

16 April 2025

Kerjaya Prospek Group

Second Contract Win in a Row

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KERJAYA has clinched its second contract win within a week, a RM98m landed property development project on Andaman Island, awarded by related-party company E&O (Not Rated). This brings total YTD job wins to RM708m, accounting for 39% of our FY25 job replenishment assumption of RM1.8b. Its current outstanding order book standing at RM4.4b will provides earnings visibility for the next three years. We keep our earnings forecasts unchanged and maintain our **OUTPERFORM** rating and TP of RM2.10.

Secured RM98m building contract. Yesterday, KERJAYA announced that its wholly-owned subsidiary, Kerjaya Prospek (M) Sdn Bhd has been awarded a fixed lump sum RM98.1m contract by sister company **E&O** for a building contract which covers over two phases:-

- 1) Phase 1 comprises 22 units of three-storey terrace houses and eight units three-storey semi-detached houses; and,
- 2) Phase 2 comprises 28 units of three-storey terrace houses and 18 units of three-storey semi-detached houses

This Andaman Island project comprises terraced homes known as Fera and semi-detached houses called Senna. The contract works will start in April 2025 with a construction period of 24 months.

Outstanding order book of RM4.4b. We are positive on this fifth job win for FY25 which brings YTD contact wins to RM708.3m (all from E&O), against our FY25 job replenishment assumption of RM1.8b (and management's target of RM1.6b). This formed 39% of our target and 44% of management's target. Its current total outstanding order book stands at RM4.4b which will keep them busy for the next three years.

Outlook. Management has set a job replenishment target of RM1.6b for FY25 (vs. our assumption of RM1.8b), backed by a RM2b tender book for building jobs. In addition, together with its JV partner Samsung, KERJAYA is tendering for three data centre jobs worth RM3b with targeted outcome by 3QFY25. Its related party company **E&O (Not Rated)** plans to launch projects with building jobs worth RM2b in 2025, For its property development segment, its 55%-owned Rivanis (a 7-year redevelopment project in Butterworth) will sustain its construction and property earnings in the next seven years.

Forecasts. Forecasts maintained.

Valuations. We maintain our SoP-driven TP of RM2.10 (see Page 2) valuing its construction business at 14x forward PER, at a discount to the 22x 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 (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 offers decent dividend yields of >5%.

OUTPERFORM ↔

Price: **RM2.06**
Target Price: **RM2.10** ↔

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,482.16 |
| YTD KLCI chg | -9.8% |
| YTD stock price chg | -5.4% |

Stock Information

| | |
|-----------------------|---------------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | KPG MK EQUITY |
| Market Cap (RM m) | 2,630.5 |
| Shares Outstanding | 1,258.6 |
| 52-week range (H) | 2.41 |
| 52-week range (L) | 1.65 |
| 3-mth avg. daily vol. | 1,074,550 |
| Free Float | 29% |
| Beta | 0.8 |

Major Shareholders

| | |
|--------------------------|-------|
| Egovision Sdn Bhd | 49.9% |
| Amazing Parade Sdn Bhd | 17.9% |
| Employees Provident Fund | 5.5% |

Summary Earnings Table

| FY Dec (RM m) | FY24A | FY25F | FY26F |
|------------------------|--------------|--------------|--------------|
| Turnover | 1,835.5 | 2,072.6 | 2,310.5 |
| EBIT | 211.6 | 268.0 | 289.8 |
| PBT | 213.2 | 271.0 | 292.8 |
| Net Profit (NP) | 160.1 | 207.7 | 224.4 |
| Core Net Profit | 160.1 | 207.7 | 224.4 |
| Consensus (NP) | - | 201.0 | 226.0 |
| Earnings Revision | - | - | - |
| FD EPS (sen) | 14.19 | 16.73 | 18.06 |
| FD EPS Growth (%) | 28.9 | 17.8 | 8.0 |
| DPS (sen) | 15.0 | 12.0 | 12.0 |
| FD PER (x) | 14.5 | 12.3 | 11.4 |
| FD BVPS (RM) | 1.14 | 1.25 | 1.36 |
| Net Gearing (x) | N Cash | N Cash | N Cash |
| Dividend Yield (%) | 7.3 | 5.8 | 5.8 |

