Construction

The Key Towards Economic Recovery

OVERWEIGHT

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SWITCH IN ANALYST COVERAGE

As Malaysia gradually recovers from the Covid-19 pandemic, we believe the Malaysian government will gradually pivot their focus onto economic recovery measures for the mid to long-term horizon. Drawing experience from historical lessons, we are convinced that construction will be a key lever for the government to kick start the recovery and it is a matter of time before the sector will undergo a blanket re-rating.

Therefore, we feel timing is now right to start accumulating construction names in anticipation for a rally. We reckon that the rally will come somewhere in late August to November after (i) the weak 2QCY20 reporting season (MCO peak) is being flushed out and (ii) market begins to pivot their attention onto goodies from Budget 2021 and the 12th Malaysian Plan. Our KLCON study indicates potential upside of 30% from current levels.

We have categorized our coverage into 5 groups:

1. **The Safe Bets: Gamuda (OP; RM4.30), Suncon (OP; RM2.45), Kerjaya (OP; RM1.45);**
2. **Bargain Galore: Hsl (OP; RM1.25), Muhibah (OP; RM1.20), Kimlun (OP; RM1.00);**
3. **Contrarian Buy: MRCB (OP; RM0.75);**
4. **Tactical Trades: WCT (MP; RM0.55), IJM (MP; RM2.00) and;**
5. **Stay away: Mitra (MP; RM0.20), Gkent (UP; RM0.51).**

On the earnings front, we have aggregately reduced FY20E earnings by 20% to cater for the MCO impact; but lift FY21E earnings by 4% on deferred works. We expect the upcoming 1QFY20 earnings to greatly disappoint the market – but we see an opportunity to accumulate. Maintain Overweight.

Construction has been a relative outperformer post-crisis, historically. Looking back, the construction sector exhibited strong recovery relative to other sectors during the AFC (Asian Financial Crisis) and GFC (Global Financial Crisis) periods. During AFC, KLCON gained 394% from its bottom within a year; while it gained 81% during the GFC. We think current climate is no different from then. Currently, KLCON has gained a commendable +47% from YTD lows and we think there might be more upside ahead as further catalytic news flow emerge.

Figure 1, 2, 3: Sector % performance from bottom to peak within 1 year

AFC (1998)	
Index	Low to Hi
KLCON	**394%**
KLFIN	332%
KLPRP	254%
FBMSC	252%
FBMKLCI	233%
KLIND	179%
KLCSU	145%
KLPLN	87%

GFC (2008)	
Index	Low to Hi
KLPLN	112%
KLFIN	84%
KLCON	**81%**
KLPRP	78%
FBMSC	74%
FBMKLCI	61%
KLCSU	47%
KLIND	40%

The Great Lockdown	
Index	Low to Current
KLHEAL	108%
KLTEC	69%
KLENG	53%
KLTRAN	50%
KLCON	**47%**
KLUTL	35%
KLPRP	31%
KLTEL	28%
KLPLN	24%
KLCSU	24%
FBMKLCI	22%
KLFIN	16%

Source: Bloomberg, Kenanga Research

Get the spotlight ready. As the Covid-19 curve flattens and the nation gradually opens up the economy for more activities, greater emphasis will be placed onto economic recovery plans moving forward. Needless to say, construction will be grabbing onto more headlines.

We like the construction sector because:

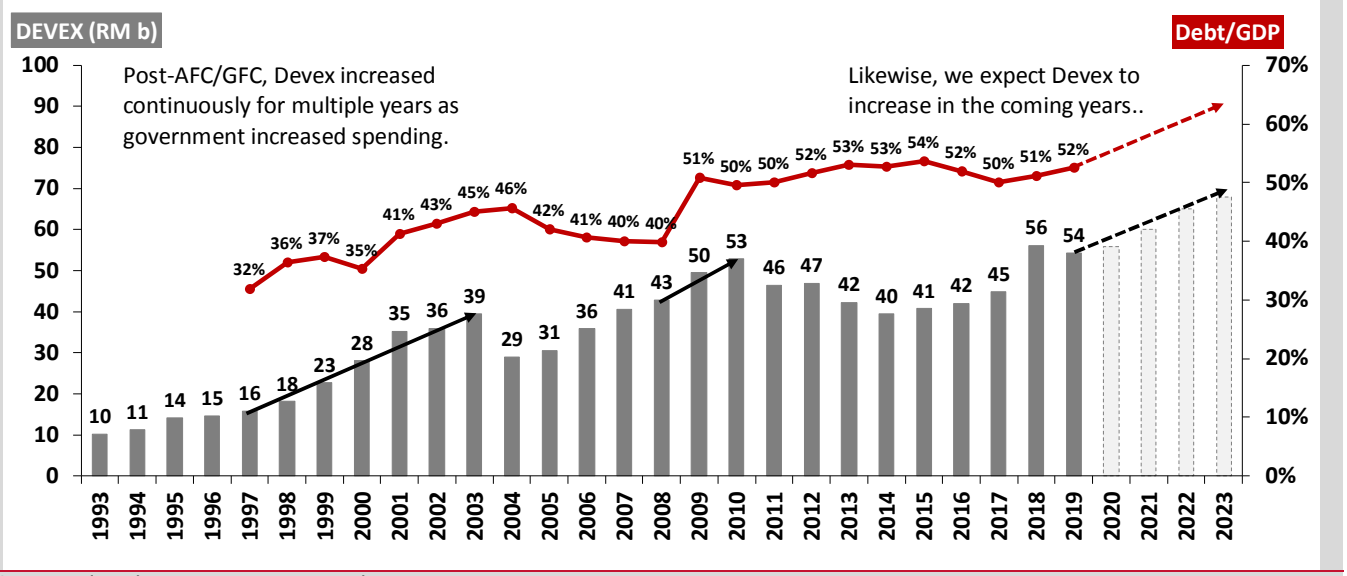
1. **Its importance is proven historically.** Construction will not be left out in a plan towards recovery. In fact, fiscal pump priming will be the impetus for a speedy economic recovery. Case in point, during the 1998 AFC, construction of infrastructures was given the biggest priority in the 1999 budget.

2. **Stimulus is widespread and effective.** Construction remains the most effective conduit for the government to unleash their fiscal stimulus which boasts high multiplier effect - given the huge supply chain.

3. **It is one of the only available levers.** Looking at the supply side equation for GDP; which consist of manufacturing, agriculture, mining, construction and services – construction is a sector where the government has fairly huge control – through direct stimulus or policy setting. Meanwhile, the rest are somewhat externally-led to varying degrees. For example, plantation relies on CPO demand, mining on crude oil demand and manufacturing depends on global demand for products. The unsynchronised Covid-19 recovery for different countries makes it unreliable to depend on external demand for an economic boost.

4. **It is a low-lying problem.** 1QCY20 GDP revealed that construction and plantation were the sectors weighing down growth at -7.9% and -8.7%, respectively. While there are limited options for the GoM to boost CPO production and prices, there are many things the government can do to re-invigorate the construction sector.

Figure 4: Development expenditure growth during AFC/GFC era (Construction spending is a linear function of DEVEX)



Source: Bloomberg, Kenanga Research

In a crisis, be aware of the danger – but recognise the opportunity. In order to avoid a downward spiral in the economy, we feel the government can:

1. **Focus to expedite existing projects** such as ECRL, LRT3. While ECRL seems to be picking up steam, LRT3 progress may be slightly slower-than-expected. This may be due to a possible stalemate between MRCB and GKENT over shareholders' agreement. Recall that GKENT had launched an arbitration proceeding against its JV partner MRCB back in Aug 2019 over disagreements on the choice of financing requirements. So far, there are no updates over the arbitration and we speculate that government intervention might be required to alleviate this impasse.

2. **Fire up new projects.** In times like these where every nation will be registering a higher deficit, we believe rating agencies will allow fiscal discipline to be loosened. Fiscal reforms can take a backseat as growth in economy should be the priority. Therefore, it would be an opportune time for the government to chart the course for the nation's next mega projects i.e. MRT3, HSR. This will bring back some public confidence in the economy without worrying too heavily about the global perception of our fiscal status.

