



Kerjaya Prospek Group Bhd

“Better earnings ahead”

Bloomberg: KPG MK | Reuters: KREJ.KL | Stock Code: 7161

Main Board
Construction
BUY
TP: RM1.29
Price: RM1.17

Valuation / Recommendation

We initiate coverage on Kerjaya Prospek Group Bhd with a BUY recommendation with a TP of RM1.29 based on FY23F EPS 9.4 sen and PE of 13.7x in line with the 2-years average.

The company may have more opportunities to secure new contracts against the backdrop of a recovering construction sector, which could expand by 11.5% in 2022 as forecasted by department of statistics Malaysia (DOSM). With operations fully resumed, we think that there will be smoother progress of projects due to its workforce fully vaccinated which reduces work stoppages moving forward.

Investment Highlights

Healthy order book. Kerjaya has an outstanding order book of RM4.1bn as of 28 February 2022 (RM1.7b from related parties and RM718m from infrastructure projects), which should provide earnings visibility over the next 5 years. The company has a tender book of more than RM1.5bn focused on building jobs, and a tender success rate of 20%, that if successful will increase the order book. We estimate an annual target order book replenishment of RM1.0bn to RM1.2bn.

Strong financial position. Kerjaya has net cash of RM176.3m and total borrowings of RM33.8m as of 28 February 2022, which allows the company the potential capacity to undertake more projects moving forward.

Proven track record. Even during the Covid-19 pandemic, the company has won more than RM900m worth of project value from established property developers in FY21, of which 40.8% are from related party. The company has several notable on-going projects such as the Axon Bukit Bintang and Bloomsvale Old Klang Road which has a contract value of more than RM220m. The company was also recently awarded a RM710.1m construction contract for a residential development project, which represents the largest ever contract won from an external party. The company has an experienced management team led by Executive Chairman Datuk Tee Eng Ho, having more than 30 years of experience in civil and building construction.

Risk factors. (1) Failure to secure new projects. (2) Unexpected project cancellations, delays, or postponement of projects. (3) Unanticipated increases in construction costs for projects. (4) Prolonged Covid-19 pandemic.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	811.0	964.9	1,004.3	1,054.5	1,107.3
EBITDA (RM m)	158.1	166.5	180.1	193.8	209.6
EBITDA Margin (%)	19.5	17.3	17.9	18.4	18.9
Pre-tax Profit (RM m)	116.7	131.5	140.8	154.4	169.9
PATMI	90.7	96.9	104.0	115.9	130.3
EPS (sen)	7.3	7.8	8.4	9.4	10.5
EPS Growth (%)	-34.4	6.7	7.3	11.4	12.4
Diluted EPS (sen)	7.3	7.8	8.4	9.4	10.5
Dividend Yield (%)	3.3	3.6	3.6	3.6	3.6
BV Per Share (sen)	89.8	94.7	100.1	105.7	112.3
PE (x)	16.0	14.9	13.9	12.5	11.1
Net Gearing (%)	Net	Net	Net	Net	Net
	Cash	Cash	Cash	Cash	Cash
ROA (%)	6.1	6.3	6.4	6.8	7.3
ROE (%)	8.2	8.3	8.4	8.9	9.4

Sources: Mercury Securities, Company

Business Overview

Kerjaya Prospek Group Bhd's business segments are manufacturing, construction, properties, and investments and others. The manufacturing segment is engaged in manufacturing, supply, and installation of light fitting and kitchen cabinetry and related products. The construction segment is engaged in supply and installation of aluminium works, interior fixtures, provision of contract workmanship and building constructions. The properties segment is engaged in the development of residential or commercial properties.

Stock Return Information

KLCI (pts)	1,608.35
Expected Share Return (%)	10.3
Expected Dividend Yield (%)	3.6
Expected Total Return (%)	13.9

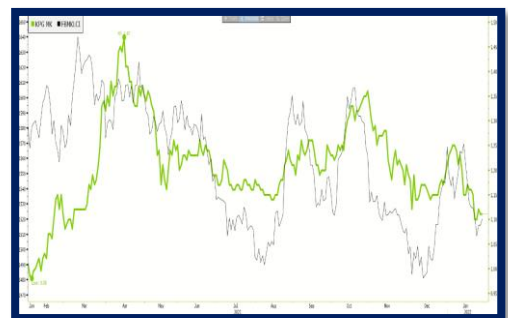
Share Information

Market Cap (RM m)	1,447.0
Issued Shares (m)	1,236.8
52W High (RM)	1.53
52W Low (RM)	1.06
Estimated Free Float (%)	15.9
Beta vs FBM KLCI	1.02
3-month Average Vol. (m)	4.6

Top 3 Shareholders (%)

Egovision Sdn Bhd	50.73
Amazing Parade Sdn Bhd	20.67
Employees Providend Fund Board	7.05

Price Performance	1M	3M	12M
Absolute (%)	10.4	12.5	36.1
Relative to Index (%)	6.2	11.6	39.0



