / 0 |
| Last 12m Earnings Revision Trend: | Negative |

- **Top Picks: Kerjaya Prospek and Sunway Construction.** The total value of construction work done in 2Q22 reached MYR29.9bn (+6.1% YoY, +1.5% QoQ). In the same period, the economic output of the construction sector grew 2.4% YoY, marking the first YoY expansion since 3Q21. Nevertheless, we consider that labour constraints could remain in 4Q22 with contractors awaiting for the approval and arrival of foreign workers, putting a lid on hastened progress billings. We remain NEUTRAL on the sector.
- **Overall, 2Q22 results were below expectations.** Five companies reported below and four were in line with expectations. Construction revenue of several companies did pick up in 2Q22 YoY, but was slightly sluggish QoQ amid the shortage on manpower which started to impact work progress at sites, in addition to pressures from high building material prices. Consequently, during the latest reporting season, we cut FY22-23F earnings by 7.5% and 3.8%.
- **Pump-priming likely to be on a smaller scale.** The Government's limited fiscal headroom is evident from the ratio of government debt to GDP of 63.8% at the end of Jun 2022 (end Dec 2021: 63.4%). As such, a pre-election pump priming theme could materialise but may be skewed more towards smaller scale contractors. Large-scale projects could still be announced but would need private funding arrangements. However, the risk of low private sector construction participation could increase if contractors, with previously strong balance sheets, could no longer accommodate such funding requirements if they take up more projects further down the road.
- **Possible overhang as the general election approaches.** De-risking activity could intensify as we approach closer to the upcoming general election with market talk suggesting that the 15th General Election (GE15) could happen as early as 4Q22 after the tabling of the 2023 budget was brought forward to 7 Oct (from 28 Oct). Nevertheless, re-rating catalysts for the sector could arise after GE15. Assuming no substantial changes in policies take place post GE15, such situation could bode well for ongoing and future project implementation. A negative outcome would be a hung Parliament, which could fuel uncertainty for sector prospects.
- **Top Picks.** We like names from the small and mid-cap construction space such as Kerjaya Prospek and Sunway Construction. Overall, we believe they have supportive catalysts, supported by stable orderbook replenishment rates, and robust balance sheets.
- **Upside/downside risks** to our sector call are shorter-than-expected/longer-than-expected delays in progress works, success/failure in securing new orders, and cheaper/higher raw material prices.

| Top Picks | Target Price |
|---|---|
| Kerjaya Prospek (KPG MK) – BUY | MYR1.42 |
| Sunway Construction (SCGB MK) – BUY | MYR1.93 |


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### ESG scores of construction companies under our coverage

| Company | ESG scores |
|---|---|
| Advancecon | 2.80 |
| Econpile Holdings | 2.80 |
| Gabungan AQRS | 2.90 |
| Gamuda | 3.10 |
| IJM Corp | 3.00 |
| Kerjaya Prospek | 3.00 |
| Malaysian Resources Corp | 3.00 |
| MGB | 3.00 |
| Pintaras | 2.80 |
| Sunway Construction | 3.20 |

*Source: RHB*

| Company Name | Rating | Target (MYR) | % Upside (Downside) | P/E (x) Dec-22F | P/B (x) Dec-22F | ROAE (%) Dec-22F | Yield (%) Dec-22F |
|---|---|---|---|---|---|---|---|
| Advancecon | Neutral | 0.28 | 3.8 | 146.6 | 0.5 | 0.3 | 0.1 |
| Econpile Holdings | Neutral | 0.16 | (1.6) | na | 0.6 | (2.8) | 0.9 |
| Gabungan AQRS | Buy | 0.50 | 62.8 | 4.1 | 0.3 | 7.4 | 3.3 |
| Gamuda | Neutral | 3.62 | (9.0) | 15.6 | 1.1 | 7.0 | 7.1 |
| IJM Corp | Neutral | 1.81 | 4.6 | 24.2 | 0.6 | 2.5 | 2.3 |
| Kerjaya Prospek | Buy | 1.42 | 23.9 | 11.7 | 1.2 | 10.5 | 3.0 |
| Malaysian Resources Corp | Buy | 0.43 | 29.7 | 25.1 | 0.3 | 1.3 | 1.2 |
| MGB | Buy | 0.67 | 33.6 | 13.5 | 0.5 | 3.7 | 1.5 |
| Pintaras | Buy | 2.95 | 34.1 | 9.4 | 0.9 | 11.0 | 4.5 |
| Sunway Construction | Buy | 1.93 | 24.0 | 14.3 | 2.7 | 19.4 | 4.2 |

*Source: Company data, RHB*

# 2Q22 Results At a Glance

**From nine companies that reported results, four came in line and five fell below expectations.** Companies that met expectations: i) Sunway Construction (SCGB MK, BUY, TP: MYR1.93), ii) IJM Corp (IJM MK, NEUTRAL TP: MYR1.81), iii) Kerjaya Prospek (KPG MK, BUY, TP: MYR1.42), and iv) Malaysian Resources Corp (MRC MK, BUY, TP: MYR0.43).

Meanwhile companies that missed include: i) Econpile (ECON MK, NEUTRAL, TP: MYR0.16), ii) Advancecon (ADVC MK, BUY, TP: MYR0.28), iii) MGB (MLG MK, BUY, TP: MYR0.67), iv) Gabungan AQRS (AQRS MK, BUY, TP: MYR0.50), and v) Pintaras Jaya (PINT MK, BUY TP: MYR2.95).

It is also notable that four companies saw downward revisions in their respective TPs amid lower revised margins, reflecting the present headwinds in the sector, particularly labour shortage and impact from higher costs for building materials.

**Activity levels ramp up but headwinds remain.** In general, the normalisation in operating conditions has led to better activity levels but was somewhat capped by labour shortages denting progress billings. As such, we shaved down our FY22-23 net profit forecasts by 7.5% and 3.8% (Figure 2).

**Figure 1: Quarterly performance vs estimates (RHB universe)**

| Stocks | Results review (released for Jun- 22 quarter) | Remarks | Results period | FYE |
|---|---|---|---|---|
| Malaysian Resources Corp | Within | MRC's 1H22 core earnings of MYR28m (>+100%YoY) were underpinned by normalising operating conditions following the transition to endemicity. The substantial growth in 2Q22 earnings was backed by stronger revenue, which expanded >100% YoY to MYR700m mainly due to the consolidation of the Light Rapid Transit 3 (LRT3) project company, Setia Utama LRT3. | 2Q22 | December |
| Sunway Construction | Within | Sunway Construction reported 1H22 core net profit of MYR73.3m (>100% YoY). On further scrutiny, 2Q22 core net profit of MYR38.4m (>100% YoY was underpinned by the 49% YoY expansion in revenue that reached MYR557.9m (2Q21: MYR375m). In terms of PBT, the construction segment reported a >100% YoY growth amid normalisation of works to full capacity. | 2Q22 | December |
| IJM Corp | Within | IJM's 1QFY23 construction PBT for the construction arm plunged 35% YoY from lower construction activities. On the bright side, the property segment recorded a 4% YoY PBT growth in 1QFY23 due to higher work progress for its ongoing projects. Manufacturing and quarrying business saw its PBT jump >50% YoY, on higher deliveries of piles and ready-mixed concrete. | 1QFY23 | March |
| Kerjaya Prospek | Within | Kerjaya Prospek's construction segment recorded a PAT of MYR57.7m (+43% YoY) in 1H22, on a revenue of MYR574m (+25% YoY). This was backed by higher progress billings stemming from the pick-up in construction activities, as well as the margin recalibration for certain projects that were completed, such as Megah Rise in Petaling Jaya. On the other hand, the property development segment booked a 73% YoY drop in 1H22 PAT, as the soft launch of The Vue @ Monterez project (GDV: MYR250m) only took place in June. | 2Q22 | December |
| Pintaras Jaya | Below | Pintaras Jaya's construction segment PBT dropped 13% YoY in FY22, due to downward adjustments on projected profit for some on-going projects as a result of higher construction costs. Nonetheless, it is set to benefit from Singapore's construction sector, whereby the economic output of the sector expanded 3.3% YoY in 2QCY22. | 4QFY22 | June |
| Gabungan AQRS | Below | Gabungan AQRS' 1H22 core net profit rose >50% YoY to MYR14.7m. The lower-than-expected in earnings came from the construction segment which saw a 23% YoY drop in PAT in 1H22, due to the seasonally slower period (*Aidil Fitri* and *Ramadhan*), coupled with some impact from the nationwide labour shortage. Nevertheless, this was offset by the property development division, which recorded a significant surge in PAT of more than 50% YoY. | 2Q22 | December |
| MGB | Below | MGB's construction segment reported a 1H22 revenue of MYR303.9m (+8.6% YoY), backed by sales for projects at Bukit Jalil, Alam Perdana, and Kita Ria. However, the construction PBT margin contracted by 2.7ppts YoY to 4.5% in 1H22, amid a rise in building material costs combined with labour shortage. Meanwhile, the property segment recorded a lower 1H22 PBT, which dropped 54% YoY to MYR0.7m as only 48% of units from Laman Bayu 3 and 4 were sold. | 2Q22 | December |
| Advancecon | Below | Advancecon posted a 63% YoY jump in 1H22 revenue amid the consolidation of Spring Energy Resources' (SER) topline. But, the consolidation of SER's MYR8.1m loss partly led to ADVC's 1H22 core net loss of MYR1.9m (1H21 net loss: MYR2m). Major factors: i) Slower demand and ii) compressed selling prices due to competition. | 2Q22 | December |
| Econpile | Below | Econpile recorded a FY22 core net loss of MYR40.7m amid an increase in budgeted construction costs due to the extension of certain projects and labour shortages. | 4QFY22 | June |

