

12 April 2021

Kerjaya Prospek Group

First Contract in 2021

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Kerjaya's 49%-owned associate has secured a RM153.5m contract in BBCC (Bukit Bintang City Centre) to undertake the construction a 44-storey serviced apartment tower and its foundation. Contract win is within our FY21E replenishment target of RM1.2b. Positive on the win as outstanding order-book is lifted to RM3.4b (3x cover). Post the win, we maintain our earnings estimates but lift TP to RM1.75 (from RM1.50) after rolling valuation base year forward to FY22E. Reiterate OP.

First contract win in 2021. Kerjaya through its 49%-owned associate Kerjaya Bina BMK S/B has won a RM153.5m contract from BBCC Development S/B to undertake construction works for a mixed development project encompassing: (i) a 44-storey serviced apartment, (ii) a podium block with 8-storey car park, and (iii) a 7-level car park comprising 3 underground and 4 basement levels. This contract will take 30 months to complete starting from 15 April 2021.

Positive on the win. Kerjaya's effective stake win of RM75m from this job is within our FY21E replenishment target of RM1.2b (management's guidance: >RM1.0b). Post win, outstanding order-book is lifted to RM3.4b (c.3x cover).

BBCC's remaining high-rise components comprise: (i) 2 residential towers, (ii) 1 office block and (iii) the 80-storey BBCC signature tower (refer back for infographic). We believe Kerjaya stands a good chance in securing the two remaining residential towers and office block as these developments share the same podium with (i) Kerjaya's new job and (ii) Lucentia Residence (Kerjaya's on-going residential project secured in 2018). We believe these three remaining jobs have a contract quantum of c.RM600-700m.

As for the BBCC signature tower which would house offices, service residences and a 5-star hotel (final phase of BBCC project); we think IJM (OP; TP: RM2.20) is the favourite to secure this tower contract as they are the current contractor building the Lalaport Lifestyle Mall (contract worth RM1.16b secured in 2017) located right beside the BBCC signature tower. We expect the BBCC signature towers' contract value to be north of RM500m and should Kerjaya win it, would be an upside surprise. That said, this contract is not expected to be dished out anytime in the near future.

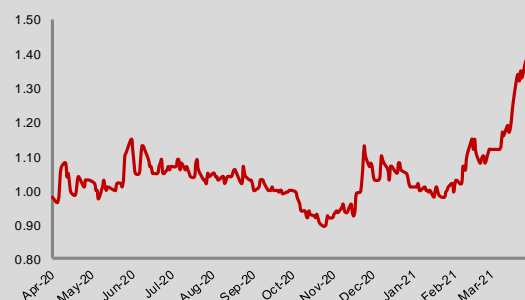
Maintain FY21/22E earnings post award.

Reiterate OUTPERFORM on higher SoP-derived TP of RM1.75 after rolling valuation base year forward to FY22E. We continue to like the name for its (i) execution prowess and (ii) earnings growth moving forward underpinned by the pick-up in construction works post pandemic and its two new development projects (Monterez and Yakin Land with combined GDV of RM630m) which will be launched in 2HCY21.

OUTPERFORM ↔

Price: **RM1.44**
Target Price: **RM1.75** ↑

Share Price Performance



KLCI	1,612.25
YTD KLCI chg	-0.9%
YTD stock price chg	35.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	1,781.8
Shares Outstanding	1,237.4
52-week range (H)	1.45
52-week range (L)	0.89
3-mth avg daily vol:	1,819,602
Free Float	16%
Beta	1.0

Major Shareholders

Egovision Sdn Bhd	50.7%
Amazing Parade Sdn Bhd	20.5%
Employees Provident Fund Board	6.6%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	811.0	1,113.6	1,388.0
EBIT	118.7	175.5	208.1
PBT	117.8	175.5	210.1
Net Profit (NP)	90.6	131.6	158.6
Core net profit	90.0	131.6	158.6
Consensus (NP)	91.0	134.8	159.0
Earnings Revision	n.a.	0%	0%
FD EPS (sen)	7.3	10.6	12.8
FD EPS growth (%)	-40	45	20
DPS (sen)	3.0	3.7	4.5
FD PER (x)	19.7	13.6	11.3
FD BVPS (RM)	0.87	0.94	1.03
Net Gearing (x)	N.C	N.C	N.C
Dividend Yield (%)	2.1	2.6	3.1

