

26 November 2021

Kerjaya Prospek Group 9MFY21 Within Expectations

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9MFY21 CNP of RM66.6m came within expectations at 71%/70% of our/consensus estimate. No dividend declared as expected. YTD replenishment of RM908m is tracking our RM1.2b target (management targets RM1.0b). Post results, FY21-22E earnings, OP call and SoP-TP of RM1.50 are maintained.

Within expectations. 3QFY21 CNP of RM24.2m led 9MFY21 to CNP of RM66.6m – within our/consensus expectation at 71%/70% of full-year estimate. No dividends as expected.

Highlights. 3QFY21 CNP of RM24.2m increased 51% QoQ, mainly due to higher revenue (+17%) as productivity picked up expeditiously during the quarter with works allowed to resume in August 2021. Note, July 2021 suffered almost a complete lockdown similar to June 2021. 9MFY21 CNP of RM66.6m improved 7% YoY due to easier lockdown measures compared to the various MCOs implemented in 9MFY20.

YTD, Kerjaya has replenished RM908m of jobs (comprising 6 jobs), in line with our target of RM1.2b (management guides for RM1.0b). Target is backed by a tender-book of RM1.5-2.0b mainly comprising building jobs. 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. Based on our estimates, we foresee c.RM2.6b worth of construction replenishments from E&O and KPPROP in the next three years. **Construction order-book remains healthy at RM3.6b (c.3.5x cover).**

For its property arm, planned launches from Montez Shah Alam (GDV: RM250m) and Yakin Land (GDV: RM380m) initially slated for 2HCY21 has been deferred to 1HCY22 due to: (i) delay in showroom construction stemming from MCO, and (ii) the slightly soft market currently as viewed by management. We are mildly negative on this deferment as launches pushed to next year will not be able to capitalise on the HOC benefits ending by this year end.

We anticipate 4QFY21 earnings be better than 3QFY21 upon normalisation of construction activities as Kerjaya's workers are now 100% vaccinated. That said, earnings are unlikely to achieve the quantum as its heydays of FY19 (>RM30m/quarter) given the some shortage in labour coupled with the higher material costs now.

Post results, maintain FY21-22E earnings.

Keep OP on unchanged TP of RM1.50 anchored by a construction PER of 11x. We continue to like Kerjaya for its reliable earnings delivery, clear pipeline of projects which promotes bottom-line growth, and prudent cash management.

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

OUTPERFORM ↔

Price: RM1.21
Target Price: RM1.50 ↔

Share Price Performance



KLCI	1,517.60
YTD KLCI chg	-6.7%
YTD stock price chg	14.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	1,497.2
Shares Outstanding	1,237.4
52-week range (H)	1.53
52-week range (L)	0.92
3-mth avg daily vol:	402,803
Free Float	16%
Beta	1.0

Major Shareholders

Egovision Sdn Bhd	50.7%
Amazing Parade Sdn Bhd	20.7%
Employees Provident Fund Board	7.0%

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.	93.9	149.5
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)	16.7	16.0	9.6
FD BVPS (RM)	0.87	0.92	1.01
Net Gearing (x)	N.C	N.C	N.C
Dividend Yield (%)	2.5	2.2	3.7

