

09 January 2024

Kerjaya Prospek Group

Bags Two More E&O Jobs

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KERJAYA has bagged two contracts worth a total of RM95.1m from E&O (Not Rated) for bridge superstructure and piling & substructure works in Andaman Island, Penang, boosting its YTD job wins to RM266.1m and outstanding order book to RM4.6b. We maintain our forecasts but raise our TP by 14% to RM1.90 (from RM1.67). Maintain OUTPERFORM.

KERJAYA has been awarded two contracts worth a total of RM95.1m by related-company E&O with the details as follows:

1. a RM69.2m contract for superstructure works on Gurney Marine Bridge Phase 2 linking Jalan Gurney to Andaman Island, commencing Jan 2024 with a construction period of 24 months; and
2. a RM25.9m contract for piling and substructure works for a proposed 50-storey serviced apartment in Andaman Island, commencing Jan 2024 with a construction period of 12 months.

We are positive on these latest contracts, its 2nd and 3rd contract wins in FY24, boosting its YTD new job wins to RM266.1m against our full-year FY24 assumption of RM1.5b. The latest jobs have also boosted its outstanding order book to RM4.6b.

Meanwhile, its tender book stands at c.RM2.0b comprising: (i) building/reclamation jobs from its sister companies i.e. E&O and KPPROP (Not Rated), (ii) MNC industrial warehouse/factories (via its JV with Samsung C&T), and (iii) third-party building jobs in the Klang Valley.

Forecasts. While maintaining FY23F-FY24F earnings forecasts, we introduce new FY25F net profit with an earnings growth of 12% based on a job win assumption of RM1.6b.

Valuations. We upgrade our SoP-TP by 14% to RM1.90 (see next page) from RM1.67, as we roll over our valuation base year to FY25 with unchanged construction valuation of 14x forward PER, at a discount to the 18x we ascribed to large contractors (i.e. GAMUDA, IJM, and SUNCON) given KERJAYA's focus on the high-rise building sector currently weighed down by oversupply in the office and residential segments. There is no adjustment to our TP based on ESG given a 3-star ESG rating as appraised by us (see Page 3).

Investment case. We continue to like KERJAYA for: (i) its innovative and hence high-margin formwork construction method, (ii) its lean and hands-on management team with a strong execution track record, (iii) its strong earnings visibility underpinned by a sizeable outstanding order book and recurring orders from related companies (such as E&O, KPPROP). Maintain **OUTPERFORM**.

Risks to our call include: (i) further deterioration in the prospects for building jobs, (ii) rising input costs, and (iii) liquidated ascertained damages (LAD) from cost overrun and delays.

OUTPERFORM ↔

Price: **RM1.67**
Target Price: **RM1.90** ↑

Share Price Performance



KLCI	1,495.70
YTD KLCI chg	2.8%
YTD stock price chg	7.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	2,106.0
Shares Outstanding	1,261.1
52-week range (H)	1.69
52-week range (L)	1.05
3-mth avg daily vol:	1,608,331
Free Float	20%
Beta	0.5

Major Shareholders

Egovision Sdn Bhd	49.8%
Amazing Parade Sdn Bhd	20.3%
Employees Provident Fund	5.6%

Summary Earnings Table

FY Dec (RM m)	2023F	2024F	2025F
Turnover	1,335.5	1,653.7	1,859.3
EBIT	174.0	223.4	249.6
PBT	178.0	229.4	255.6
Net Profit (NP)	136.7	176.3	196.2
Core net profit	136.7	176.3	196.2
Consensus (NP)	134.8	170.3	181.8
Earnings Revision	-	-	New
FD EPS (sen)	11.01	14.19	15.80
FD EPS growth (%)	18.4	28.9	11.3
DPS (sen)	8.0	10.0	10.0
FD PER (x)	15.2	11.8	10.6
FD BVPS (RM)	1.04	1.14	1.24
Net Gearing (x)	N Cash	N Cash	N Cash
Dividend Yield (%)	4.8	6.0	6.0

09 January 2024

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	OP	4.98	5.45	9.4%	13,583.7	Y	07/2024	4.1	4.9	29.5%	19.2%	13.7	11.0	11.4	9.8%	12.0	2.4%
IJM	OP	2.13	2.31	8.5%	7,468.1	Y	03/2024	10.4	10.7	12.7%	2.6%	23.4	25.0	0.7	3.9%	8.0	3.8%
KERJAYA	OP	1.67	1.90	13.8%	2,106.0	Y	12/2023	11.0	14.2	18.5%	29.0%	13.7	12.0	1.6	10.9%	8.0	4.8%
KIMLUN	MP	0.825	0.830	0.6%	291.5	Y	12/2023	1.9	8.3	-81.8%	335.8%	8.3	7.1	0.4	0.9%	1.0	1.2%
SUNCON	OP	2.17	2.26	4.1%	2,797.9	Y	12/2023	10.5	11.9	-5.5%	13.3%	17.1	16.3	3.4	17.0%	5.0	2.3%
WCT	OP	0.535	0.700	30.8%	758.2	Y	12/2023	0.6	3.3	-89.9%	409.8%	21.2	14.5	0.3	1.9%	0.5	0.9%
Sector Aggregate					27,005.5					12.5%	19.1%	15.1	12.7	0.9	6.1%		2.6%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	★	★
	Corporate Social Responsibility	★	★	★	
	Management/Workforce Diversity	★	★	★	
	Accessibility & Transparency	★	★	★	★
	Corruption-Free Pledge	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	
SPECIFIC	Migrant Worker Welfare	★	★	★	☆
	Waste Disposal/Pollution Control	★	★	★	
	Work Site Safety	★	★	★	☆
	Environmentally Friendly Construction Technology	★	★	★	☆
	Supply Chain Auditing	★	★	★	
	Energy Efficiency	★	★	★	★
	OVERALL		★	★	★

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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