



Kerjaya Prospek Group Bhd

“Riding on the recovery of the construction sector”

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

Main Board

Construction

BUY

TP: RM1.33

Last Closing Price: RM1.18

Initiated Price: RM1.17

Valuation / Recommendation

Results were within expectations, achieving 57.5% and 55.2% of our full year revenue and profit forecasts for FY22 due to improved progress on construction work activities.

We maintain a BUY recommendation on Kerjaya Prospek Group Bhd with a revised TP of RM1.33 based on FY23F EPS 9.2 sen and PE of 14.5x in line with the 2-years average. We think that 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

Strong financial position. Kerjaya has net cash of RM214.6m as of 30 June 2022, which allows the company the potential capacity to undertake more projects moving forward.

Healthy order book. Kerjaya has an outstanding order book of RM4.3bn as of 30 June 2022 (RM1.7b from related parties and RM675m from infrastructure projects), which should provide earnings visibility over the next 5 years. The company has a tender book of between RM1.5bn to RM2.0bn 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.

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 Astrum Ampang and Bloomsvale Old Klang Road which has a contract value of more than RM500m. Notable projects such as the Lucentia Residence and Megah Rise which has a contract value of more than RM200m was completed in 1H22. The company was also, in the previous quarter 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 factor. (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	158.1	166.5	180.1	193.8	209.6
PATMI	90.7	96.9	104.0	115.9	130.3
EPS (sen)	7.2	7.7	8.2	9.2	10.3
EPS Growth (%)	-34.4	6.7	7.3	11.4	12.4
BV Per Share (sen)	88.1	92.9	98.2	103.6	110.1
PE (x)	16.2	15.2	14.2	12.7	11.3
Dividend Yield (%)	1.6	2.5	2.1	2.3	2.6
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

RESULTS (RM m)	2Q22	1Q22	qoq %	2Q21	yoy %
FY Dec					
Revenue	276.9	300.6	-7.9	189.9	45.8
Cost of sales	233.9	260.1	-10.1	161.1	45.2
Gross profit	43.0	40.5	6.2	28.8	49.3
Other income	4.2	5.9	-28.8	1.8	133.3
Admin expenses	7.7	7.5	2.7	6.9	11.6
Other expenses	0.9	0.5	80.0	0.1	800.0
Profit from operations	38.6	38.4	0.5	23.6	63.6
Finance cost	0.1	0.3	-66.7	0.3	-66.7
Profit before tax	38.5	38.1	1.0	23.2	65.9
Tax	9.9	9.3	6.5	7.4	33.8
Net profit	28.6	28.8	-0.7	15.8	81.0
Core net profit	28.6	28.8	-0.7	15.8	81.0
EPS (sen)	2.3	2.3	-	1.3	-
Core EPS (sen)	2.3	2.3	-	1.3	-

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)	1,487.37
Expected Share Return (%)	12.7
Expected Dividend Yield (%)	2.3
Expected Total Return (%)	15.0

Price Performance

	1M	3M	12M
Absolute (%)	-	-1.7	-0.9
Relative to Index (%)	-1.2	5.3	1.5

Share Information

Market Cap (RM m)	1,475.4
Issued Shares (m)	1,261.1
52W High (RM)	1.37
52W Low (RM)	1.06
Estimated Free Float (%)	17.9
Beta vs FBM KLCI	0.71
3-month Average Vol. (m)	6.1