*Source: Company data, RHB*

## Figure 2: Changes in earnings estimates for the latest June reporting season

| Companies | | Old | | | | New | | | | Revenue change (%) | | Net profit change (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Revenue (MYRm) | | Recurring net profit (MYRm) | | Revenue (MYRm) | | Recurring net profit (MYRm) | | | | | |
| | | FY22 | FY23 | FY22 | FY23 | FY22 | FY23 | FY22 | FY23 | FY22 | FY23 | FY22 | FY23 |
| Sunway Construction | Dec | 2,354 | 2,737 | 141 | 151 | 2,354 | 2,737 | 141 | 151 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pintaras Jaya | Jun | 443 | 445 | 31 | 46 | 443 | 445 | 31 | 46 | 0.0 | 0.0 | 0.0 | 0.0 |
| Kerjaya Prospek | Dec | 1,404 | 1,579 | 124 | 158 | 1,404 | 1,579 | 124 | 158 | 0.0 | 0.0 | 0.0 | 0.0 |
| MGB | Dec | 1,084 | 1,557 | 32 | 53 | 879 | 1,305 | 19 | 39 | (18.9) | (16.2) | (40.6) | (26.4) |
| MRCB | Dec | 2719 | 2889 | 59 | 76 | 2719 | 2889 | 59 | 76 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gabungan AQRS | Dec | 472 | 440 | 43 | 45 | 356 | 410 | 37 | 42 | (24.6) | (6.8) | (14.0) | (6.7) |
| Econpile | Jun | 370 | 422 | (12) | 23 | 373 | 392 | (41) | 17 | 0.8 | (7.1) | (241.7) | (26.1) |
| Advancecon | Dec | 340 | 346 | 7 | 13 | 340 | 346 | 1 | 2 | 0.0 | 0.0 | (85.7) | (84.6) |
| IJM Corp | Mar | 5,732 | 5,815 | 292 | 322 | 5,732 | 5,815 | 292 | 322 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Construction** | | **14,918** | **16,230** | **717** | **887** | **14,600** | **15,918** | **663** | **853** | **(2.1)** | **(1.9)** | **(7.5)** | **(3.8)** |

