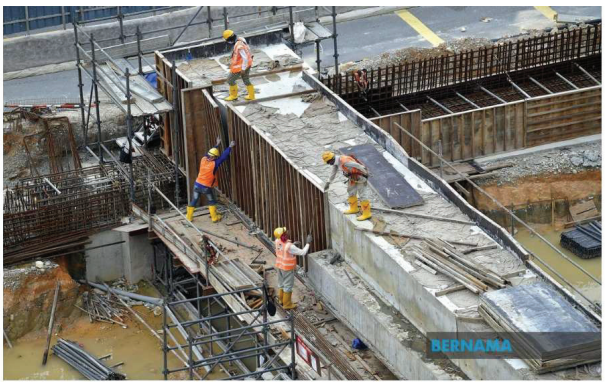
BUSINESS

JOBS FLOW, MEGA INFRASTRUCTURE PROJECTS TO BOOST CONSTRUCTION SECTOR EARNINGS



11/03/2024 01:01 PM

KUALA LUMPUR, March 11 (Bernama) -- The construction sector's earnings should improve further this year as work progress gathers momentum amid higher new job wins, said Kenanga Research.

Concurrently, builders' job flow should accelerate with the roll-out of the Mass Rapid Line 3 (MRT3), Penang Light Rail Transit, various flood mitigation projects as well as private-sector projects such as new data centres and semiconductor foundries.

"Gamuda Bhd guided for RM25 billion in new job wins within 24 months, while Sunway Construction Group Bhd raised its guidance for new job wins in the financial year 2024 (FY2024) to RM3 billion from RM2.5 billion previously.

"While WCT Holdings Bhd has not secured any new key jobs in FY2023, it also guided for bullish new job wins of RM3 billion. Meanwhile, IJM Corporation Bhd's year-to-date (YTD) FY2024 new job wins of RM3.62 billion have already exceeded its RM3 billion projection and we expect RM4.6 billion job wins in FY2025," it said.

Additionally, it said that Kerjaya Prospek Bhd has secured a total of RM377.9 million YTD job wins against the assumption of RM1.5 billion, and Kimlun Corporation Bhd has secured YTD new jobs of RM133.6 million in FY2024.

In a note today, Kenanga Research highlighted that there was a significant improvement in the sector's earnings delivery against its expectations in the fourth quarter of calendar year 2023 (4QCY23).

"IJM's nine-month FY2024 results beat our forecast due to better property billings, while Suncon's FY2023 results surpassed our forecast on robust progress billings.

"Kimlun's FY2023 results beat our forecast although not significant in absolute terms, given its much-reduced earnings base," it noted.

Gamuda's first quarter FY2024 core profit jumped 35 per cent due to strong overseas earnings on higher construction billings from Sydney Metro West and maiden earnings from DT Infrastructure Pty Ltd.

Meanwhile, Kerjaya's FY2023 core profit leapt 20 per cent on higher construction and property billings.

On the flip side, the building material sector saw a deterioration in earnings delivery in the recently concluded 4QCY23 reporting season.

Engtex Group Bhd, OMH Holdings Ltd and United U-Li Corp Bhd's performance were weighed down by high-cost inventories, while Press Metal Aluminium Holdings Bhd's results came in within Kenanga Research expectation, thanks to higher average selling price.

"There has not been any significant pick-up in demand for aluminium despite China's reopening and its government's efforts to stabilise the property market," the research house said.

Nevertheless, it said the rising environmental concerns prompting the closure of fossil fuel-powered smelters, especially coal, coupled with Western sanctions against Russian aluminium are expected to keep aluminium prices firm.

YTD, London Metal Exchange aluminium prices averaged at US$2,195 per tonne, which is one per cent higher than US$2,178 tonnes in the second half of CY2023 (2HCY23), while the average price of silicon manganese of US$910 per tonne is two per cent higher than US$890 per tonne in 2HCY23.

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