



| MALAYSIA CONSTRUCTION SECTOR UPDATE |

A glance into the sector through Quant.

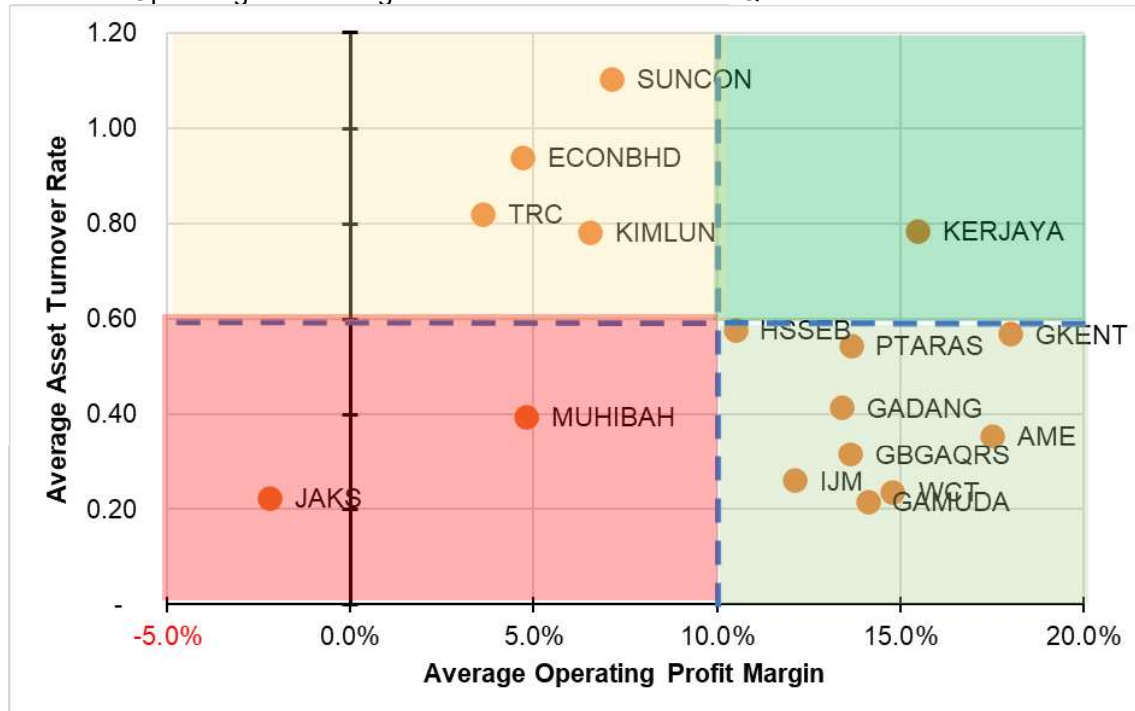
Ahead of the budget and General Election, where a lot of goodies and pump-priming are expected, public infrastructure is definitely one of the highly sought-after topics of discussion. On top of that, as the construction sector has been badly affected due to the foreign worker freeze after MCO was uplifted, easing foreign worker applications starting today would provide much-needed breathing room for everyone.

Hence, we took this chance to look at companies within the construction sector that has a net gearing of below 1.0x, which in our opinion indicates the company has a healthy balance sheet which is later screened based on the total asset turnover ratio and operating profit margin. Typically, a company's total asset turnover ratio inversely relates to its operating profit margin.

This means the higher a company's operating margin is, the lower its asset turnover rate is and vice versa. A company either uses a high-profit, low-volume business model or low-profit, high-volume business model in a similar industry as seen in Exhibit 1.

With a rising interest rate environment and also businesses have yet to recover back to the 2019 pre-Covid level, the upper right quadrant offers the best companies to invest in, follow by the lower right quadrant. The upper left quadrant is not attractive currently while the lower left quadrant companies are to avoid it. Our picks are listed in Exhibit 2 with the target price derived from technical analysis. Please note that technical analysis can have a different view than Quant.

Exhibit 1: Operating Profit Margin and Asset Turnover Rate Quadrant



Note: Average computed while removing some outliers that was caused during the Covid period. The company list is by no mean include all construction companies that is listed in Bursa Malaysia.

Source: Bloomberg, PRSB

Exhibit 2: Our picks

- KERJAYA PROSPEK GROUP BHD (KPG MK)**
 RATING : OUTPERFORM (O-PF)
 TECHNICAL TARGET PRICE : MYR1.39
 CLOSING PRICE (18th August 2022) : MYR1.20



Source: Chart created using tradingview.com's tools, PRSB

- HSS ENGINEERS BHD (HSS MK)**
 RATING : SELL
 TECHNICAL TARGET PRICE : MYR0.385
 CLOSING PRICE (18th August 2022) : MYR0.455



Source: Chart created using tradingview.com's tools, PRSB

3. PINTARAS JAYA BHD (PINT MK)

RATING : SELL
 TECHNICAL TARGET PRICE : MYR2.00
 CLOSING PRICE (18th August 2022) : MYR2.22



Source: Chart created using tradingview.com's tools, PRSB

4. GEORGE KENT MALAYSIA BHD (GKEN MK)

RATING : SELL
 TECHNICAL TARGET PRICE : MYR0.455
 CLOSING PRICE (18th August 2022) : MYR0.550



Source: Chart created using tradingview.com's tools, PRSB

5. GADANG HOLDINGS BHD (GADG MK)

RATING : SELL
 TECHNICAL TARGET PRICE : MYR0.270
 CLOSING PRICE (18th August 2022) : MYR0.350



Source: Chart created using tradingview.com's tools, PRSB

6. AME ELITE CONSORTIUM BHD (AME MK)

RATING : BUY
 TECHNICAL TARGET PRICE : MYR 2.03
 CLOSING PRICE (18th August 2022) : MYR 1.63



Source: Chart created using tradingview.com's tools, PRSB

7. **GABUNGAN AQRS BHD (AQRS MK)**

RATING : SELL
 TECHNICAL TARGET PRICE : MYR0.250
 CLOSING PRICE (18th August 2022) : MYR0.315



Source: Chart created using tradingview.com's tools, PRSB

8. **IJM CORP BHD (IJM MK)**

RATING : OUTPERFORM (O-PF)
 TECHNICAL TARGET PRICE : MYR1.95
 CLOSING PRICE (18th August 2022) : MYR1.77



Source: Chart created using tradingview.com's tools, PRSB

9. **WCT HOLDINGS BHD (WCTHG MK)**

RATING : SELL
 TECHNICAL TARGET PRICE : MYR0.350
 CLOSING PRICE (18th August 2022) : MYR0.445



Source: Chart created using tradingview.com's tools, PRSB

10. **GAMUDA BHD (GAM MK)**

RATING : BUY
 TECHNICAL TARGET PRICE : MYR4.30
 CLOSING PRICE (18th August 2022) : MYR3.78



Source: Chart created using tradingview.com's tools, PRSB

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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
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Due to time critical of this report, this information is unavailable at the time of publication.

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The rating a mathematical scoring system that include risks (standard deviation, Sharpe Ratio) and returns (1-year, 3-year, 5-year and consistency)

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