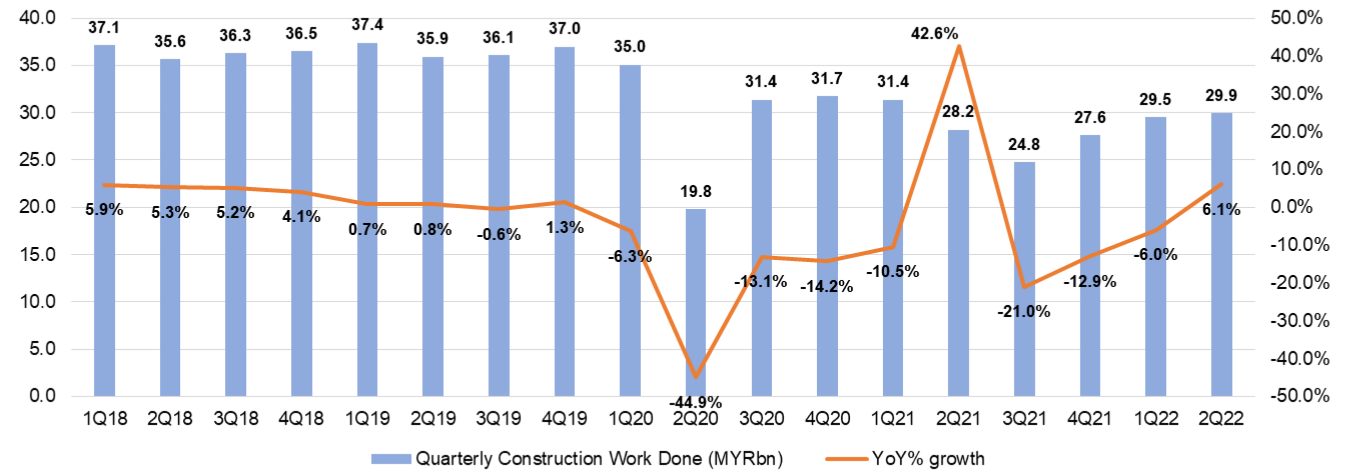
*Source: Company data, RHB*

## Figure 3: Latest outstanding orderbook and new job expectations for construction divisions

| Companies | Latest outstanding construction orderbook (MYRm) (a) | Average construction revenue base (t-1,t-2) (b) | Revenue coverage ratio (year) (c)=(a)/(b) | Expectation on new job value (MYRm) |
|---|---|---|---|---|
| MRCB | 7,500[1] | 709 | 10.6 | 1,500 |
| Gamuda | 14,400 | 4,038 | 3.6 | 12,500 |
| Sunway Construction | 4,229 | 1,531 | 2.8 | 1,500 |
| IJM | 3,940 | 2,139 | 1.8 | 3,000 |
| Kerjaya Prospek | 4,300 | 886 | 4.9 | 1,500 |
| MGB | 2,080 | 528 | 3.9 | 450 |
| Gabungan AQRS | 1,070 | 196 | 5.5 | 500 |
| Econpile | 444 | 412 | 1.1 | 250 |
| Pintaras Jaya | 562 | 341 | 1.6 | 400 |
| Advancecon | 240 | 341 | 0.7 | 350 |
| **Total** | **38,765** | **11,120** | **2.9[2]** | **21,950[3]** |

*Note 1: Excluding the long-term Bukit Jalil Sentral project.*
*Note 2: Excluding the outliers, ie MRCB, industry average income visibility stands at 3x*
*Note 3: This is based on current active tenders and general guidance by management. Contributions from new mega projects such as MRT3 have not been reflected*
*Source: Company data, RHB*

## Figure 4: Quarterly construction work done (MYRbn)



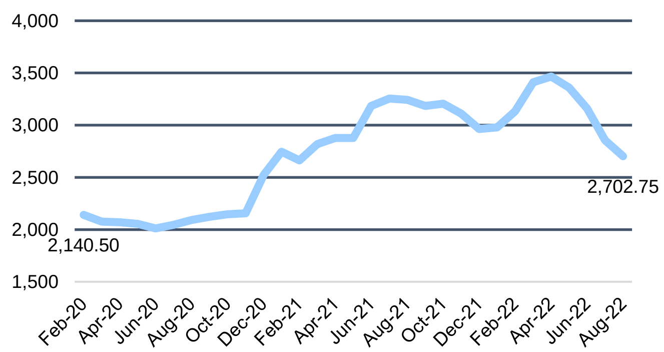

*Source: Department of Statistics Malaysia*

**The total value of construction work done in 2Q22 exhibited an expansion of 6.1% YoY to reach MYR29.9bn** after three consecutive quarters of YoY contractions. In the same vein, the total value of construction work done in 2Q22 also increased on a QoQ basis, growing 1.5% QoQ. In terms of construction subsectors, the value of construction work done in 2Q22 for non-residential buildings saw the largest rise, expanding 18.1% YoY to MYR9.4bn (2Q21: MYR8bn) which may be attributed to a gradual rise in demand for industrial properties. Total value of construction work done in the residential building subsector has also seen a commendable rise of 7.9% YoY to MYR6.9bn in 2Q22 (2Q21: MYR6.4bn). In terms of job wins, certain companies under our coverage have also managed to replenish their orderbooks thus far in 2022. For example, Kerjaya Prospek's YTD new job wins stand at MYR1.3bn which is not too far from the target of MYR1.5-1.6bn. New jobs for Kerjaya Prospek mostly centre on residential projects. Likewise, MGB has clinched MYR397m worth of new jobs with regard to housing development projects.