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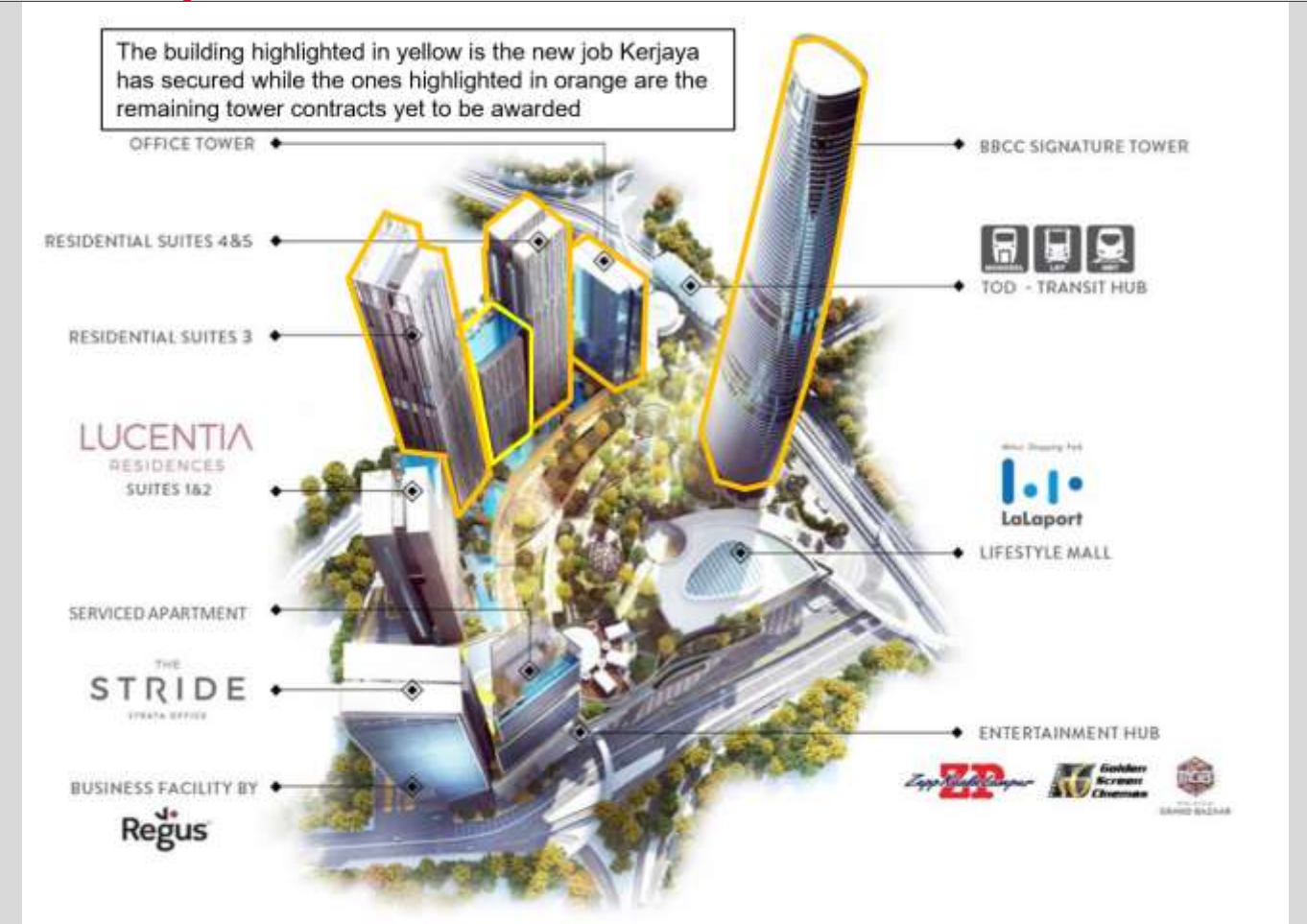
Risks to our call include: lower-than-expected job wins, delay in construction progress and lower construction margins.

SoP Valuations

Segment	Method	Value (RM m)	Per Share (RM)
Construction	FY21E of 13x (3yr mean)	1939	1.56
Property	FY21E of 6x	63.2	0.05
FY22E Net Cash		175.0	0.14
Market Cap / TP		2002.6	1.75

