

02 August 2021

Kerjaya Prospek Group

More RPTs in the Horizon

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Kerjaya has won a RM139m job from Damansara Peak (an E&O JV) to build 54 units of villas at Damansara Heights, Kuala Lumpur. 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 revenue cover). Reiterate OP with unchanged SoP-TP of RM1.50 anchored to construction PER of 11x.

Fourth job of the year. Kerjaya has won a RM139m job from Damansara Peak (A 51:49 JV between E&O and Mitsui Fudosan) to build 54 units of villas at Jalan Teruntung, Damansara Heights, Kuala Lumpur. The construction of this development known as "The Peak" (GDV of RM348m) will span 36 months starting Sep 2021. This is Kerjaya's fourth contract replenishment YTD in which three of them are related party transactions (RPT).

YTD job wins at RM523.5m – in line with our RM1.2b replenishment (management is targeting RM1.0b). Post win, outstanding order-book stands at RM3.4b (3x revenue cover).

Strong pipeline of RPT jobs from E&O and KPPROP. In the immediate future, we foresee a higher number of jobs coming from Datuk Tee's* two other listed companies (E&O and KPPROP) instead of external parties. We view this positively given Datuk Tee's ability to drive property sales translating to lower counterparty receivable risks especially during these precarious times. Based on our estimates, we foresee c.RM2.6b worth of construction replenishments from E&O and KPPROP in the next three years (*refer table overleaf*).

*Datuk Tee Eng Ho is the major shareholder of KERJAYA, E&O and KPPROP

Maintain FY21E/FY22E earnings at RM94m/RM159m backed by replenishment of RM1.2b/RM1.5b.

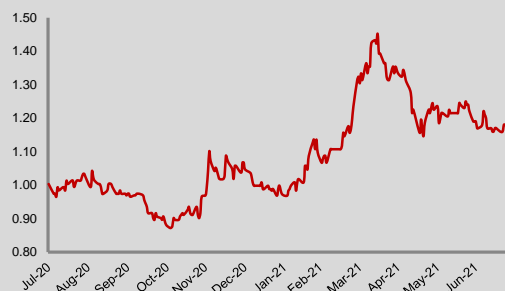
Keep OP on unchanged TP of RM1.50 anchored by a construction PER of 11x. We believe Kerjaya is a good proxy to an economic re-opening play given its reliable earnings delivery.

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

OUTPERFORM ↔

Price: RM1.18
Target Price: RM1.50 ↔

Share Price Performance



KLCI	1,494.60
YTD KLCI chg	-8.1%
YTD stock price chg	11.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	1,460.1
Shares Outstanding	1,237.4
52-week range (H)	1.53
52-week range (L)	0.89
3-mth avg daily vol:	610,098
Free Float	15%
Beta	1.0

Major Shareholders

Egovision Sdn Bhd	50.7%
Amazing Parade Sdn Bhd	20.5%
Employees Provident Fund Board	6.9%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	811.0	918.6	1,388.0
EBIT	118.7	125.9	208.1
PBT	117.8	125.9	210.1
Net Profit (NP)	90.6	94.4	158.6
Core net profit	90.0	94.4	158.6
Consensus (NP)	n.a.	122.0	159.8
Earnings Revision	n.a.	0%	0%
FD EPS (sen)	7.3	7.6	12.8
FD EPS growth (%)	-40	4	68
DPS (sen)	3.0	2.7	4.5
FD PER (x)	16.1	15.5	9.2
FD BVPS (RM)	0.87	0.92	1.01
Net Gearing (x)	N.C	N.C	N.C
Dividend Yield (%)	2.6	2.3	3.8



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Tentative RPT jobs in the next 3 years

Project Location	Land Area (ac)	Project GDV, RM m (Est) - [if value not provided by mgmt, 15% land price/GDV is assumed]	Contract Value, RM m (Est) - [Assume 40% of GDV]
KPPROP			
Jalan Puchong/OKR	2.32	170	67.8
Sentul, Mukim Setapak	2.25	201	80.4
Section 13	5.13	547	218.7
Shah Alam Seksyen 15	2.22	190	66.5
E&O			
STP 2A maiden condo (committed to launch in 2021)	4.00	647	258.8
Elmina West	65.0	1500	600.0
Reclamation for STP 2B (by 2025) & STP 2C (by 2028)	507ac to be reclaimed	-	1285.0
Total			2577.2

Source: Kenanga Research

SoP Valuations

Segment	Method	Value (RM m)	Per Share (RM)
Construction	FY22E of 11.0x	1629	1.31
Property	FY22E of 6x	63.2	0.05
FY22E Net Cash		175.0	0.14
Market Cap / TP		1691.7	1.50