We list out existing mega projects and their latest updates:

i. MRT3: RM21b proposal submitted

Latest updates: If approved, it is ready to be rolled out by year end. Great continuation works for contractors as existing machineries for MRT2 can be rolled over into MRT3. Intra city infrastructure would boast highest multiplier effect. Project will generate more economic activity upon completion.

ii. **Rapid Transit System (RTS): RM3.2b**

Latest Updates: Malaysia has decided to go ahead with the project in Oct 2019. Nonetheless, Malaysia's details on the proposal will have to be agreed by Singapore before the project can proceed. In addition, 3 agreements are required to be signed: (1) SMRT (Singapore) – Prasarana (Malaysia) joint venture agreement to operate the RTS; (2) a concession agreement for both countries to appoint the joint venture; and (3) an amended RTS Link Bilateral Agreement. The deadline of discussions and signing of the agreements have been **extended to July 31, 2020.**

iii. Pan Borneo Sabah: RM12.9b

Latest updates: An ongoing project with 12 out of 35 contracts awarded. Out of the remaining 23 contracts, 3 was supposed to be awarded in 1QCY20 (when PH was in power) worth a cumulative of c.RM1b whereas the remainder 20 projects will be awarded in the 12th Malaysian Plan (2021-2025).

iv. High Speed Rail (HSR): Indicative value of RM68b

Latest updates: Back in Sept 2018, Malaysia and Singapore had agreed to put off the construction of HSR till May 2020 before deciding again whether to proceed with the project. With the Covid-19 pandemic disrupting progress, deadline is now **deferred to end-2020**. Currently, the ball is on Malaysia's court whether to proceed with the HSR or pay a cancellation fee (sum undisclosed but likely to be huge). According to the Edge, findings from the technical advisory consultants (Minconsult S/B) and the commercial advisory consultant (EY) are currently up for discussions by the government.

'Buy on rumours, sell on news'. The mechanics behind the construction sector works in such a way that its share price rallies tend to precede news flow. With contract news flows still in its infancy stage, we find it fitting to position ourselves into the sector now.

When will the rally likely be?

1. We think late August - November 2020 would be an apt time to anticipate a rally.

2. The rationale being late - August would likely reflect the worst results for contractors - when MCO would be at its peak. With that out of the window, investors can fully focus on the goodies for Budget 2021 (to be tabled on 30th November – 3rd December 2020) and the 12th Malaysian Plan (to be tabled on January 2021). This is all assuming Covid-19 cases remains under wraps without resurgence in infections.

3. That being said, we acknowledge that timing the market is difficult, hence we suggest dollar cost averaging into the sector from now till Budget 2021.

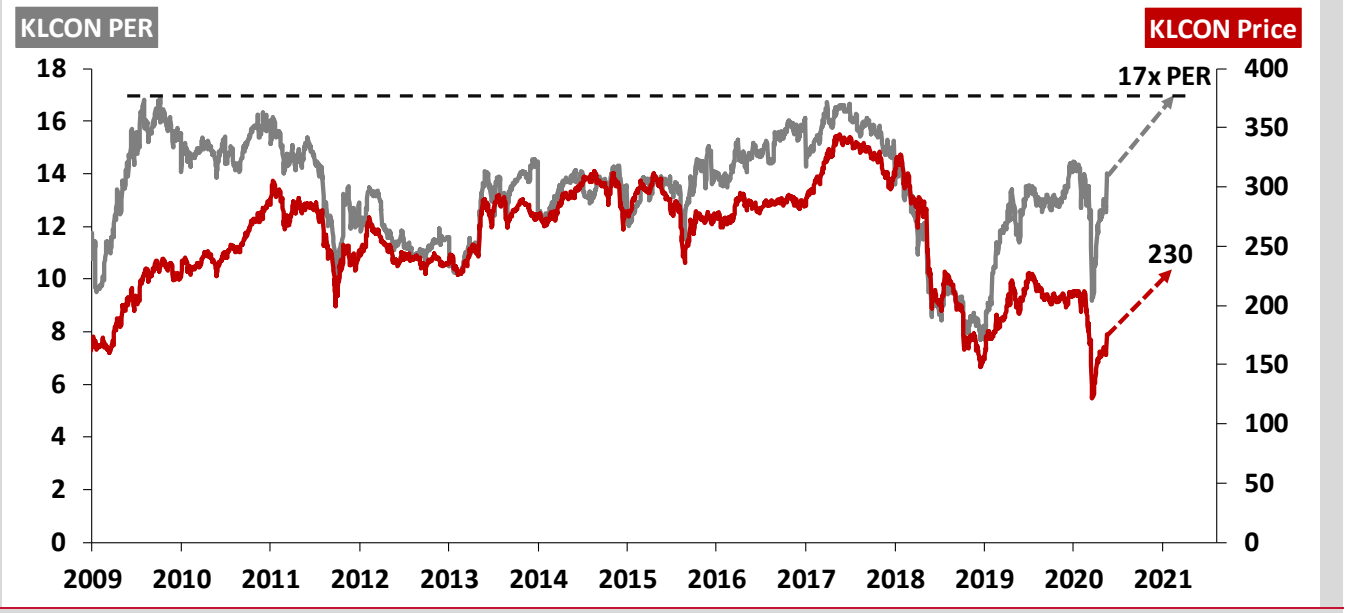
How big can the rally be?