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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.

| KERJAYA's SoP Valuation | | | |
|-------------------------|---------------|-------------|----------------------|
| Segment | Valuation | | Basis |
| | (RM m) | (RM/share) | |
| Construction | 2429.1 | 1.95 | 14x FY25 PER |
| Property | 183.2 | 0.15 | 30% discount to RNAV |
| Valuation | 2612.3 | 2.10 | |

Source: Kenanga Research

| Income Statement | | | | | | Financial Data & Ratios | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|-------------------------|-------|-------|-------|-------|-------|
| FY Dec (RM m) | FY22A | FY23A | FY24A | FY25F | FY26F | FY Dec | FY22A | FY23A | FY24A | FY25F | FY26F |
| Revenue | 1,122.2 | 1,457.8 | 1,835.5 | 2,072.6 | 2,310.5 | Growth | | | | | |
| EBITDA | 163.7 | 195.2 | 229.4 | 286.9 | 310.0 | Turnover | 16% | 30% | 26% | 13% | 11% |
| Depreciation | -15.4 | -16.6 | -17.8 | -19.0 | -20.2 | EBITDA | 11% | 19% | 18% | 25% | 8% |
| Operating Profit | 148.3 | 178.7 | 211.6 | 268.0 | 289.8 | OP | 12% | 20% | 18% | 27% | 8% |
| Other Income | 12.5 | 2.0 | 3.0 | 3.0 | 3.0 | PBT | 12% | 21% | 19% | 27% | 8% |
| Interest Exp | -0.1 | -1.6 | -1.4 | 0.0 | 0.0 | Net Profit | 13% | 20% | 21% | 30% | 8% |
| Associate | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Profitability | | | | | |
| Exceptional Items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | EBITDA Margin | 15% | 13% | 12% | 14% | 13% |
| PBT | 148.2 | 179.1 | 213.2 | 271.0 | 292.8 | OP Margin | 13% | 12% | 12% | 13% | 13% |
| Taxation | -38.2 | -46.6 | -58.1 | -68.2 | -73.5 | PBT Margin | 13% | 12% | 12% | 13% | 13% |
| Minority Interest | 0.0 | -0.2 | 5.0 | 5.0 | 5.0 | Net Margin | 10% | 9% | 9% | 10% | 10% |
| Net Profit | 110.0 | 132.3 | 160.1 | 207.7 | 224.4 | E. Tax Rate | 26% | 26% | 27% | 25% | 25% |
| Core Net Profit | 110.0 | 132.3 | 160.1 | 207.7 | 224.4 | ROA | 6% | 7% | 8% | 9% | 9% |
| | | | | | | ROE | 9% | 10% | 11% | 13% | 13% |
| Balance Sheet | | | | | | DuPont Analysis | | | | | |
| FY Dec (RM m) | FY22A | FY23A | FY24A | FY25F | FY26F | Net Margin | 10% | 9% | 9% | 10% | 10% |
| PPE | 131.2 | 134.6 | 136.8 | 137.9 | 137.7 | Assets T/o (x) | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 |
| Intangible Assets | 418.0 | 418.0 | 418.0 | 418.0 | 418.0 | Leverage (x) | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 |
| Other FA | 28.6 | 28.6 | 28.6 | 28.6 | 28.6 | ROE | 9% | 10% | 11% | 13% | 13% |
| Inventories | 211.7 | 234.2 | 294.5 | 369.1 | 411.5 | Leverage | | | | | |
| Receivables | 730.6 | 783.8 | 933.9 | 1,126.7 | 1,236.2 | 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 | 168.0 | 204.4 | 187.7 | 157.4 | 206.2 | Net Cash/(Debt) | N.C | N.C | N.C | N.C | N.C |
| Total Assets | 1,716.0 | 1,831.6 | 2,027.5 | 2,265.7 | 2,466.1 | Net Gearing (x) | N.C | N.C | N.C | N.C | N.C |
| Payables | 396.1 | 427.9 | 515.2 | 625.4 | 687.9 | Valuations | | | | | |
| ST Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Core EPS (sen) | 9.3 | 11.0 | 14.2 | 16.7 | 18.1 |
| Other ST Liability | 112.0 | 112.0 | 112.0 | 112.0 | 112.0 | DPS (sen) | 7.0 | 8.0 | 15.0 | 12.0 | 12.0 |
| LT Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | PER (x) | 22.2 | 18.7 | 14.5 | 12.3 | 11.4 |
| Other LT Liability | 14.3 | 14.3 | 14.3 | 14.3 | 14.3 | Div. Yield (%) | 3.4 | 3.9 | 7.3 | 5.8 | 5.8 |
| Minorities Int. | -15.0 | -20.0 | -26.0 | -33.0 | -41.0 | BVPS | 0.97 | 1.04 | 1.14 | 1.25 | 1.36 |
| Net Assets | 1,208.6 | 1,297.5 | 1,412.0 | 1,547.1 | 1,692.9 | P/B (x) | 2.12 | 1.97 | 1.81 | 1.65 | 1.51 |
| 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 | 612.5 | 701.3 | 815.9 | 950.9 | 1,096.8 | | | | | | |
| Total Equity | 1,208.6 | 1,297.5 | 1,412.0 | 1,547.1 | 1,692.9 | | | | | | |
| Cashflow Statement | | | | | | | | | | | |
| FY Dec (RM m) | 2022F | 2023F | 2024F | FY25F | FY26F | | | | | | |
| Operating CF | -2.5 | 104.3 | 64.0 | 60.4 | 147.3 | | | | | | |
| Investing CF | -20.0 | -20.0 | -20.0 | -20.0 | -20.0 | | | | | | |
| Financing CF | -40.4 | -47.9 | -60.7 | -70.7 | -78.5 | | | | | | |
| Change In Cash | -62.9 | 36.5 | -16.7 | -30.3 | 48.7 | | | | | | |
| Free CF | -22.5 | 84.3 | 44.0 | 40.4 | 127.3 | | | | | | |

