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Kerjaya Prospek Group

Bags RM33m E&O Building Job

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KERJAYA has secured a RM33.2m contract from sister company E&O (Not Rated) for piling and earthworks for a service apartment in Pulau Andaman, Penang, boosting its YTD job wins to RM411m and its outstanding order book to RM4.7b. We maintain our forecasts, TP of RM1.90 and OUTPERFORM rating.

KERJAYA has been awarded a RM33.2m contract by sister company E&O for piling and earthworks for a proposed service apartment in Bandar Tanjung Pinang, Pulau Andaman, Penang. The contract shall commence in Jun 2024 with a construction period of 12 months.

We are positive on the latest contract win, its fifth in FY24, boosting its YTD new job wins to RM411m (against our full-year FY24 assumption of RM1.5b) and outstanding order book to RM4.7b.

Meanwhile, its tender book stands at RM2.0b-RM3.0b comprising largely building jobs (with half of them coming from related parties). It is also eyeing two to three industrial projects worth a total of more than RM1b.

Forecasts. Maintained.

Valuations. We keep our SoP-TP of RM1.90 (see next page) valuing its construction business at 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 4).

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**. The stock also offers attractive dividend yields of >5%.

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: RM1.80
Target Price: RM1.90 ↔

Share Price Performance



KLCI	1,544.02
YTD KLCI chg	6.1%
YTD stock price chg	16.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	2,269.9
Shares Outstanding	1,261.1
52-week range (H)	1.85
52-week range (L)	1.05
3-mth avg daily vol:	1,618,368
Free Float	20%
Beta	0.6

Major Shareholders

Egovision Sdn Bhd	49.8%
Amazing Parade Sdn Bhd	20.3%
Employees Provident Fund	6.3%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	1,457.8	1,653.7	1,859.3
EBIT	178.7	226.4	252.6
PBT	179.1	229.4	255.6
Net Profit (NP)	132.3	176.3	196.2
Core net profit	132.3	176.3	196.2
Consensus (NP)		170.1	182.7
Earnings Revision	-	-	-
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)	16.4	12.7	11.4
FD BVPS (RM)	1.04	1.14	1.24
Net Gearing (x)	N Cash	N Cash	N Cash
Dividend Yield (%)	4.4	5.6	5.6

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	5.23	6.20	18.5%	14,478.0	Y	07/2024	40.2	48.0	39.4%	19.2%	14.4	11.5	1.3	10.0%	12.0	2.3%
IJM	OP	2.37	2.54	7.2%	8,309.6	Y	03/2024	11.6	12.4	62.5%	7.0%	26.0	27.8	0.9	4.7%	8.0	3.4%
KERJAYA	OP	1.80	1.90	5.6%	2,269.9	Y	12/2024	14.2	15.8	33.3%	11.3%	14.8	12.9	1.6	13.0%	10.0	5.6%
KIMLUN	MP	0.980	0.890	-9.2%	346.3	Y	12/2024	8.3	8.9	311.3%	7.9%	9.9	8.4	0.5	3.9%	1.0	1.0%
SUNCON	OP	2.90	3.16	9.0%	3,739.1	Y	12/2024	12.7	16.7	-3.2%	31.1%	22.8	21.8	3.8	17.6%	6.0	2.1%
WCT	OP	0.540	0.660	22.2%	765.3	Y	12/2024	2.5	3.0	-85.9%	18.4%	21.4	14.7	0.3	1.2%	0.5	0.9%
Sector Aggregate					29,908.2					74.3%	16.7%	15.4	13.2	1.1	7.0%		2.5%

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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