Source: Kenanga Research

BBCB remaining contracts



Source: Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E	FY Dec	2018 A	2019 A	2020 A	2021E	2022 E
Revenue	1,068.8	1,055.3	811.0	1,113.6	1,388.0	Growth					
EBITDA	198.4	212.7	134.2	189.7	223.5	Turnover	12%	-1%	-23%	37%	25%
Depreciation	(10.6)	(11.8)	(13.0)	(14.2)	(15.4)	EBITDA	11%	7%	-37%	41%	18%
Operating Profit	190.0	194.7	118.7	175.5	208.1	OP	10%	2%	-39%	48%	19%
Other Income	15.3	13.7	0.0	0.0	0.0	PBT	8%	2%	-37%	49%	20%
Interest Exp	(7.6)	(8.8)	0.0	0.0	0.0	Net Profit	13%	4%	-40%	46%	20%
Associate	0.0	0.0	1.0	2.0	2.0	Profitability					
Exceptional Items	0.0	0.0	1.0	2.0	2.0	EBITDA Margin	19%	20%	17%	17%	16%
PBT	182.4	185.8	117.8	175.5	210.1	OP Margin	18%	18%	15%	16%	15%
Taxation	(46.9)	(50.2)	(30.3)	(43.9)	(52.5)	PBT Margin	17%	18%	15%	16%	15%
Minority Interest	0.0	1.0	2.0	3.0	3.0	Net Margin	13%	13%	11%	12%	11%
Net Profit	138.4	140.1	90.6	131.6	158.6	E. Tax Rate	-26%	-27%	-26%	-25%	-25%
Core Net Profit	145.4	150.7	90.0	131.6	158.6	ROA	10%	10%	6%	8%	9%
						ROE	16%	15%	8%	11%	12%
Balance Sheet						DuPont Analysis					
FY Dec (RMm)	2018A	2019A	2020A	2021E	2022E	Net Margin (%)	13	13	11	12	11
PPE	105.4	113.7	120.7	126.5	131.2	Assets T/o (x)	0.8	0.7	0.5	0.7	0.8
Intangible Assets	418.0	418.0	418.0	418.0	418.0	Leverage (x)	1.5	1.5	1.4	1.4	1.4
Other FA	28.6	28.6	28.6	28.6	28.6	ROE (%)	15	14	8	11	12
Inventories	88.2	131.9	131.0	189.2	239.6	Leverage					
Receivables	587.8	636.5	580.7	676.2	804.0	Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
Other CA	28.0	28.0	28.0	28.0	28.0	Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
Cash	151.3	196.4	177.5	185.8	174.7	Net Cash/(Debt)	N.C	N.C	N.C	N.C	N.C
Total Assets	1,407.2	1,553.1	1,484.6	1,652.3	1,824.1	Net Gearing (x)	N.C	N.C	N.C	N.C	N.C
Payables	367.6	402.4	277.8	364.0	437.7	Valuations					
ST Borrowings	0.0	0.0	0.0	0.0	0.0	Core EPS (sen)	11.3	12.13	7.32	10.60	12.77
Other ST Liability	112.0	112.0	112.0	112.0	112.0	DPS (sen)	3.1	3.5	3.0	3.7	4.5
LT Borrowings	0.0	0.0	0.0	0.0	0.0	PER (x)	12.7	11.9	19.7	13.6	11.3
Other LT Liability	14.3	14.3	14.3	14.3	14.3	Div. Yield (%)	2.2	2.4	2.1	2.6	3.1
Minorities Int.	(1.0)	(3.0)	(6.0)	(10.0)	(15.0)	BVPS	0.74	0.83	0.87	0.94	1.03
Net Assets	914.4	1,027.4	1,086.5	1,172.0	1,275.1	P/B (x)	2.0	1.7	1.6	1.5	1.4
Share Capital	270.0	270.0	270.0	270.0	270.0						
Share Premium	325.8	325.8	325.8	325.8	325.8						
Reserves	0.3	0.3	0.3	0.3	0.3						
RE	318.2	431.3	490.3	575.9	679.0						
Total Equity	914.4	1,027.4	1,086.5	1,172.0	1,275.1						
Cashflow Statement											
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E						
Operating CF	65.3	102.9	32.9	74.4	63.4						
Investing CF	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)						
Financing CF	(43.0)	(37.7)	(31.8)	(46.1)	(54.5)						
Change In Cash	2.4	45.2	(18.9)	8.3	(11.1)						
Free CF	45.3	82.9	12.9	54.4	43.4						

Source: Kenanga Research

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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	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
STOCKS UNDER COVERAGE														
GAMUDA BHD	3.55	8,923.0	Y	07/2021	16.8	16.4	14.8	1.0	1.0	6.2%	1.7%	4.17	OP	
GEORGE KENT (MALAYSIA) BHD	0.805	421.3	Y	03/2021	12.0	8.4	9.7	0.9	0.8	10.1%	4.2%	0.560	UP	
HOCK SENG LEE BERHAD	0.960	527.5	Y	12/2021	16.5	9.5	9.0	0.6	0.6	6.7%	2.5%	1.20	OP	
IJM CORP BHD	1.78	6,436.4	Y	03/2021	19.1	24.7	20.2	0.7	0.6	3.4%	1.7%	2.20	OP	
KERJAYA PROSPEK GROUP BHD	1.44	1,781.8	Y	12/2021	19.7	13.6	11.3	1.8	1.6	12.7%	2.6%	1.75	OP	
KIMLUN CORP BHD	0.870	307.4	Y	12/2021	19.4	6.0	5.4	0.5	0.4	7.3%	3.4%	1.45	OP	
MITRAJAYA HOLDINGS BHD	0.350	288.0	Y	12/2021	29.9	17.7	31.8	0.4	0.4	2.3%	0.0%	0.215	UP	
MUHIBBAH ENGINEERING (M) BHD	1.07	517.3	Y	12/2021	N.A.	19.8	13.0	0.5	0.4	2.2%	0.9%	1.25	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.86	2,398.2	Y	12/2021	29.1	18.2	16.2	3.8	3.6	20.1%	3.8%	2.10	OP	
WCT HOLDINGS BHD	0.570	799.8	Y	12/2021	N.A.	6.3	8.8	0.3	0.2	5.6%	0.0%	0.675	OP	
Simple Average					20.3	14.1	14.0	1.0	1.0	7.7%	2.1%			

Source: Bloomberg, 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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