Source: Bloomberg

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RESULTS (RM m) FY Dec	4Q21	3Q21	qoq %	4Q20	yoy %	Comments
Revenue	283.7	222.6	27.5	248.9	14.0	
Cost of sales	229.3	190.8	20.2	208.9	9.8	
Gross profit	54.4	31.9	70.5	40.0	36.0	
Other operating income	1.9	5.8	-67.2	10.3	-81.6	
Administrative expenses	8.3	6.8	22.1	10.6	-21.7	
Profit from operations	41.9	30.4	37.8	19.4	116.0	
Finance cost	0.3	0.3	-	0.3	-	
Pretax profit	41.6	31.1	33.8	38.2	8.9	
Tax	11.3	6.3	79.4	10.2	10.8	
Profit after tax	30.3	24.3	24.7	28.0	8.2	
Minority interest	-	0.1	-	0.0	-	
PATMI	30.3	24.2	24.7	28.0	8.2	
Extraordinary losses (gains)	-	-	-	-	-	
Core net profit	30.3	24.2	24.7	28.0	8.2	
EPS (sen)	2.5	2.0	25.0	2.3	8.7	
Core EPS (sen)	2.5	2.0	25.0	2.3	8.7	

Sources: Mercury Securities, Company

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM'm)	PE (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Kerjaya Prospek	KPG MK	1.17	1,434.6	14.2	13.0	8.3	9.1	-	9.6%	1.2	1.1
Sunway Construction	SCGB MK	1.50	1,921.1	14.7	13.2	10.2	11.4	16.8%	11.8%	2.6	2.4
Gamuda Bhd	GAM MK	2.87	7,163.6	12.8	12.2	22.5	23.5	-3.9%	4.4%	0.8	0.7
IJM Corp	IJM MK	1.53	5,387.4	12.6	15.3	12.1	10.0	1.60	-17.4%	0.5	0.5
Average				13.6	13.4						

Sources : Mercury Securities, Bloomberg



Source : Bloomberg



MERCURY SECURITIES SDN BHD
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Securities Berhad)

PROFIT & LOSS (RM m) FY Dec	FY20	FY21	FY22F	FY23F	FY24F
Net Revenue	811.0	964.9	1004.3	1054.5	1107.3
Gross Profit	134.5	157.1	168.1	179.4	194.1
Other Operating Income	25.2	18.9	24.2	25.4	26.3
Depreciation & Amortisation	37.5	33.6	38.1	38.2	38.5
EBIT	120.6	132.9	142.0	155.6	171.1
Operating and Administrative expenses	53.8	64.6	63.3	64.9	65.4
Interest income	11.8	12.4	13.0	15.6	16.1
Profit from operations	105.9	120.2	129.0	139.9	155.0
Interest Expense	1.0	1.2	1.2	1.2	1.2
Profit Before Tax	116.7	131.5	140.8	154.4	169.9
Exceptional Items	-	-	-	-	-
Taxation	28.8	34.9	36.8	38.5	39.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	90.8	96.7	104.0	115.9	130.3
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	90.8	96.7	104.0	115.9	130.3
BALANCE SHEET (RM m) FY Dec	FY20	FY21	FY22F	FY23F	FY24F
Cash & Equivalents	266.7	210.1	212.9	218.4	220.4
Trade debtors	312.7	402.4	404.1	410.3	446.2
Inventories	9.4	8.0	10.0	9.1	6.3
Other current assets	167.2	196.0	181.9	190.8	199.0
Current Assets	793.5	849.3	842.8	865.1	908.1
Fixed assets	123.8	90.6	130.7	138.0	143.7
Other non-current assets	356.2	369.3	395.7	411.1	431.2
Non-Current Assets	695.9	695.6	788.9	834.8	888.5
Short-term debt	80.6	55.1	53.4	63.7	57.9
Trade payables	125.0	165.6	156.6	153.5	164.9
Other current liabilities	39.4	36.1	37.1	39.4	43.2
Current Liabilities	245.0	256.8	247.1	256.6	266.0
Lease liabilities	1.0	1.1	1.4	1.2	1.3
Other non-current liabilities	133.0	115.6	136.6	134.8	143.2
Non-current Liabilities	134.0	116.7	138.1	136.1	144.5
Other reserves	5.0	5.2	7.4	6.1	6.5
Share capital	0.0	0.0	0.0	0.0	0.0
Total Equity	1110.4	1171.4	1238.2	1306.8	1388.6
CASH FLOW (RM m) FY Dec	FY20	FY21	FY22F	FY23F	FY24F
Profit before tax	119.5	131.8	140.8	154.4	169.9
Depreciation & amortization	37.5	33.6	38.1	38.2	38.5
Non-cash items	0.0	8.2	0.0	0.0	0.0
Operating profit before working capital changes	157.0	173.6	178.9	192.6	208.4
Net change in operating assets	-58.5	-117.3	-6.5	22.4	42.9
Net change in operating liabilities	-40.6	22.8	-9.7	9.5	9.4
Net cash generated from operations	58.1	79.1	162.7	224.5	260.8
Interest received	11.8	12.4	13.0	15.6	16.1
Interest paid	1.0	1.1	1.2	1.2	1.2
Income tax refund	0.0	0.7	0.0	0.0	0.0
Income tax paid	28.8	34.8	36.8	38.5	39.6
Net cash generated from operating activities	27.9	52.2	137.8	200.5	236.0
Acquisitions	-49.5	-22.2	-39.6	-39.0	-35.3
Placement of deposits in licensed banks	-2.1	-3.2	-3.3	-3.0	-3.3
Proceeds from disposal of assets	31.9	16.3	17.1	22.9	19.7
Net cash used in investing activities	-19.7	-9.1	-25.8	-19.1	-18.9
Dividends paid	-24.5	-55.7	-56.8	-46.6	-54.1
Lease payment	-1.2	-0.7	-1.2	-1.1	-1.0
Purchase of treasury shares	-8.4	-0.2	-0.2	-0.2	-0.2
Cashflow from financing	-34.1	-56.6	-58.2	-47.9	-55.3

Sources : Mercury Securities, Company

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Published and printed by:

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