26 November 2021

Result Highlight								
FYE Dec (RM m)	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Revenue	222.6	189.9	17%	222.2	0%	681.2	562.1	21%
COGS	-190.8	-161.1	18%	-187.1	2%	-578.5	-467.7	24%
GP	31.9	28.8	11%	35.1	-9%	102.7	94.5	9%
Other Income/expense	9.9	1.8	447%	14.5	-32%	17.1	20.4	-16%
Admin	-10.9	-7.0	55%	-11.8	-7%	-28.8	-32.8	-12%
EBIT	30.9	23.6	31%	37.9	-18%	90.9	82.1	11%
Finance costs	-0.3	-0.3	-19%	-0.2	20%	-0.8	-0.8	10%
PBT	30.6	23.3	32%	37.7	-19%	90.1	81.3	11%
Taxation	-6.3	-7.4	-14%	-7.3	-13%	-23.6	-18.5	27%
PAT	24.3	15.9	53%	30.4	-20%	66.5	62.8	6%
MI	0.1	-0.2	n.a.	0.0	4200%	-0.1	0.0	-1317%
PATAMI	24.2	16.0	51%	30.4	-20%	66.6	62.8	6%
Exceptional Items	0.0	0.0	n.a.	-5.9	n.a.	0.0	-0.6	n.a.
CNP	24.2	16.0	51%	24.5	-1%	66.6	62.2	7%
DPS (sen)	0.0	1.5	-100%	2	-100%	1.5	1.5	0%
GP margin	14%	15%		16%		15%	17%	
EBIT margin	14%	12%		17%		13%	15%	
Pretax margin	14%	12%		17%		13%	14%	
CNP margin	11%	8%		11%		10%	11%	
Effective tax	-21%	-32%		-19%		-26%	-23%	

Source: Kenanga Research

Segmental Breakdown								
External Revenue	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Construction	222.6	190.5	17%	220.2	1%	680	559	22%
Manufacturing	0.0	-0.6	n.a.	0.1	-100%	0	0	9%
Property development	0.0	0.0	n.a.	2.0	-100%	1	3	-64%
Investment	0.0	0.0	n.a.	0.0	n.a.	0	0	n.a.
	222.6	189.9	17%	222.2	0%	681	562	21%
Operating Profit								
Construction	24.3	15.9	53%	19.7	23%	65	50	29%
Manufacturing	0.1	0.0	68%	0.2	-62%	0	0	-41%
Property development	-0.2	0.0	1024%	0.3	-165%	0	0	-55%
Investment	18.1	3.8	373%	8.9	104%	25	11	129%
Others	0.0	0.0	-124%	-0.3	-97%	0	0	-44%
Elimination	-19.6	-2.2	793%	0.8	-2631%	-24	1	-2604%
Total PAT	22.7	17.5	29%	29.5	-23%	67	63	6%
PAT Margins								
Construction	11%	8%		9%		10%	9%	
Manufacturing	n.a.	n.a.		255%		32%	59%	
Property development	n.a.	n.m.		15%		20%	16%	
Total	10%	9%		13%		10%	11%	

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

26 November 2021

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	2.88	7,239.0	Y	07/2022	12.1	12.0	13.0	0.8	0.8	6.8%	2.1%	2.80	MP	
HOCK SENG LEE BERHAD	0.990	544.0	Y	12/2021	17.1	16.2	10.3	0.7	0.6	4.0%	1.5%	0.950	MP	
IJM CORP BHD	1.79	6,389.3	Y	03/2022	17.7	28.4	22.1	0.7	0.7	10.5%	11.7%	2.00	OP	
KERJAYA PROSPEK GROUP BHD	1.21	1,497.2	Y	12/2021	16.5	15.9	9.5	1.5	1.4	9.1%	2.2%	1.50	OP	
KIMLUN CORP BHD	0.810	286.2	Y	12/2021	18.1	10.0	5.8	0.4	0.4	4.1%	2.1%	1.25	OP	
MUHIBBAH ENGINEERING (M) BHD	0.880	425.4	Y	12/2021	N.A.	N.A.	17.6	0.4	0.4	-1.7%	1.1%	1.25	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.56	2,011.4	Y	12/2021	24.4	22.9	15.8	3.2	3.0	13.3%	2.6%	1.52	MP	
WCT HOLDINGS BHD	0.565	800.7	Y	12/2021	N.A.	23.6	7.3	0.3	0.2	2.6%	0.0%	0.630	MP	
Simple Average					17.6	18.4	12.7	1.0	0.9	6.1%	2.9%			

Source: Bloomberg, Kenanga Research

26 November 2021

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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