1. With the official roll out of mega infrastructure projects, we think it is possible for KLCON to rerate to PER levels seen in 2009/2017 i.e. 17x from current 14x.

2. This suggest upside of over 12% i.e. **KLCON target of c.200** – which is rather undemanding.

3. That said, there could be more upside as current PER of 14x is based on FY20 earnings. FY21 PER of 12.5x indicates upside of 30% i.e. **KLCON target of c.230**.

Figure 5: KLCON PER chart showcasing potential upside



Source: Bloomberg, Kenanga Research

Will the rally be sustainable?

1. While we believe the sector will imminently undergo a sector-wide rerating; earnings delivery is paramount to keep the rally sustainable.

2. Hence, we prefer companies which have the execution track record to effectively turn order-book into earnings.

3. That said, we acknowledge that the Malaysian construction space is a cyclical sector at the end of the day. With companies having order-book of quantum in the billions, it is just unsustainable to achieve continuous order-book growth to support earnings. Thus, the rally will eventually taper off. Case in point, KLCON Index has been range bound for the last 2 decades.

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Next, we introduce our picks within our coverage which we have categorized into 5 groups:

Figure 6: Kenanga's Construction Coverage

Categories	Description	Stock
The Safe Bets	Proxies to the sector. Street have a universal buy on them, excellent execution, tend to deliver earnings and well-owned. That said, upside may not be as lucrative as the lower liners.	Gamuda, Suncon, Kerjaya
Bargain Galore	Deeply discounted stocks with huge potential gains. But without meaningful catalyst, it could forever be a value trap.	Muhibah, Kimlun, HSL
Contrarian Buy	Consensus don't fancy it. But we see upside surprises; big risk = big rewards.	MRCB
Tactical Trades	Prominent contractors that will likely rerate along with the sector. Nonetheless, once the hype fizzles out, market would likely re-focus onto its ongoing issues ie high gearing/weak growth. Hence, we are cautious on these names over the medium-term horizon.	WCT, IJM
Stay Away	In line with consensus, we prefer to stay away due to idiosyncratic issues.	Mitra, Gkent

Source: Kenanga Research

The safe bets: *Proxies to the sector. Street have a universal buy on them, excellent execution, tend to deliver earnings and well-owned. That said, upside may not be as lucrative as the lower liners.*

Safe bet #1: Gamuda (OP; TP RM4.30): The Industry Lobbyist

Our Angle:

- Gamuda will take on significant commanding roles in practically all the upcoming mega infrastructure projects in Malaysia ie MRT3, Pan Borneo Sabah, PTMP, HSR.
- 50% chance to win the AUD2.6b job in Australia – higher than the 1/3 chance market anticipates. Gamuda has extended its reach into new markets like Australia in an effort to establish a new base for growth. Gamuda's Australian JV Co (Gamuda-BMD) has been shortlisted along with 2 other JV Cos (CPB-Ghella JV and Acciona-Samsung JV) to bid for the M6 motorway (worth AUD2.6b). We think the chances of Gamuda-BMD securing the project is a coin flip (50:50) between them and CPB-Ghella JV. We rule out Acciona-Samsung JV due to the bad blood between Acciona and the NSW government. A win would be a positive surprise.

