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Kerjaya Prospek Group Contract Flow Keep Going

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KERJAYA has clinched two contracts totalling RM103m from sister company E&O (Not Rated) for landed construction, piling, and earthworks on Andaman Island, Penang. This brings YTD FY26 wins to RM1.08b (tracking within our RM2.0b target) and raising its outstanding order book to RM4.4b, securing earnings visibility for three years. Maintain earnings, TP of RM3.05, and OUTPERFORM call, backed by a >5% dividend yield.

Clinched two E&O contracts worth RM102.6m. KERJAYA announced yesterday that its wholly-owned sub-subsidiary, Kerjaya Prospek (M) Sdn Bhd, has been awarded two separate fixed lump-sum contracts worth a combined RM102.6m by its sister company, E&O. Both projects are located on Andaman Island, Penang. The contract breakdown is as follows:

1. RM69.6m building contract to construct 28 units of 3-storey terrace houses on Andaman Island. The project is slated to commence on 1 August 2026 with a construction period of 24 months.
2. RM33.0m piling and earthworks contract for a serviced apartment at Bandar Tanjung Pinang. The project is scheduled to begin on 1 July 2026 over a 12-month duration.

Order book raised to RM4.4b. While we acknowledge this latest contract win, which brings its YTD job replenishment to RM1.08b, we remain neutral as the progress is well within our FY26 job win assumption and management's full-year target of RM2.0b. The group's outstanding order book now stands at RM4.4b, providing earnings visibility for the next three years. However, we remain cautious as profit margins may face headwinds from rising input cost pressures. The PAT margin for this project is expected to be in line with typical residential projects at around 8%-10%.

Outlook. Management has set a FY26 job replenishment target of RM2b, supported by a RM2b-RM3b tender book for building jobs. Together with JV partner Samsung, KERJAYA is also tendering for local factory projects. Additional opportunities include RM2b worth of infrastructure works at Andaman Island. In property development, its 55%-owned Rivanis (a seven-year redevelopment project in Butterworth) will sustain construction and property earnings over the medium term.

Forecasts. Maintain FY26-FY27 forecasts with job win assumptions of RM2b each year.

Valuations. We maintain our SoP-driven TP of RM3.05 (see Page 2) valuing its construction business at 18x FY26F earnings, at a discount to the 22x we ascribed to large contractors (i.e. **GAMUDA**, **IJM** and **SUNCON**), reflecting KERJAYA's mid-cap status. 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, and (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. OUTPERFORM rating maintained. 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: **RM2.07**
Target Price: **RM3.05** ↔

Share Price Performance



KLCI	1,717.69
YTD KLCI chg	2.2%
YTD stock price chg	-22.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK
Market Cap (RM m)	2,602.7
Shares Outstanding	1,257.3
52-week range (H)	2.87
52-week range (L)	2.00
3-mth avg. daily vol.	1,291,374
Free Float	29%
Beta	0.7

Major Shareholders

Egovision Sdn Bhd	49.9%
Amazing Parade Sdn Bhd	17.9%
Employees Provident Fund	5.0%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	2249.3	2434.5	2564.5
EBIT	294.8	323.3	348.0
PBT	306.5	333.7	359.5
Net Profit	224.7	245.7	264.7
Core Net Profit	224.5	245.7	264.7
Consensus	-	248.8	271.2
Earnings Revision (%)	-	-	-
Core EPS (sen)	17.8	19.5	21.0
Core EPS Growth (%)	40.2	9.4	7.7
NDPS (sen)	12.5	12.0	12.0
BVPS (RM)	0.95	1.04	1.13
NTA/share (RM)	0.77	0.84	0.93
PER (x)	14.9	10.6	9.8
PBV (x)	2.79	2.00	1.84
P/NTA (x)	3.47	2.45	2.22
Net Gearing (x)	N Cash	N Cash	N Cash
Net Div. Yield (%)	4.7	5.8	5.8

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KERJAYA's SoP Valuation			
Segment	Valuation		Basis
	(RM m)	(RM/share)	
Construction	3,652.1	2.90	18x FY26 PER
Property	183.2	0.15	30% discount to RNAV
Valuation	3,835.2	3.05	