Source: Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E	FY Dec	2018A	2019A	2020A	2021E	2022E
Revenue	1,068.8	1,055.3	811.0	918.6	1,388.0	Growth					
EBITDA	198.4	212.7	134.2	140.1	223.5	Turnover	12%	-1%	-23%	13%	51%
Depreciation	(10.6)	(11.8)	(13.0)	(14.2)	(15.4)	EBITDA	11%	7%	-37%	4%	60%
Operating Profit	190.0	194.7	118.7	125.9	208.1	OP	10%	2%	-39%	6%	65%
Other Income	15.3	13.7	32.9	0.0	0.0	PBT	8%	2%	-37%	7%	67%
Interest Exp	(7.6)	(8.8)	(1.0)	0.0	0.0	Net Profit	13%	4%	-40%	5%	68%
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%	15%	16%
PBT	182.4	185.8	117.8	125.9	210.1	OP Margin	18%	18%	15%	14%	15%
Taxation	(46.9)	(50.2)	(30.3)	(31.5)	(52.5)	PBT Margin	17%	18%	15%	14%	15%
Minority Interest	0.0	1.0	2.0	3.0	3.0	Net Margin	13%	13%	11%	10%	11%
Net Profit	138.4	140.1	90.6	94.4	158.6	E. Tax Rate	-26%	-27%	-26%	-25%	-25%
Core Net Profit	145.4	150.7	90.0	94.4	158.6	ROA	10%	10%	6%	6%	9%
						ROE	16%	15%	8%	8%	13%
Balance Sheet						DuPont Analysis					
FY Dec (RMm)	2018A	2019A	2020A	2021E	2022E	Net Margin (%)	13%	13%	11%	10%	11%
PPE	105.4	113.7	120.7	126.5	131.2	Assets T/o (x)	0.8	0.7	0.5	0.6	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%	8%	13%
Inventories	88.2	131.9	131.0	156.0	239.6	Leverage					
Receivables	587.8	636.5	580.7	588.0	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	233.3	150.6	Net Cash/(Debt)	N.C	N.C	N.C	N.C	N.C
Total Assets	1,407.2	1,553.1	1,484.6	1,578.5	1,799.9	Net Gearing (x)	N.C	N.C	N.C	N.C	N.C
Payables	367.6	402.4	277.8	314.3	437.7	Valuations					
ST Borrowings	0.0	0.0	0.0	0.0	0.0	Core EPS (sen)	11.3	12.13	7.32	7.60	12.77
Other ST Liability	112.0	112.0	112.0	112.0	112.0	DPS (sen)	3.1	3.5	3.0	2.7	4.5
LT Borrowings	0.0	0.0	0.0	0.0	0.0	PER (x)	10.4	9.7	16.1	15.5	9.2
Other LT Liability	14.3	14.3	14.3	14.3	14.3	Div. Yield (%)	2.6%	2.9%	2.6%	2.3%	3.8%
Minorities Int.	(1.0)	(3.0)	(6.0)	(10.0)	(15.0)	BVPS	0.74	0.83	0.87	0.92	1.01
Net Assets	914.4	1,027.4	1,086.5	1,147.9	1,250.9	P/B (x)	1.6	1.4	1.3	1.3	1.2
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	551.7	654.8						
Total Equity	914.4	1,027.4	1,086.5	1,147.9	1,250.9						
Cashflow Statement											
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E						
Operating CF	65.3	102.9	32.9	108.8	(8.2)						
Investing CF	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)						
Financing CF	(43.0)	(37.7)	(31.8)	(33.1)	(54.5)						
Change In Cash	2.4	45.2	(18.9)	55.7	(82.7)						
Free CF	45.3	82.9	12.9	88.8	(28.2)						

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	2.80	7,037.9	Y	07/2021	13.3	14.9	11.7	0.8	0.8	5.4%	0.0%	3.75	OP	
HOCK SENG LEE BERHAD	1.00	549.5	Y	12/2021	17.2	16.4	10.4	0.7	0.6	4.0%	1.5%	0.950	MP	
IJM CORP BHD	1.85	6,655.1	Y	03/2022	18.3	19.9	22.8	0.7	0.7	4.4%	14.1%	2.30	OP	
KERJAYA PROSPEK GROUP BHD	1.18	1,460.1	Y	12/2021	16.1	15.5	9.2	1.5	1.3	9.1%	2.3%	1.50	OP	
KIMLUN CORP BHD	0.830	293.3	Y	12/2021	18.5	10.2	6.4	0.4	0.4	4.1%	2.0%	1.15	OP	
MITRAJAYA HOLDINGS BHD	0.250	205.7	Y	12/2021	21.4	N.A.	N.A.	0.3	0.3	-1.8%	0.0%	0.205	UP	
MUHIBBAH ENGINEERING (M) BHD	0.910	439.9	Y	12/2021	N.A.	N.A.	18.2	0.4	0.4	-1.7%	1.1%	1.25	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.58	2,037.2	Y	12/2021	24.7	23.6	15.0	3.2	3.0	13.2%	2.5%	1.60	MP	
WCT HOLDINGS BHD	0.520	737.0	Y	12/2021	N.A.	11.3	8.7	0.2	0.2	3.6%	0.0%	0.640	OP	
Simple Average					18.5	16.0	12.8	0.9	0.9	4.5%	2.6%			

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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Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

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