

Construction

Built for Growth

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OVERWEIGHT



Despite near-term geopolitical headwinds impacting profit margins and a slower-than-expected rollout of infrastructure projects, we remain bullish on the sector. This outlook is underpinned by persistent demand for data centres and sustained capital expenditure commitments from global technology firms through 2026. While contract awards reached near-record levels in 2024 and 2025, we maintain our RM180b projection for 2026, as data centre development continues to be the primary growth engine alongside ongoing public-sector projects. Major infrastructure works in the pipeline include the Penang LRT Package 2 & 3, Pan Borneo Phase 2, and various airport expansions, providing further earnings visibility. We remain **OVERWEIGHT** on the sector, with large-cap players **GAMUDA** (OP; TP: RM5.30), **SUNCON** (OP; TP: RM7.76), and **IJM** (OP; TP: RM3.40) best positioned to capture sustained data centre activity and a solid project pipeline. **GAMUDA** remains our Top Pick, with **KERJAYA** (OP; TP: RM3.05) as our preferred mid-to-small-cap selection.

Robust contract flows. According to the Construction Industry Development Board (CIDB), contract awards hit near-record levels of RM232.0b in 2024 and RM225.5b in 2025, the strongest performance since the RM241.0b peak in 2016. This significantly exceeds the historical annual average of RM140b-RM150b (recorded across 2013-2015, 2017-2019, and 2021-2023) and surpasses our original 2024–2026 assumption of RM180b per annum. We maintain our RM180b forecast for 2026, supported by public-sector rollouts and sustained private-sector momentum, particularly in data centres. With a healthy pipeline of near-term awards and a development cycle extending to 2030, we expect data centre projects to remain the primary growth driver for the sector in 2026.

Infrastructure projects in the pipeline. While the roll-out of major infrastructure works has been slower than expected, our constructive view on the sector in 2026 remains unchanged. Sector visibility continues to improve on both public infrastructure and private development fronts. Although the timing for MRT3, now with final approval from the Transport Ministry, remains unclear, several key projects are poised for near-term roll-out. These include the Penang LRT Mutiara Line Packages 2 & 3, Phase 2 of the Pan Borneo Highway, the Sabah-Sarawak Link Road, Subang Airport redevelopment, and the Johor E-ART. In addition, the KL–Singapore High Speed Rail remains a medium-term catalyst. Meanwhile, finalization of the Upper Padas Water Dam (Sabah) and the Kerian Water EPCC (Perak) is still pending, though **GAMUDA** has already secured both water concessions.

Data centre remains the sector's anchor for 2026. In 2025, six major land transactions involved US tech giants, with Microsoft and Pearl Computing each acquiring two parcels for data centre expansion. Notably, **GAMUDA** sold a 389-acre parcel at Springhill Industrial Park, Port Dickson to Pearl Computing for RM455.2m, alongside RM1b of enabling infrastructure works. This positions **GAMUDA** favourably for follow-on work at the site, which can host 800MW-1,000MW of data centre capacity, translating into RM14b-RM20b in construction value. **GAMUDA** has already secured two of Pearl Computing's core and shell DC packages worth RM2.14b via **ECOWLD** (OP; TP: RM2.35), with M&E works pending award. In October 2025, **IJM** also secured a milestone win from Pearl Computing - RM1.26b in core and shell works from **SIMEPROP** (OP; TP: RM1.97) and RM874m in M&E works directly from Pearl Computing. Two additional Pearl Computing data centres in the Klang Valley are pending awards, while initial tenders for Springhill are expected to roll out progressively starting mid-2026. **GAMUDA**, **SUNCON**, and **IJM** remain active bidders across these packages. Separately, **SUNCON** secured two data centre projects in Dec 2025 and Feb 2026 for RM570m and RM1.15b, respectively from US-based MNCs.