**Labour issues continue to bite as the current labour shortage of c.400,000 workers in the construction sector remains a major concern faced by contractors**, which dragged construction progress and subsequently impeded billing recognitions from projects. There were some positive developments related to labour issues. The freeze on sending Indonesian migrant workers to Malaysia has been lifted by the Indonesian Government, effective from 1 Aug 2022. Indonesia agreed to resume sending its workers after both countries agreed on a single channel to facilitate the recruitment and entry of Indonesian workers. Following the lifting of this freeze, the construction industry may have access to more workers in a timely manner to remove any bottlenecks that have resulted since the pandemic and the subsequent reopening of the economy. We gathered that contractors have received approvals to hire foreign workers and began bringing in foreign workers in batches, guiding that the shortage could be resolved by early next year. For instance, Kerjaya Prospek is in the midst of bringing in c.200 foreign workers from Nepal while another 500 foreign workers have been approved by the Government and should arrive in the next one to three months. Sunway Construction too has managed to obtain a quota for 400 Indonesian workers from the Ministry of Human Resources in Jun 2022 and the first group comprising 100 workers is expected to arrive by early September. In the grand scheme of things, it may take some time for the labour shortage issue to be fully resolved, most likely in 1Q23. Moreover, there may be a lag effect between receiving and deploying foreign workers – capping the speed of progress billings of projects.

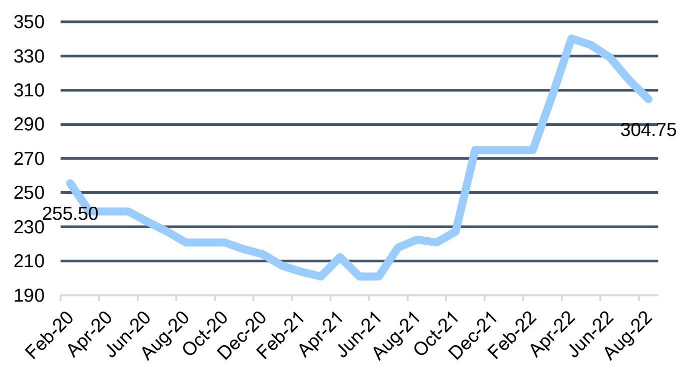
**Elevated cost of materials continues to be a drag on profitability.** Building material prices continue to ease, observed via steel bars purchased by contractors such as Sunway Construction which saw a larger drop of 16.6% YoY in August to MYR2,702.75 per tonne compared to a 12.3% YoY decline in July. The price to purchase bulk cement also saw a less profound rise of 37% YoY in August compared to 63.8% YoY and 45% YoY increase observed in June and July. While this may soften building material cost pressures which peaked in April due to the Russo-Ukrainian war, prices of steel bars are still higher by 20-30% compared to those of pre-pandemic levels. As such, project margins may continue to face compression especially for projects that are private in nature – whereby a variation of price (VOP) clause is absent. That being said, organisations such as the Masters Builders Association of Malaysia (MBAM) are hoping that the VOP clause to be extended to private projects to enable contractors to tackle price volatility better.

**Figure 5: Steel bar price (MYR per tonne)**




*Source: Sunway Construction*

**Figure 6: Bulk cement price (MYR per tonne)**




*Source: Sunway Construction*

**Government's limited fiscal space likely to cap the size of pump-priming activities.** As at the end of Jun 2022, Malaysia's total debt stood at MYR1.05bn or 63.8% of GDP (vs 63.4% at the end of Dec 2021) – which still indicates that public finances are cash-strapped. During pre-pandemic levels, the amount of Malaysia's federal government debt between 2010 and 2019 never exceeded 60% of GDP. With the tabling of Budget 2023 brought forward by three weeks to 7 Oct from 28 Oct, such a move may signal that polls could be approaching closer than expected, likely as early as 4QCY22.

Taking these matters into consideration, it is probably inevitable that a pre-election theme of pump priming could take place but may be skewed more towards smaller scale contractors. An association of contractors has urged the Government to provide a special stimulus package in Budget 2023 to small contractors that are still facing problems brought on by the COVID-19 pandemic namely for elevated building material prices, labour shortage, and higher logistics cost. Meanwhile, the president of the Malaysian Bumiputera Contractors Association stated that the Government could help small contractors by awarding maintenance work and other jobs in government departments. Based on data published by the Construction Industry Development Board (CIDB), G1 and G2 contractors make up more than half of the total >103k contractors in Malaysia as at 5 Sep 2022.

Notwithstanding this, there could also be a chance of large-scale projects to be rolled out albeit via a public-private partnership (PPP) model. Thus far, a PPP model is already evident in the tenders of the MRT3, requiring the bidders to propose financing for the initial two years of construction works worth at least 10% of the contract value. Therefore, new project roll-outs with a PPP model (aside from MRT3), could include flood mitigation projects - which we believe are of priority given the flood incidents in Selangor and Kedah - together with some pockets of opportunities from Borneo, namely the Sarawak-Sabah Link Road and Trans Borneo highway which has been approved by the Government in August. While this favours contractors with big balance sheets, the question lies on how effective can they recoup the returns on investments. The Stormwater Management and Road Tunnel (SMART Tunnel) by the MMC-Gamuda JV has a toll mechanism but as far as public knowledge is concerned, there seems to be no tolls incorporated in the proposed design for SMART2 project proposed by Gamuda. Meanwhile, a risk of low private sector construction participation may arise if those contractors with strong balance sheets could no longer stomach such funding requirements as they take up more projects later on. As such, it would be reasonable to assume that the upcoming Budget 2023 may focus more on smaller contractors (which are mostly not publicly listed) to enable a trickle down economic effect to the people's well-being.

**All in, we stay NEUTRAL on the construction sector**, as hurdles in terms of manpower and elevated material costs could still remain if not managed well. Even if large scale projects were to be rolled out via a PPP model, a low take-up risk could not be discounted if the major contractors do not have the necessary capacity to take up many projects at a time. In the meantime, de-risking activities could likely happen ahead of the polls amid leadership uncertainty as the construction sector is dependent on the country's policies – evident from the KLCON index's underperformance prior to GE12, GE13, and GE14. As such, we recommend investors to look at companies with steady orderbook replenishment trends and lean balance sheets that could buffer near-term risks. Our Top Picks are Kerjaya Prospek and Sunway Construction. Kerjaya Prospek's net cash pile of MYR215m as at 30 Jun 2022 together with its framework agreement with Samsung C&T enables the group to be exposed and be involved in more sophisticated projects. Meanwhile, we favour Sunway Construction as it should continue to benefit from internal jobs from its parent, Sunway (SWB, BUY, TP: MYR2.06) which make up c.46% of its total outstanding construction orderbook of MYR4.2bn as of end-Jun 2022 backed by a war chest of c.MYR316m.

**Figure 7: Performance of the KLCON index before and after general elections**

| | 12 months before election | 6 months before election | 3 months before election | 3 months after election | 6 months after election | 12 months after election |
|---|---|---|---|---|---|---|
| GE10 | +65% | +18% | -9% | +38% | +18% | -34% |
| GE11 | +37% | +10% | +11% | -15% | -19% | -16% |
| GE12 | -13% | -24% | -28% | +2% | -12% | -25% |
| GE13 | -3% | -1% | +6% | +19% | +18% | +20% |
| GE14 | -28% | -23% | -18% | -9% | -29% | -16% |

*Source: Bloomberg, RHB*

**Figure 8: Historical performance (KLCON & FBMKLCI)**


*Source: Bloomberg, RHB*

**Figure 9: Construction projects already/expected in the pipeline (not comprehensive, updated as of June)**

| Projects | Estimated job value (MYRbn) | Latest updates |
|---|---|---|
| KVMRT2 | 30.5* | Phase Two of the Putrajaya Line from Kampung Batu to Putrajaya Sentral is at 98% completion, and is expected to commence operations in Jan 2023.This project was financed by a government funding vehicle, DanaInfra, through the ICP/IMTN programme. |
| LRT3 | 16.6* | Works are in progress. Expected completion in 2024. Progress billings have significantly improved and are expected to increase in 2022. |
| Johor Bahru-Singapore RTS Link | 3.7 | Progress stood at 17% completion as at June this year. The project is expected to be completed by Dec 2026, commence operations on 1 Jan 2027, and begin operating by end-2026. Of the 4km length, 2.7km are in Malaysia and 1.3km in Singapore. The RTS link will transit from the underground Woodlands North Station to the above-ground Bukit Chagar station via a 25m high bridge across the Straits of Johor. |
| Pan Borneo Sarawak Highway | 16.2 | Phase 1 of Sarawak Pan Borneo Highway project from Telok Melano to Miri will be fully opened by the end of this year. Four packages have already been fully completed, namely, the Telok Melano-Sematan, Nyabau, Serian-Balai Ringin, and Julau. The remaining packages such as the three sections in Sarikei, Bukit Begunan, and Lambir are expected to be completed next year. |
| Pan Borneo Sabah Highway | 15.2 | The Sabah Pan Borneo Highway project is 65% complete as of 5 Sep 2022. The remaining 19 of the 35 work packages under Phase One of the Pan Borneo Highway project in Sabah will be implemented using allocations from the federal government to speed up the project. |
| West Coast Expressway | 5.0 | Expected completion is in 2025 amid delays in Selangor due to land acquisition issues. Four sections (5, 8, 9, and 10) were opened from May to Dec 2019. Tolling began in Jan 2020 for sections 8, 9, and 10. |
| Central Spine Road | 7.3 | Expected to be completed in 2026. The 306.8km project with a total cost of MYR7.3bn, involves six packages with an over 200km stretch, located in Pahang starting from Kampung Relong in Kuala Lipis. |
| East Coast Rail Link | 50.3 | Target completion is Dec 2026. Local contractors have so far benefited from advance works that were mainly awarded in May and Jun 2020. Close to 11 packages were awarded to Gadang, Gabungan AQRS, Ho Hup Construction, and Advancecon with a total sum of MYR505m. We understand that the ECRL alignment has been extended to 665km from 640km previously. The additional alignment will encompass the original 30km, which was 24km from Jalan Kastam (Port Klang) to West Port and 6km from Jalan Kastam to North Port. |
| KVMRT3 | 34.3> | MRT3 will be implemented via the turnkey project method, similarly to the revised version of Sungai Buloh-Serdang-Putrajaya (SSP) line (MRT2) project. Tenders for civil work packages have been opened in May this year and expected to be awarded by 4Q22 via three packages covering a 6-8 years period. The first phase of MRT3 is expected to open in Dec 2028, while the entire project is slated for completion by 2030. MRT3's proposed length is 51km, with 39km in Kuala Lumpur, and the remaining 12km in Selangor. Under this alignment, 80% is elevated and 20% underground. |
| Kuala Lumpur-Singapore High Speed Railway (KL-SG HSR) | 40.0> | Malaysia's Transport Minister, Datuk Seri Wee Ka Siong was in discussions with his Singaporean counterpart with regard to reviving the KL-SG HSR. To recap, Malaysia and Singapore said in a joint statement that the HSR project had been cancelled after both countries failed to reach an agreement on several changes proposed by Malaysia on 1 Jan 2021. |
| Kuala Lumpur-Bangkok High Speed Railway | n.a. | Malaysia and Thailand have agreed to conduct a feasibility study on the Kuala Lumpur-Bangkok HSR. |

*Note: *Project value reduced post revision*
*Note 2: >Civil works*
*Source: Various media, Company data, RHB*

## Upside/downside risks

Upside/downside risks to our sector weighting are:

i. Shorter-than-expected/longer-than-expected delays in progress works;
ii. Succeed/failure in securing new orders;
iii. Cheaper/higher material costs.

While we remain cognisant of the aforementioned risks, we believe certain companies with robust earnings visibility and strong fundamentals will have capacity to buffer against any downside impact.

## RHB Guide to Investment Ratings

| | |
|---|---|
| **Buy:** | Share price may exceed 10% over the next 12 months |
| **Trading Buy:** | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| **Neutral:** | Share price may fall within the range of +/- 10% over the next 12 months |
| **Take Profit:** | Target price has been attained. Look to accumulate at lower levels |
| **Sell:** | Share price may fall by more than 10% over the next 12 months |
| **Not Rated:** | Stock is not within regular research coverage |

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