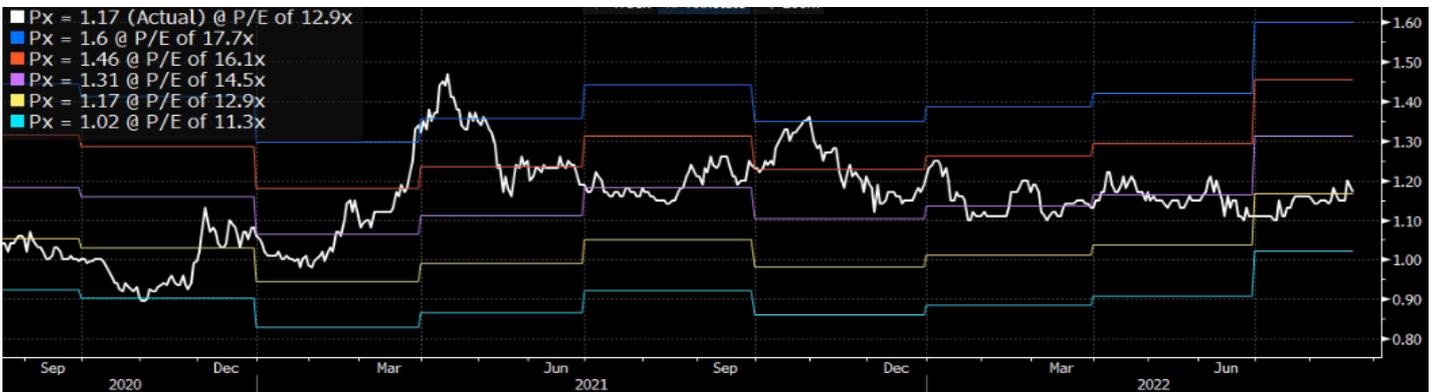
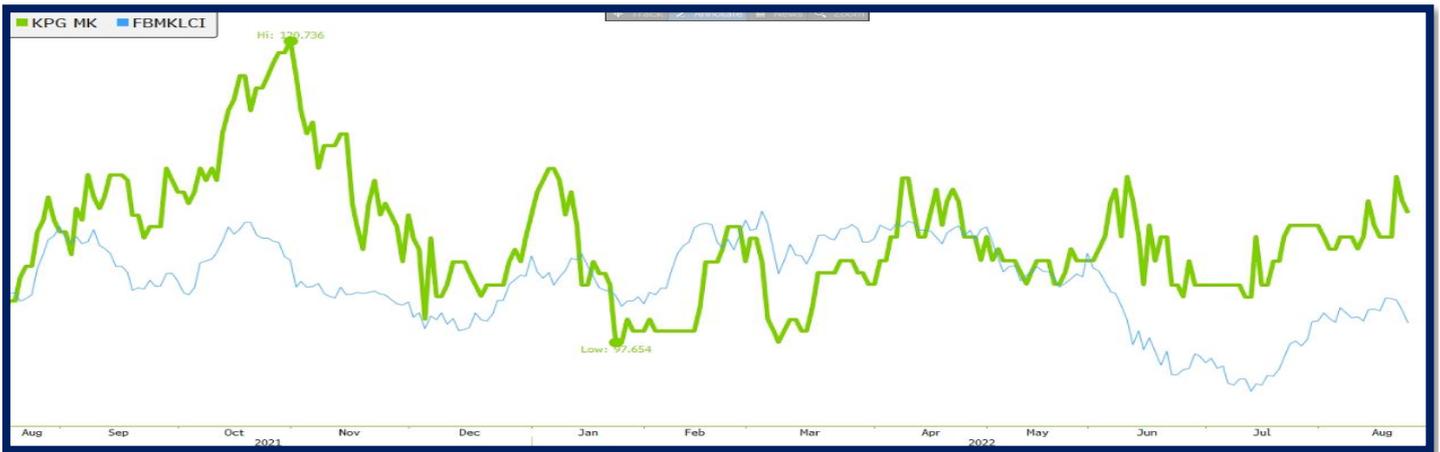
Top 3 Shareholders (%)

Egovision Sdn Bhd	49.75
Amazing Parade Sdn Bhd	20.27
Employees Provident Fund Board	7.07

Sources: Mercury Securities, Company, Bloomberg

Ronnie Tan

ronnie-tan@mersec.com.my



Sources: Mercury Securities, Bloomberg

DISCLAIMERS AND DISCLOSURES

Disclaimers

This report is prepared primarily for the use of Mercury Securities' clients in Malaysia and not for publication purposes, should not be reproduced, altered in any way, transmitted to, copied, or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Mercury Securities. Mercury Securities, companies and individuals related to it accept no liability whatsoever for the actions of third parties in this respect.

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the stocks or securities referred to in the report. Investors should note that the price, values, or fundamentals of any securities may fluctuate over time. Past performance of any securities may not be an accurate guide to its future performance.

This report is not intended to provide personal investment advice and does not take into account the investment objectives, financial situation and risk appetite of persons who may receive or read this report. Investors are advised to trade at their own absolute discretion, and to seek financial, legal, and other pertinent professional advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

Any information, views, opinions, recommendations, and advice in this report are given in good faith but without any legal responsibility or liability to Mercury Securities and connected parties. Information contained in this report has been obtained from public sources believed to be reliable, but such sources are not independently verified by Mercury Securities and consequently no representation is made as to the accuracy or completeness of this information, and it should not be relied upon as such. The views, recommendations and opinions in this research report are our own as of the date hereof and are subject to change without prior notice.

Mercury Securities expressly disclaims any obligation to update or revise any views, recommendations, forward looking statements, and forecasts in a timely manner to reflect new information, events, or circumstances after the date of this report publication or to reflect the occurrence of unanticipated events. Our views and recommendations are based on our own analysis of publicly available information. A subject company's fundamentals and prospects are subject to various risks and uncertainties that could cause its actual performance to differ from our opinion.

As such, Mercury Securities and its directors, officers, associates, connected parties and employees shall not be liable for any direct, indirect, or consequential losses or damages that may arise from the use of or reliance on this research report.

Disclosures

Mercury Securities Sdn Bhd Registration No. 198401000672 (113193-W) is a Participating Organisation of Bursa Malaysia Securities Berhad and a principal holding a Capital Markets Services Licence ("CMSL") issued by the Securities Commission ("SC") of Malaysia. Its research analysts hold a Capital Markets Services Representative's Licence ("CMSRL"). Principals holding a CMSL and representatives holding a CMSRL are regulated by SC in accordance with the Capital Markets and Services Act 2007 ("CMSA").

Mercury Securities, companies or individuals connected with it may have used research material before publication and may have positions in or may be materially interested in any stocks or securities in the markets mentioned. Some of the subject companies covered by Mercury Securities for research purposes may be a client of Mercury Securities in the past, current or may be a potential client in the future. Possible business dealings may include, but is not limited to share trading, market making, underwriting, corporate finance and corporate advisory services.

RECOMMENDATION RATING

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

BUY	Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield)
HOLD	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

Published and printed by:

MERCURY SECURITIES SDN BHD

Registration No. 198401000672 (**113193-W**)

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: www.mercurysecurities.com.my

Email: mercurykl@mersec.com.my