Source: Kenanga Research

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	FY Dec	2023A	2024A	2025A	2026F	2027F
Revenue	1458	1835	2249	2435	2565	Growth (%)					
EBITDA	191	226	312	337	362	Revenue	29.9	25.9	22.5	8.2	5.3
Depreciation	-17	-17	-17	-13	-14	EBITDA	12.0	18.0	38.1	7.9	7.4
Operating Profit	174	209	295	323	348	Operating Income	20.1	20.1	41.0	9.7	7.7
Interest Incomes	7	9	13	11	13	Pre-tax Income	20.6	20.8	41.6	8.8	7.7
Interest Expense	-2	-1	-1	-1	-1	Net Income	15.2	21.1	40.2	9.3	7.7
Associate	0	0	0	0	0	Core Net Income	15.2	21.5	40.2	9.4	7.7
Exceptional	0	0	0	0	0	Profitability (%)					
PBT	179	216	307	334	359	EBITDA Margin	13.1	12.3	13.9	13.8	14.1
Taxation	-47	-56	-81	-87	-93	Operating Margin	11.9	11.4	13.1	13.3	13.6
Minority Interest	0	0	-1	-1	-1	PBT Margin	12.3	11.8	13.6	13.7	14.0
Net Profit	132	160	225	246	265	Net Margin	9.1	8.7	10.0	10.1	10.3
Core Net Profit	132	160	224	246	265	Core Net Margin	9.0	8.7	10.0	10.1	10.3
						Effective Tax Rate	26.0	25.9	26.5	26.0	26.0
						ROE	8.6	8.3	9.2	10.5	10.8
						ROA	11.6	14.0	17.8	19.7	19.5
						DuPont Analysis					
						Net margin (%)	9.0	8.7	10.0	10.1	10.3
						Assets Turnover (x)	0.9	0.8	1.1	1.0	1.0
						Leverage Factor (x)	1.4	2.0	1.7	1.8	1.8
						ROE (%)	11.4	14.1	18.7	18.9	18.7
						Leverage					
						Debt/Asset (x)	0.02	0.01	0.01	0.01	0.01
						Debt/Equity (x)	0.02	0.02	0.02	0.02	0.01
						Net Debt/(Cash)	167	273	359	369	426
						Net Debt/Equity (x)	-0.14	-0.24	-0.30	-0.28	-0.30
						Valuations					
						Core EPS (sen)	10.4	12.7	17.8	19.5	21.0
						NDPS (sen)	8.0	15.0	12.5	12.0	12.0
						BV/share (RM)	0.91	0.90	0.95	1.04	1.13
						NTA/share (RM)	0.73	0.72	0.77	0.84	0.93
						Core PER (x)	14.9	17.4	14.9	10.6	9.8
						Net Div. Yield (%)	5.2	6.8	4.7	5.8	5.8
						PBV (x)	1.70	2.45	2.79	2.00	1.84
						P/NTA (x)	2.13	3.08	3.47	2.45	2.22
						EV/EBITDA (x)	9.4	11.1	9.9	6.6	6.0

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	OP	4.40	5.30	20.5%	26,226.1	Y	07/2026	17.8	23.4	5.3%	31.3%	24.7	18.8	2.0	8.5%	10.0	2.3%
IJM	OP	2.07	3.40	64.3%	7,255.7	Y	03/2026	14.4	15.9	11.8%	10.1%	14.3	13.0	0.7	5.1%	8.0	3.9%
KERJAYA	OP	2.07	3.05	47.3%	2,602.7	Y	12/2026	16.7	18.9	29.8%	13.2%	12.4	10.9	2.2	17.8%	12.0	5.8%
KIMLUN	OP	1.05	1.50	42.9%	408.1	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.8	5.2	0.5	10.3%	2.0	1.9%
SUNCON	OP	7.60	7.76	2.1%	10,101.8	Y	12/2026	32.0	33.6	0.3%	5.1%	23.8	22.6	9.3	38.9%	47.2	6.2%
WCT	OP	0.440	1.13	156.8%	685.9	Y	12/2026	4.1	4.4	19.2%	7.3%	10.7	10.0	0.2	1.9%	0.0	0.0%
SECTOR AGGREGATE					47,280.3					9.4%	18.3%	20.0	16.9	1.6	7.9%		3.3%

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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