

12 September 2024

Kerjaya Prospek Group

Bags RM293m UEMS Building Job

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KERJAYA has secured a RM292.8m building contract from a repeat client, UEMS (Not Rated), to build a 57-storey service apartment in Kuala Lumpur, its first external job this year. This brings its YTD job wins to exceed its guidance at RM1.55b, and lifting outstanding order book to RM4.7b. We keep our estimates and TP of RM2.24. OUTPERFORM maintained.

Secures RM292.8m building contract. Yesterday, KERJAYA announced that it has been awarded a RM292.8m contract from **UEMS'** subsidiary Mega Legacy (M) Sdn Bhd for building works for a proposed 57-storey service apartment in Kuala Lumpur. The contract shall commence in Sep 2024 with a construction period of 38 months.

Hit RM1.5b YTD contract wins so far in FY24. We are positive on the latest contract win, its 8th in FY24 and 1st external job, boosting its YTD new job wins to RM1.55b (against our full-year FY24 assumption of RM1.6b) and lifting outstanding order book to c.RM4.7b. Meanwhile, its tender book stood at RM4.0b, comprising RM2b building jobs (70% are RPT) and three industrial jobs including data centre bid worth RM2b. It is not keen to bid for external infrastructure job.

Forecasts. While its YTD contract win of RM1.55b is very close to our FY24 assumption of RM1.6b, we maintain our assumption as the Aug contract win of RM275.3m is to be start construction work from Jan 2025 which will not be recognised in FY24. Thus, we keep our estimates unchanged.

Valuations. Maintain our SoP-driven TP of RM2.24 (see next page), valuing its construction business unchanged at 16x forward PER, at a discount to the 20x we ascribed to large contractors (i.e. GAMUDA, IJM, and SUNCON) given KERJAYA's focus on the high-rise building sector which is 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 (c.10% net margin), (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**) of at least RM1b a year. 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: RM1.82
Target Price: RM2.24 ↔

Share Price Performance



KLCI	1,639.80
YTD KLCI chg	12.7%
YTD stock price chg	17.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	2,295.1
Shares Outstanding	1,261.1
52-week range (H)	2.22
52-week range (L)	1.19
3-mth avg. daily vol.	940,734
Free Float	29%
Beta	0.5

Major Shareholders

Egovision Sdn Bhd	49.8%
Amazing Parade Sdn Bhd	17.9%
Employees Provident Fund	5.8%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	1,457.8	1,653.7	1,931.5
EBIT	178.7	226.4	262.3
PBT	179.1	229.4	265.3
Net Profit (NP)	132.3	176.3	203.4
Core net profit	132.3	176.3	203.4
Consensus (NP)	-	168.3	190.9
Earnings Revision	-	-	-
FD EPS (sen)	11.01	14.19	16.38
FD EPS Growth (%)	18.4	28.9	15.4
DPS (sen)	8.0	10.0	10.0
FD PER (x)	16.5	12.8	11.1
FD BVPS (RM)	1.04	1.14	1.24
Net Gearing (x)	N Cash	N Cash	N Cash
Dividend Yield (%)	4.4	5.5	5.5

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KERJAYA's SoP Valuation			
Segment	Valuation		Basis
	(RM m)	(RM/share)	
Construction	2,712.3	2.18	FY25F at 16x PER
Property	74.7	0.06	30% discount to RNAV
Valuation	2,787.0	2.24	

