Construction

4QCY24 Earnings Wrap

Positive (Maintain)

HIGHLIGHTS

- Mixed sector performance: Earnings mostly within expectations; WCT and Malayan Cement exceeded, while MRCB underperformed.
- Property segment weighed down performance amid cautious market sentiment
- Regulatory delays and project completions impacted earnings recognition
- Diversified portfolios provided earnings resilience despite domestic headwinds
- **Maintain POSITIVE** with top picks being: **SunCon (BUY, TP: RM4.82)**, **IJM Corp (BUY, TP: RM3.89)**, **Gamuda (BUY, TP: RM5.42)** and **Malayan Cement (BUY, TP: RM7.10)**

Sector Recap

Construction (Engineering, Infrastructure and Property): The sector saw mixed performance, with three companies meeting expectations, one exceeding, and one falling short. **SunCon (BUY, TP: RM4.82)** delivered earnings within expectations, with FY24 core earnings up +25.0% on the back of a +31.8% revenue increase, supported by a strengthened position in advanced technology facilities, particularly data centre projects. **MRCB (BUY, TP: RM0.56)** underperformed, with 4QFY24 core earnings down >-100%yoy due to significantly reduced contributions from their property development & investment division, following the completion of two major projects; additionally, the group's newly launched property projects were still in their early stages, resulting in minimal revenue recognition. Moreover, there was also lower revenue contribution from the LRT3 construction project which nears completion, resulting in a -35.2% lower revenue in FY24. **IJM Corp's (BUY, TP: RM3.89)** earnings, although slightly below our forecasts, came within estimates on the back of expectations of stronger construction progress in 1QCY25; 9MFY25 core earnings grew +17.6%yoy to RM353.4m while 9MFY25 revenue also jumped +7.2%yoy to RM4.46b, aided by higher construction activity along with improved bottom-line margins. This was also supported by a sale of parcel land in Penang which contributed to increased revenue in their property development segment.

WCT Holdings (BUY, TP: RM0.97) exceeded expectations by coming out of the red, posting a >+100% surge in FY24 core earnings to RM76.4m while 4QCY24 revenue also jumped +35.1%yoy to RM542.6m; this was largely driven by higher sales and billings in their property development division, higher occupancy and rental rates for its malls and higher contributions from its hotels. The strong increase in core profits can also be attributed to a non-core profit arising from a net gain after tax on remeasurement of interest in a jointly controlled entity, amounting to approximately RM184.0m in 3QFY24 and a fair value gain on investment properties amounting to RM42.0m. **Gamuda (BUY, TP: RM5.42)** will be reporting its 4QCY24 (2QFY25) results later this month due to its July FYE. However, in the previous quarter, Gamuda's earnings fell within expectations, posting a +47.5%yoy surge in 3QCY24 revenue to RM4.14b, supported by strong overseas property sales and an improvement in margins.

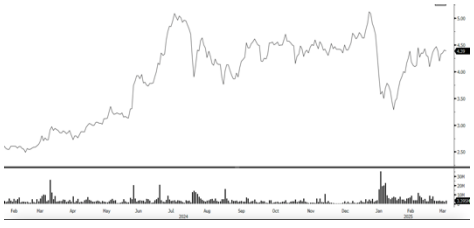
COMPANY *IN FOCUS*

Sunway Construction Bhd.

Maintain BUY | Target Price: RM4.82
Price @ 19 March 2025: RM4.39

- Outstanding order book stands at RM5.83b while active tender book is RM14.6b
- Returned to net cash position with a 59% dividend payout ratio in 4QFY24
- Recently secured an RM1.5b contract for the RTS TOD at Bukit Chagar, Johor

SHARE PRICE CHART

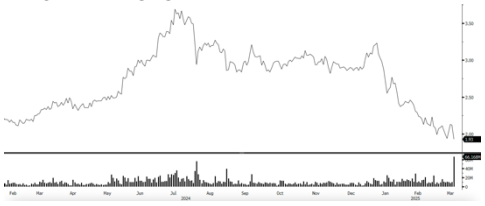


IJM Corp Bhd

Maintain BUY | Target Price: RM3.89
Price @ 19 March 2025: RM1.93

- Solid outstanding order book of RM11.5b
- Strong international presence after acquiring 50% stake in UK-based property firm, JRL Group Holdings LTD.
- The property division has unbilled sales amounting to approximately RM1.6b

SHARE PRICE CHART



Construction (Building Materials): Performance was relatively positive, with one company meeting expectations and one outperforming. **CMSB (BUY, TP: RM1.57)** came in within expectations with FY24 core earnings growing +34.3% to RM131.4m, driven by improved gross profit margins for its cement division, higher sales from its property development & road maintenance division and lower operating costs from its phosphate division. **Malayan Cement (BUY, TP: RM7.10)** surpassed expectations with 6MFY25 core earnings and revenue rising +36.5%yoy and +0.7%yoy respectively, due to better earnings from both the cement and concrete divisions and consolidation of a quarter's worth of earnings from NSL Ltd, after the acquisition was finalised in Oct-24.