Attached Risks:

- The recent change in government casting uncertainties over its disposal of tolls; PTMP commencement will drag on.
- Amidst weak property sales from ongoing projects, Gamuda could revisit rights of warrants issuance or trim their traditional dividend pay-out of 6.0 sen every half yearly for cash buffer.

Safe bet #2: Suncon (OP; TP RM2.45): Mr Low Risk

Our angle:

- Low risk contractor from all possible fronts: replenishment, receivables, execution and balance sheet.
- We are expecting for record high earnings in FY21 underpinned by LRT3, TNB Campus and Petronas Leadership Centre as these projects (cumulatively make up RM2.6b from outstanding book of RM5.4b) enter into their third year of execution e.g. peak year.

Attached Risks:

- India could take a longer-than-expected recovery path from Covid-19. Commencement of won Indian Highway projects which makes up 10% of order-book could be deferred. That said, initial construction commencement is supposed to be in October 2020, leaving another 5 months for the nation to recover from the pandemic.

Safe bet #3: Kerjaya (OP; TP RM1.45): Steady High-Riser

Our angle:

- Strong replenishment prowess lifted current order-book to an all-time high of RM3.9b.
- Despite its growing revenue and profits, the group's growing net cash position is a testament of how efficient its collection is. After all, Kerjaya will never compromise cash to fund its clients' working capital.
- Maiden Dutamas property (GDV of RM380m) contribution would give an earnings kicker beginning FY21 when launched. Channel checks indicate that TA's Alix project (which is directly adjacent to Kerjaya's plot) has raked up fairly decent sales of c.50% having launched just a year ago. Assuming a 50% take-up, this project would contribute c.RM12m (or 8%) to Kerjaya's bottom-line in its first year of construction.
- Trades at an appealing ex-cash PER of 6.5x.

Attached Risks:

- Client base are mostly private developers – which could potentially hit a snag in cash flows during this troubling times. We are afraid clients would request for progress billings to be deferred – indirectly impacting Kerjaya's profitability – which we have not fully discounted in our forecast.
- Kerjaya might be a laggard against peers during a sector wide rally given nil involvement in mega infrastructures from government.

***Bargain galore**: Deeply discounted stocks with huge potential gains. But without meaningful catalyst, it could forever be a value trap.*

Bargain galore #1: Muhibah (OP; TP RM1.20): Is it that bad?

Our angle:

- We think that market is overly discounting the impact of the new Chinese airport in Phnom Penh towards Muhibah's airport business. While the upcoming Chinese airport is a breach towards Muhibah's exclusive concession; we believe due compensation would be granted – or at least a minimum compensation to pare off debts attached to Muhibah's Phnom Penh airport.
- Our worst case scenario suggests a floor TP of RM1.00. In this scenario, we (i) exclude Phnom Penh airport from our valuations, (ii) only record profits from Sihanoukville and Siam Reap airports starting 2022 due to Covid-19, (iii) value 59%-owned Favco at RM1.72 (lowest point in the March 2020 sell down), and (iv) attach only 0.3x PBV (-2.5SD) to their construction business.

Attached Risks:

- With airports being a direct victim from the Covid-19 impact, Muhibah would likely remain deep in value for some time – presenting a good time for value hunters to accumulate.
- Outstanding order-book of RM1.5b lowest since 2007. With its forte geared towards the O&G infrastructure space, underpinned by the low crude prices, its order-book trajectory will likely remain in a downtrend.
- Recent 4QFY19 losses stemming from their construction division could also potentially suggest more cracks.

Bargain galore #2: Kimlun (OP; TP: RM1.00): Don't miss the sale!

