

# Tailwinds remain strong for construction sector

## Hyperscale DCs, infrastructure projects fuel growth

### CONSTRUCTION

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**PETALING JAYA:** The construction industry is expected to maintain a positive outlook, supported by strong order books and a steady pipeline of infrastructure and data centre (DC) projects, despite mixed earnings performance among contractors in recent quarters.

According to BIMB Securities, the sector remains underpinned by growing demand for digital infrastructure and major public projects.

The research house said the industry's outlook remains optimistic, underpinned by strong order books and a robust pipeline of DC, rail, highway and water infrastructure projects.

BIMB Securities maintained its "overweight" call on the industry after reviewing the latest batch of quarterly results from contractors under its coverage.

Results across the sector, however, were uneven.

Of the seven companies tracked by BIMB Securities, two delivered earnings above expectations and two met forecasts, while three fell short.

The research house said the divergence largely reflected differences in project exposure and execution timing.

"Mixed results across contractors, with two companies beating expectations, two in line, and three missing estimates, reflecting differing project exposures and execution cycles," the research house said in its sector update yesterday.

Companies with strong exposure to private sector construction – particularly hyperscale DC projects – generally performed better.

BIMB Securities noted that "DC-related contractors continued to outperform, supported by strong private-sector demand, faster project execution and improving margins."

By contrast, firms with heavier exposure to property development or transitional infrastructure projects experienced weaker earnings momentum.

Among the contractors reviewed,

**"DC developments continue to represent a key earnings catalyst for contractors, particularly as hyperscale DC projects in Johor, Klang Valley and Negri Sembilan move into more construction-intensive phases."**

BIMB Securities

Sunway Construction Group Bhd (SunCon) stood out with stronger-than-expected results.

The group reported a net profit of RM118.4mil for the last quarter of 2025, up 41.3% quarter-on-quarter and 71.2% year-on-year.

After adjusting for exceptional items, SunCon's core earnings performance was even stronger.

BIMB Securities said the group's earnings for financial year ended 2025 exceeded its expectations, driven by accelerated execution across hyperscale DC packages and margin recalibration reflecting cost savings from early project completion.

Kerjaya Prospek Group Bhd also posted solid results, with profit growth supported by stronger construction margins and improved contributions from its property segment.

The company recorded a 39.3% quarter-on-quarter increase in earnings during the fourth quarter.

In contrast, some larger contractors faced earnings pressure due to non-core segments.

IJM Corp Bhd, for instance, reported significantly weaker results as losses from its property division and foreign exchange impacts weighed on profitability, despite stronger construction activity.

Looking ahead, the research house expects the sector to benefit from the next phase of large-scale infrastructure and private investment projects.

"DC developments continue to represent a key earnings catalyst for contractors, particularly as hyperscale DC projects in Johor, Klang Valley and Negri Sembilan move into

more construction-intensive phases," it highlighted.

Beyond digital infrastructure, ongoing rail, highway and water infrastructure projects are expected to provide further opportunities for contractors over the medium term.

Despite the positive outlook, BIMB Securities highlighted several risks facing the sector, including project delays, labour shortages and rising construction costs.

It also cautioned about the possibility of slower foreign investment into Malaysia's DC ecosystem.

"The sector's medium-term outlook remains positive given the sizeable infrastructure pipeline and sustained demand for industrial and digital infrastructure development in the country," the research house added.

A sector analyst with a foreign brokerage also reaffirmed her optimism, as she expects earnings growth for the construction industry to improve this year and the next, as several large projects move into more construction-intensive phases.

"The biggest catalyst is the ongoing wave of hyperscale DC developments, particularly in Johor and the Klang Valley, alongside public infrastructure projects such as rail and highway upgrades," she told *StarBiz*.

The analyst added that execution capacity remains the primary risk, pointing out that labour availability, subcontractor capacity and cost pressures could limit how quickly contractors can scale up.

"If too many large projects are rolled out simultaneously, margins may come under pressure due to competition for resources," she said.