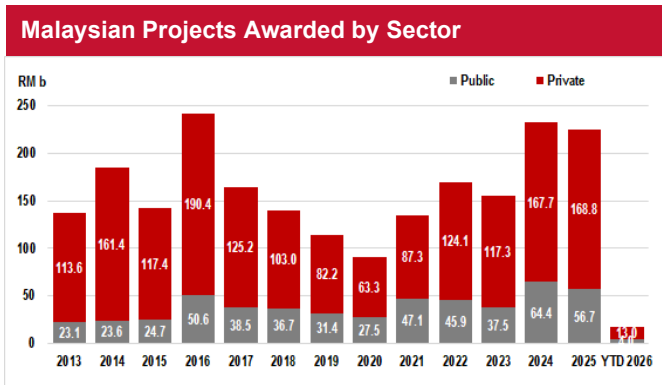
According to **TENAGA** (OP; TP: RM17.00), seven data centre projects (1.2GW) had signed Energy Supply Agreements (ESAs) in 2025, bringing the cumulative total to 56 projects (7.5GW), of which 35 projects (4.5GW) are already completed. We expect the data centre boom to persist for at least the next two years and maintain our assumption of 700MW of new annual capacity, equivalent to about RM21b worth of data centre construction value each year.

Mixed outlook amid rising building material and logistics costs. The recent surge in building material and transportation costs—driven largely by the Middle East crisis—has resulted in a mixed impact across the sector. Based on our recent management checks, the implications vary depending on contract structures. Rising diesel fuel costs are particularly challenging, as these are typically not pass-through expenses under existing contract agreements, leading to direct margin pressure. Conversely, certain material costs include pass-through clauses, allowing players to mitigate some of the inflationary pressure. We understand that impact on **GAMUDA** is bifurcated by geography where overseas projects are on a cost-plus model which effectively insulates it from cost fluctuations while domestic projects, such as the Penang reclamation, face downside risks due to the spike in diesel fuel costs. Overall, our channel checks suggest that if the crisis does not persist beyond three months, the resulting margin compression should remain manageable. Consequently, we are maintaining our current earnings estimates for the time being.

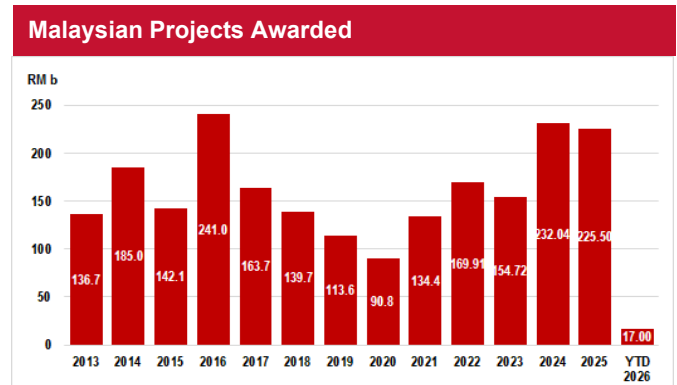
Maintain OVERWEIGHT for the sector. Despite near-term geopolitical headwinds and a slower-than-expected rollout of infrastructure projects, we remain bullish on the sector. This outlook is underpinned by persistent demand for data centres and

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sustained capital expenditure commitments from global technology firms. We maintain our peak PER valuation of 22x for large-cap players, **GAMUDA**, **SUNCON**, and **IJM**, as they are primary beneficiaries of a multi-year upcycle extending into 2026. For mid-caps, we retain our 18x PER valuation for **KERJAYA (OP; TP: RM3.05)**, while small caps **KIMLUN (OP; TP: RM1.50)** and **WCT (OP; TP: RM1.13)** remain at 12x and 10x, respectively. **GAMUDA** remains our **Top Pick** for the sector, supported by: (i) strong positioning in upcoming data centre tenders, (ii) proven track record in overseas markets, (iii) earnings visibility backed by a record RM36.6b order book, and (iv) consistent progress in renewable energy initiatives. We also continue to favour **SUNCON** and **IJM** among the large caps. **KERJAYA** is our mid-to-small-cap pick for its resilient earnings that offers attractive dividend yields of 5%. Among the small caps, **KIMLUN** stands to benefit from future infrastructure roll-outs. Finally, we recap that our recommendation is for a REJECT on **SUNWAY's (MP; TP: RM5.32)** takeover offer for **IJM**.