Our angle:

- At only 5x FY21 PER, Kimlun is the cheapest contractor within our universe.
- With little market expectations coupled with its low earnings base, we believe it has huge potential when the upcycle commences. With a clean track record within the infrastructure and building space, we are confident that this is an opportune time for Kimlun to replenish their depleting order-book which had dipped to RM1.5b recently – the lowest in 5 years.
- Will benefit from rail-related precast works in Malaysia and Singapore given their dominant position as a market leader in this space.

Attached risks:

- To recap, back in 2017/2018, Kimlun had embarked on an aggressive land banking strategy by accumulating (i) 3 plot of lands in Johor back for a cumulative sum of RM120m and (ii) 77 bungalow plots in Shah Alam for RM68m. Given the persisting weak economic backdrop for properties, it will be hard to monetise these assets and Kimlun will have to bear the higher financing and opportunity costs in the near future.
- Kimlun's net gearing has since increased from 0.1x in 2017 to 0.5x in the latest 4QFY19 quarter. Consequently, finance cost increased from RM7m/annum to RM17m/quarter. We are expecting financing costs to normalize at RM21m/annum from 2020 onwards.

Bargain galore #3: HSL (OP; TP RM1.25): Jaguh Kampung

Our angle:

- As Sarawak's state election inches closer, investors' interest will gravitate towards Eastern Malaysia

contractors for more awards from the RM11b second trunk road and coastal road. Having only a handful of names to pick for this theme, HSL will not be missed. Recall that HSL bagged a coastal road project worth RM300m back in April 2019.

- Unlike its peers in the region which have rather volatile profits, we like HSL for its consistent execution works, stable margins and net cash positioning.

Attached risks:

- We are mindful that the company's earnings growth trajectory has been on a downtrend since a peak in 2012. This probably explains the share price underperformance. Our growth projection for FY21 could be an inflection point for its share price.

Contrarian buy: *Consensus don't fancy it. But we see upside surprises; big risk = big rewards.*

Contrarian #1: MRCB (OP; TP: RM0.75): The Dark Horse

Our angle:

- Given their status as the largest Bumiputera-led contractor, it stands to benefit from all ongoing projects and upcoming ones ie ECRL, LRT3, HSR.
- We are purely speculating; but if the MRCB-GKENT dispute (over financing option) drags on and derails the progress of the job, there could be a chance that MRCB would seek opportunities to get GKENT terminated. This will grant MRCB absolute control over LRT3 which would be a huge boost to their order-book (+RM5b). We saw IJM terminated for the LRT3 tunnelling package before, so our guesswork is not entirely baseless.

Attached risks:

- MRCB has always disappointed when it comes to earnings delivery.

Tactical trades: *Prominent contractors that will likely rerate along with the sector in the immediate term. Nonetheless, once the hype fizzles out, market would likely re-focus onto its ongoing issues ie high gearing/weak growth. Hence, we are cautious on these names over the medium-term horizon.*

Tactical trade #1: WCT (MP; TP RM0.55): Borrowings Burden

Our thoughts:

- WCT is an extremely established name within the Malaysian infrastructure space. Nonetheless, we expect tough times ahead for WCT.
- To refresh one's memory, WCT's hotels (Kelana Jaya and Klang) and mall (Paradigm PJ) were already marred with low occupancy rate amid a competitive landscape prior to Covid-19 pandemic.
- It has an extremely high net gearing of 1.1x which costs them a whopping interest of RM150m/annum.
- Lower asset returns combined with its high financial leverage would amplify the severe-ness of the downturn. Initial de-gearing plans through a REIT IPO will likely be deferred again.
- Tactically speaking, we believe share price could expand to RM0.70 (0.3x PBV at -1SD, 3-year) during the sector-rerating before reverting to our base case valuations (0.25x PBV at -1.5SD)

Tactical trade #2: IJM (MP; TP: RM2.00): Too much baggage

Our thoughts:

- IJM would be a key subcontractor for ECRL as the rail alignment would bypass its Kuantan Port asset.
- Nonetheless, IJM's overly diversified income base is working against its favour by capping meaningful earnings growth.
- While Kuantan Port is registering double-digit volume growth, construction order-book is dwindling, unsold property remains high, CPO prices are challenged by the low crude prices and its new toll asset (WCE) is in its infancy or cash burning stage. We feel these conditions may not the best concoction to secure investors' conviction.
- Tactically speaking, we believe share price could expand to RM2.20 (19x Construction PER at +1SD, 3-year) during the sector rerating before reverting to our base case valuations (of 14x Construction PER at -1SD)

Stay away: *In line with consensus, we prefer to avoid these names due to idiosyncratic issue*

Stay away #1: Mitra (MP; TP RM0.20): Hibernation mode

Our thoughts:

- Mitra's FY19 loss (of RM48m) will likely be the worst we have seen. Nonetheless, Mitra is still far from showing any profits given their dwindling order-book and the lack of building works.
- Case in point, they had only replenished only RM300m worth of building works in the past 2 years vs. peak replenishment of RM800m/annum from 2014 - 2017.
- We believe the coming quarters would be time for Mitra to shore up cash and bring gearing down. Within their property segment, they have opted for a more conservative strategy of selling double-storey landed homes instead of high rises which requires less cash outlay during construction.

Stay away #2: Gkent (UP; TP RM0.51): Prove me wrong

Our thoughts:

- Revenue and profits have been declining due to its depleting order-book. Its ability to replenish construction contracts remains questionable.
- While, GKENT had dismissed the notion of them being a beneficiary to the previous government, we note that ever since PH won the election back in May 2018, GKENT has yet to secure a single construction contract to prove its claim.

Figure 7: Post MCO earnings revision	Figure 8: Our new earnings against Consensus

Fwd earnings	New		Old		% Change	
	1 yr	2 yr	1 yr	2 yr	1 yr	2 yr
Gamuda	571	695	602	485	-5%	43%
Suncon	70	160	70	160	0%	0%
Kerjaya	106	159	170	205	-38%	-22%
MRCB	65	111	26	65	150%	72%
Kimlun	25	46	65	63	-61%	-26%
Muhibah	78	106	131	141	-41%	-24%
HSL	45	61	65	79	-30%	-22%
Mitra	-29	-3	-104	-80	73%	97%
Gkent	30	50	45	54	-33%	-8%
IJM	230	281	281	320	-18%	-12%
WCT	8	66	88	92	-91%	-29%
Total	**1228**	**1735**	**1543**	**1663**	**-20%**	**4%**

Fwd earnings	Kenanga		Consensus		Difference	
	1 yr	2 yr	1 yr	2 yr	1 yr	2 yr
Gamuda	571	695	645	629	-11%	10%
Suncon	70	160	93	150	-25%	7%
Kerjaya	106	159	147	177	-28%	-10%
MRCB	65	111	43	60	52%	87%
Kimlun	25	46	45	49	-43%	-7%
Muhibah	78	106	104	118	-26%	-9%
HSL	45	61	61	69	-25%	-11%
Mitra	-29	-3	n.a.	n.a.	n.a.	n.a.
Gkent	30	50	49	45	-39%	10%
IJM	230	281	310	368	-26%	-24%
WCT	8	66	90	101	-91%	-35%
Total	**1228**	**1735**	**1588**	**1765**	**-23%**	**-2%**

Source: Bloomberg, Kenanga Research

Figure 9: Changes in Calls and TP

Company	New			Old		
	TP	Rating	Valuation	TP	Rating	Valuation
Gamuda	4.30	OP	SoP (20x Construction PER)	3.18	MP	0.95x PBV
Suncon	2.45	OP	SoP (18x Construction PER)	2.45	OP	3.75x PBV
Kerjaya	1.25	OP	SoP (12x Construction PER)	1.10	OP	1.10x PBV
MRCB	0.75	OP	SoP (12x Construction PER)	0.43	UP	0.40x PBV
Kimlun	1.00	OP	7x PER	1.25	OP	0.59x PBV
Muhibah	1.20	OP	SoP (0.3x Construction PBV)	1.41	OP	0.61x PBV
HSL	1.25	OP	11x PER	1.37	OP	0.92x PBV
Mitra	0.20	MP	0.25x PBV	0.08	UP	0.09x PBV
Gkent	0.51	UP	0.55x PBV	0.51	UP	0.55x PBV
IJM	2.00	MP	SoP (14x Construction PER)	1.85	OP	0.70x PBV
WCT	0.55	MP	0.25x PBV	0.47	OP	0.21x PBV

Source: Bloomberg, Kenanga Research

Speed Bumps and Hurdles. While we are positive on the sector, we acknowledge that there are always

two sides to every coin. Here we acknowledge and address some challenges and potential concerns clouding the sector.