Source: Kenanga Research

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 BHD | OP | 3.94 | 4.90 | 24.4% | 22,715.9 | Y | 07/2025 | 17.6 | 24.4 | 8.9% | 38.7% | 22.4 | 16.1 | 1.9 | 8.7% | 10.0 | 2.5% |
| IJM CORP BHD | OP | 2.09 | 3.00 | 43.5% | 7,325.8 | Y | 03/2025 | 11.7 | 13.6 | -17.1% | 17.0% | 17.9 | 15.3 | 0.8 | 4.2% | 8.0 | 3.8% |
| KERJAYA PROSPEK GROUP BHD | OP | 2.06 | 2.10 | 1.9% | 2,592.7 | Y | 12/2025 | 16.7 | 18.1 | 29.7% | 8.0% | 12.3 | 11.4 | 1.7 | 14.0% | 12.0 | 5.8% |
| KIMLUN CORP BHD | OP | 0.880 | 1.36 | 54.5% | 311.0 | Y | 12/2025 | 7.7 | 11.8 | 56.8% | 53.6% | 11.5 | 7.5 | 0.4 | 3.4% | 2.0 | 2.3% |
| SUNWAY CONSTRUCTION GROUP BHD | OP | 4.33 | 5.31 | 22.6% | 5,585.6 | Y | 12/2025 | 21.1 | 22.9 | 68.2% | 8.8% | 20.5 | 18.9 | 5.2 | 28.0% | 8.5 | 2.0% |
| WCT HOLDINGS BHD | OP | 0.630 | 1.29 | 104.8% | 982.1 | Y | 12/2025 | 5.0 | 5.6 | 67.4% | 12.7% | 12.6 | 11.2 | 0.3 | 2.1% | 0.5 | 0.8% |
| SECTOR AGGREGATE | | | | | 39,513.1 | | | | | 15.9% | 26.1% | 19.8 | 15.7 | 1.4 | 7.1% | | 2.9% |

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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