Source: CIDB



Source: CIDB

Land Sale Transactions					
Date	Buyer	Seller	Location	Size (acres)	Value (RM m)
07 Jul 2023	STT GDC	CRESNDO	Pulai, Johor	22.4	117.1
15 Nov 2023	Epoch Digital	CRESNDO	Pulai, Johor	20.4	111.0
17 Nov 2023	Microsoft	CRESNDO	Pulai, Johor	60.3	315.2
04 Apr 2024	Microsoft	CRESNDO	Pulai, Johor	25.3	132.5
08 May 2024	Bridge DC	PGLOBE	Plentong, Johor	47.9	238.3
13 May 2024	Digital Hyperspace	AME	I-Techvalley, Pulai, Johor	34.5	209.8
30 May 2024	Bridge DC	MAHSING	Mah Sing DC Hub	17.6	152.9
07 Jun 2024	Microsoft	ECOWLD	Pulai, Johor	123.1	402.3
02 Jul 2024	Equalbase	Sunway Group	Sunway City Iskandar Puteri, Johor	64.0	380.0
12 Jul 2024	Digital Halo	CRESNDO	Pulai, Johor	20.5	115.9
29 Jul 2024	Equinix	Cyberview	Cyberjaya	4.0	23.0
02 Aug 2024	Bridge DC	PGLOBE	Plentong, Johor	19.8	99.0
26 Aug 2024	NTT Global DC	TROP	Pulai, Johor	68.5	383.1
09 Oct 2024	ZData Technologies	TROP	Gelang Patah	38.5	234.0
28 Oct 2024	Bridge DC	MAHSING	Mah Sing DC Hub	35.7	310.8
27 Jan 2025	Microsoft	CRESNDO	Pulai, Johor	24.1	119.8
17 Feb 2025	Microsoft	ECOWLD	Eco Business Park I, Iskandar	38.5	694.0
25 Feb 2025	Pear Computing	ECOWLD	Eco Business Park V, Selangor	58.2	266.1
05 May 2025	Pear Computing	GAMUDA	Springhill Industrial Park, PD	389.0	455.2
29 Aug 2025	Megaspeed International	CRESNDO	Bandar Cemerlang Industrial Park, Johor	52.5	263.2
14 Nov 2025	Pioneer Real Estate	CRESNDO	Kota Tinggi, Johor	40.1	200.8