1. **With running fixed costs and zero revenue during the months of MCO, contractors might risk plunging into larger-than-expected losses in 2020.**

   Our thoughts: We think consensus have not fully baked in the downside; and this could post negative shocks to share prices. We reckon consensus would only fully discount the MCO impact post-August reporting season ie 2Q20 where MCO was at its peak. All being said, we believe any dips could be an opportune time to accumulate.

2. **Covid test costs impact to PNL**

   Our thoughts: One off and negligible. Only KL and Selangor projects require full testing of all workers. Assuming 2,000 direct workers under payroll (which is considered a lot), costs will be around RM1m, which is rather negligible. Moreover, not all testing will be borne by employer as SOCSO provides free testing – albeit having a long waiting list when we last checked.

3. **Social distancing and strict SOP required at work site will bring down productivity or risk getting fined by authorities.**

   Our thoughts: Revenue run rate will take time to normalize. Our projection is for FY2021 to be stable.

4. **The new norm post covid-19 would mean less human interaction and hence less construction required for offices, malls, transport infrastructure.**

   Our thoughts: We believe social distancing is only temporary. We are proponents that humans are social creatures and Covid-19 will not break this deeply entrenched tradition of ours. It is only a matter of how long before everything is back to normal.

5. **Political uncertainties could lead to project reviews. Any reviews could spark a sell off similar to 2018 when LRT3, MRT2 were up for reviews and renegotiations.**

   Our thoughts: The current government is fraction of the old party. Hence, we think it is unlikely to see any major reviews like the ones we have seen in 2018.

6. **A successful no vote of confidence by Tun Mahathir to oust the existing government.**

   Our thoughts: This will definitely derail progress of ongoing projects and awards. Sector will de-rate immediately. But at the end of the day, given the nations' economic well-being is at stake, it will only be logical to roll out and expedite projects once political environment stabilises.

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE													
GAMUDA BHD	3.90	9,802.8	Y	07/2020	12.0	16.0	19.8	1.1	1.1	6.6%	3.1%	4.30	OP
GEORGE KENT (MALAYSIA) BHD	0.705	373.2	Y	01/2020	9.4	7.3	5.7	0.8	0.7	6.7%	2.3%	0.510	UP
HOCK SENG LEE BERHAD	1.10	604.5	Y	12/2020	11.0	9.3	7.6	0.7	0.7	5.4%	2.2%	1.25	OP
IJM CORP BHD	1.95	7,077.4	Y	03/2020	16.9	25.1	22.0	0.7	0.7	2.3%	1.5%	2.00	MP
KERJAYA PROSPEK GROUP BHD	1.02	1,252.1	Y	12/2020	8.4	7.5	6.2	1.3	1.2	10.2%	3.0%	1.45	OP
KIMLUN CORP BHD	0.720	244.7	Y	12/2020	4.0	3.6	3.7	0.4	0.3	3.8%	6.5%	1.00	OP
MITRAJAYA HOLDINGS BHD	0.210	178.1	Y	12/2020	n.a.	n.a.	n.a.	0.2	0.3	-3.9%	n.a.	0.200	MP
MUHIBBAH ENGINEERING (M) BHD	0.900	435.1	Y	12/2020	8.5	3.3	3.1	0.4	0.4	6.7%	6.2%	1.20	OP
SUNWAY CONSTRUCTION GROUP BHD	1.96	2,527.1	Y	12/2020	19.7	20.7	16.3	4.1	3.8	10.9%	1.3%	2.45	OP
WCT HOLDINGS BHD	0.525	732.8	Y	12/2020	5.9	8.4	8.0	0.2	0.2	0.2%	n.a.	0.550	MP
Simple Average					**10.7**	**11.2**	**10.3**	**1.0**	**0.9**	**4.9%**	**3.3%**		

Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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