Source: Kenanga Research

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	964.9	1,125.6	1,457.8	1,653.7	1,931.5	Growth					
EBITDA	130.4	168.0	195.2	244.1	281.2	Turnover	19%	16%	30%	13%	17%
Depreciation	-14.2	-15.4	-16.6	-17.8	-19.0	EBITDA	10%	11%	19%	25%	15%
Operating Profit	132.9	153.8	178.7	226.4	262.3	OP	12%	12%	20%	27%	16%
Other Income	18.9	12.5	2.0	3.0	3.0	PBT	12%	12%	21%	28%	16%
Interest Exp	-1.1	-0.1	-1.6	0.0	0.0	Net Profit	8%	13%	20%	33%	15%
Associate	2.0	2.0	0.0	0.0	0.0	Profitability					
Exceptional Items	2.0	2.0	0.0	0.0	0.0	EBITDA Margin	15%	15%	13%	15%	15%
PBT	131.8	153.7	179.1	229.4	265.3	OP Margin	14%	13%	12%	14%	14%
Taxation	-29.1	-38.2	-46.6	-58.1	-66.8	PBT Margin	14%	13%	12%	14%	14%
Minority Interest	3.0	3.0	-0.2	5.0	5.0	Net Margin	10%	10%	9%	11%	11%
Net Profit	97.0	115.4	132.3	176.3	203.4	E. Tax Rate	26%	26%	26%	25%	25%
Core Net Profit	97.0	115.4	132.3	176.3	203.4	ROA	6%	6%	7%	9%	9%
						ROE	9%	9%	10%	12%	13%
						DuPont Analysis					
						Net Margin	10%	10%	9%	11%	11%
						Assets T/o (x)	0.6	0.7	0.8	0.8	0.9
						Leverage (x)	1.4	1.4	1.4	1.4	1.4
						ROE	9%	9%	10%	12%	13%
						Leverage					
						Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
						Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
						Net Cash/(Debt)	N.C	N.C	N.C	N.C	N.C
						Net Gearing (x)	N.C	N.C	N.C	N.C	N.C
						Valuations					
						Core EPS (sen)	7.0	9.3	11.0	14.2	16.4
						DPS (sen)	3.5	7.0	8.0	10.0	10.0
						PER (x)	25.9	19.6	16.5	12.8	11.1
						Div. Yield (%)	1.9	3.8	4.4	5.5	5.5
						BVPS	0.91	0.97	1.04	1.14	1.24
						P/B (x)	1.99	1.87	1.74	1.60	1.46
Balance Sheet											
FY Dec (RM m)	2021A	2022A	2023A	2024F	2024F						
PPE	126.5	131.2	134.6	136.8	137.9						
Intangible Assets	418.0	418.0	418.0	418.0	418.0						
Other FA	28.6	28.6	28.6	28.6	28.6						
Inventories	150.5	211.7	234.2	294.5	344.0						
Receivables	573.4	730.6	783.8	933.9	1,061.8						
Other CA	28.0	28.0	28.0	28.0	28.0						
Cash	230.8	168.0	204.4	187.7	207.6						
Total Assets	1,555.9	1,716.0	1,831.6	2,027.5	2,225.8						
Payables	306.1	396.1	427.9	515.2	588.3						
ST Borrowings	0.0	0.0	0.0	0.0	0.0						
Other ST Liability	112.0	112.0	112.0	112.0	112.0						
LT Borrowings	0.0	0.0	0.0	0.0	0.0						
Other LT Liability	14.3	14.3	14.3	14.3	14.3						
Minorities Int.	-10.0	-15.0	-20.0	-26.0	-33.0						
Net Assets	1,133.5	1,208.6	1,297.5	1,412.0	1,544.3						
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	537.4	612.5	701.3	815.9	948.2						
Total Equity	1,133.5	1,208.6	1,297.5	1,412.0	1,544.3						
Cashflow Statement											
FY Dec (RM m)	2021A	2022A	2023A	2024F	2024F						
Operating CF	113.4	-2.5	104.3	64.0	109.1						
Investing CF	-20.0	-20.0	-20.0	-20.0	-20.0						
Financing CF	-40.1	-40.4	-47.9	-60.7	-69.2						
Change In Cash	53.3	-62.9	36.5	-16.7	19.9						
Free CF	93.4	-22.5	84.3	44.0	89.1						

Source: Kenanga Research

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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	MP	7.35	7.54	2.6%	20,714.8	Y	07/2024	40.2	50.6	29.7%	25.8%	18.3	14.5	1.8	10.0%	12.0	1.6%
IJM	MP	2.84	3.00	5.6%	9,957.5	Y	03/2025	13.0	14.4	-6.5%	11.2%	21.9	19.7	1.0	4.8%	8.0	2.8%
KERJAYA	OP	1.82	2.24	23.1%	2,295.1	Y	12/2024	14.2	16.4	33.3%	15.4%	12.8	11.1	1.6	13.0%	10.0	5.5%
KIMLUN	OP	1.32	1.69	28.0%	466.4	Y	12/2024	6.0	11.5	200.0%	91.5%	21.9	11.4	0.6	2.8%	1.0	0.8%
SUNCON	MP	3.90	4.28	9.7%	5,028.5	Y	12/2024	14.0	20.4	6.1%	45.7%	27.9	19.2	5.5	20.7%	6.0	1.5%
WCT	MP	0.935	1.17	25.1%	1,399.9	Y	12/2024	3.8	6.2	-78.9%	63.2%	24.8	15.2	0.5	1.8%	0.5	0.5%
Sector Aggregate					39,862.3					42.2%	24.9%	19.7	15.8	1.4	7.3%		2.1%

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	★	★	★		
	OVERALL	★	★	★		
SPECIFIC	Migrant Worker Welfare	★	★	★	☆	
	Waste Disposal/Pollution Control	★	★	★		
	Work Site Safety	★	★	★	☆	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★		
	Energy Efficiency	★	★	★	★	

☆ 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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