Source: Bursa & various news reports

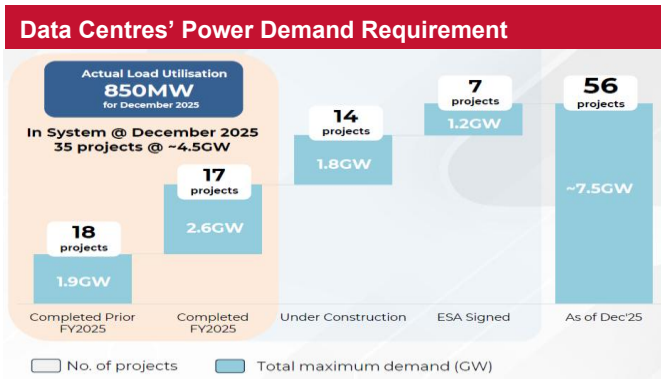
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Data Centre Contract Awards					
Date	Developer	Contractor	Location	Value (RM m)	Completion
05 Oct 2023	K2	SUNCON	Sedenak Tech Park, Johor	190.0	4Q24
21 Mar 2024	US-based MNC	SUNCON	Cyberjaya	747.8	2Q27
26 Apr 2024	TM Technology	GADANG	Klang Valley DC Block 2, Cyberjaya	280.0	Apr 2026
30 Apr 2024	US-based MNC	PASUKGB	Selangor	57.0	Jun 2025
24 May 2024	Pear Computing	GAMUDA	Elmina Business Park, Selangor	1,743.6	Sep 2026
29 May 2024	NEXT DC	MITRA	Petaling Jaya, Selangor	86.6	Dec 2025
10 Jun 2024	Yondr	SUNCON	Sedenak Tech Park, Johor	1,500.0	Feb 2026
26 Jun 2024	TM Technology	IJM	Iskandar Puteri DC, Johor	331.7	3Q25
19 Aug 2024	EXISM Jalil Link	BNASTRA	EXSIM Hyperscale DC @ Bukit Jalil	574.0	Jan 2026
19 Aug 2024	International DC developer	IJM	Gelang Patah, Johor	254.0	1Q26
06 Sep 2024	Yondr	SUNCON	Sedenak Tech Park, Johor	82.0	Feb 2026
30 Oct 2024	Yondr	SUNCON	Sedenak Tech Park, Johor	265.0	Feb 2026
01 Nov 2024	BCEI	GAMUDA	Cyberjaya	451.4	1Q26
Feb 2025	Unknown	IJM	Johor	259.4	N/A
25 May 2025	K2	SUNCON	Sedenak Tech Park, Johor	392.7	Mar 2026
29 May 2025	US-based MNC	SUNCON	Selangor	1,155	Feb 2027
29 Aug 2025	Pear Computing	GAMUDA	Eco Business Park V	2,138	3Q 2027
29 Oct 2025	Pear Computing	IJM	Elmina Business Park	2,134	1Q 2028
16 Dec 2025	US-based MNC	SUNCON	Klang Valley	570	Dec 2026
25 Feb 2026	US-based MNC	SUNCON	Klang Valley	1,146	May 2027

Source: Bursa

Key Infrastructure Projects			
Projects	Value (RM b)	Status	
		Ongoing	Pending
MRT3	45.0		√
Mutiara Line, Penang LRT	16.8	√	
Penang Airport Expansion	1.5	√	
Subang Airport Redevelopment Plan	3.7		√
KL-SG HSR	N/A		√
Johor Bahru E-ART	N/A		√
Johor Bahru-Singapore RTS	4.3	√	
Central Spine Road	10.7	√	
Pan Borneo Sarawak Phase 1	16.0	√	
Pan Borneo Sarawak Phase 2	4.6		√
Pan Borneo Sabah Phase 1	15.3	√	
Pan Borneo Sabah Phase 1B	15.7		√
Sabah Sarawak Link Road Phase 1	5.2	√	
Sabah Sarawak Link Road Phase 2	7.2		√
Large-scale flood mitigation projects	13.0		√
Rasau Water Treatment Plant	4.5	√	
Kuching Autonomous Rail Transit	6.0	√	

Source: Kenanga Research, Media reports



Source: Tenaga

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA BHD	OP	3.78	5.30	40.2%	22,513.2	Y	07/2026	17.8	23.4	5.3%	31.3%	21.2	16.1	1.8	8.5%	10.0	2.6%
IJM CORP BHD	OP	2.36	3.40	44.1%	8,272.2	Y	03/2026	14.4	15.9	11.8%	10.1%	16.3	14.9	0.8	5.1%	8.0	3.4%
KERJAYA PROSPEK GROUP BHD	OP	2.14	3.05	42.5%	2,690.7	Y	12/2026	16.7	18.9	29.8%	13.2%	12.8	11.3	2.2	17.8%	12.0	5.6%
KIMLUN CORP BHD	OP	0.935	1.50	60.4%	363.4	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.3	4.6	0.4	10.3%	2.0	2.1%
SUNWAY CONSTRUCTION GROUP	OP	6.27	7.76	23.8%	8,326.4	Y	12/2026	32.0	33.6	0.3%	5.1%	19.6	18.7	7.6	38.9%	32.0	5.1%
WCT HOLDINGS BHD	OP	0.375	1.13	201.3%	584.6	Y	12/2026	4.1	4.4	19.2%	7.3%	9.1	8.5	0.2	1.9%	0.0	0.0%
Sector Aggregate					42,750.5					9.4%	18.3%	18.1	15.3	1.4	7.9%		3.1%

Source: Kenanga Research

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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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