Across the board, construction companies encountered varied conditions in 4QCY24, with some benefiting from robust progress in infrastructure and property projects, while others faced challenges due to project completions and regulatory delays. Outperformers such as **WCT Holdings** and **Malayan Cement** leveraged their diversified portfolios, improved operational efficiencies, and increased contributions from higher-margin segments to boost earnings. Conversely, underperformers like **MRCB** were primarily impacted by diminished revenue recognition following the completion of significant projects, subdued contribution from ongoing ventures, and delays in launching new developments amid cautious market conditions and regulatory bottlenecks.

Maintain POSITIVE. Looking ahead, 1HCY25 is expected to show a recovery in construction sector performance, driven by improved project execution momentum despite more challenging market conditions. Overall, our optimism is anchored by several key factors: (1) a diversified earnings base and strategic asset monetisation among key players such as IJM's sale of land in Penang and the proposed launch of WCT's REIT, mitigating individual project risks and regulatory delays; (2) sustained operational efficiencies and effective cost management, supporting margin expansion particularly among building materials producers; (3) continued strength in property development and higher property unbilled sales benefiting diversified construction firms and (4) accelerated progress in key infrastructure projects, particularly data centres supported by robust order books of industry leaders such as SunCon and IJM Corp, alongside increased infrastructure activity driven by national initiatives like the Penang LRT, airport expansions, and highway projects, enhancing earnings visibility and sector-wide performance throughout CY25.

Our top picks for the construction sector remain **SunCon (BUY, TP: RM4.82)**, **IJM Corp (BUY, TP: RM3.89)**, **Gamuda (BUY, TP: RM5.42)**, and **Malayan Cement (BUY, TP: RM7.10)**. Despite a challenging backdrop marked by declining investor sentiment in Malaysia, ongoing geopolitical tensions, and uncertainties surrounding Trump's protectionist policies, we anticipate sustained positive momentum within the construction space. SunCon remains highly attractive given persistent and robust demand for data centre construction projects, driven by Malaysia's accelerating digital transformation and ongoing foreign investments into hyperscale facilities. IJM Corp's diversified earnings base, notably its strategic international exposure through key projects in the UK via its subsidiary JRL, positions the company favourably against domestic market volatility, providing a resilient earnings buffer. Meanwhile, Gamuda's strong overseas presence and continued execution excellence in large-scale infrastructure projects underpin a stable growth trajectory. Finally, Malayan Cement stands out as the primary beneficiary of Malaysia's upcoming infrastructure boom.

TABLE 5: 4QCY24 Revenue & Earnings Overview

Companies	Dividend (sen/ share)	4QCY24 Revenue Overview			4QCY24 Core PATAMI Overview		
		YoY (%)	QoQ (%)	Ytd (%)	YoY (%)	QoQ (%)	Ytd (%)
Construction (Engineering, Infrastructure and Property):							
WCT Berhad	N/A	35.1	24.0	5.6	>100	>100	>100
Malaysian Resources Corporation Berhad	1.0 sen/share	(46.4)	(13.0)	(35.2)	(>100)	(92.2)	>100
Sunway Construction	2.5 sen/share	60.7	61.8	31.8	29.9	46.9	25.0
IJM Corporation	N/A	4.4	1.6	7.2	28.6	(12.4)	17.6
Gamuda*	5.0 sen/share	47.5	(12.4)	47.5	2.9	(26.4)	2.9

Construction (Building Materials):							
Malayan Cement	5.0 sen/share	(0.5)	(1.5)	(0.7)	23.6	8.0	36.5
Cahya Mata Sarawak Berhad	3.0 sen/share	2.5	13.7	(0.4)	(53.8)	(77.4)	34.3

Source: MIDFR

TABLE 6: 4QCY24 Forecast Revisions Summary

Companies	FYE	4QCY24 Results Overview		Revisions		
		Ours	Streets'	Recommendation	Target Price	Earnings Forecast
Construction (Engineering, Infrastructure and Property):						
WCT Berhad	**DEC**	**Above** 127%	**Above** 128%	**Upgraded** BUY	**Unchanged** RM0.97	**Unchanged**
Malaysian Resources Corporation Berhad	**DEC**	**Below** 87%	**Below** 81%	**Unchanged** BUY	**Lower** RM0.56	**Revised Downward** FY25F = -18.4% FY25F = -18.4%
Sunway Construction	**DEC**	**Within** 100%	**Within** 107%	**Unchanged** BUY	**Higher** RM4.82	**Unchanged**
IJM Corporation	**MAR**	**Below** 61%	**Within** 68%	**Unchanged** BUY	**Unchanged** RM3.89	**Unchanged**
Gamuda*	**JUL**	**Within** 15%	**Within** 17%	**Unchanged** BUY	**Unchanged** RM5.42	**Unchanged**
Construction (Building Materials):						
Malayan Cement	**JUN**	**Above** 64%	**Above** 60%	**Unchanged** BUY	**Higher** RM7.10	**Revised Upward** **FY25E = +22.5%** **FY26F = +14.8%**
Cahya Mata Sarawak Berhad	**DEC**	**Within** 94%	**Within** 92%	**Unchanged** BUY	**Higher** RM1.57	**Unchanged**

Source: MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology