



Kerjaya Prospek Group Bhd

“Strong Prospects in Construction Game”

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

Main Board

Construction

BUY

TP: RM1.46

Last Closing Price: RM1.20

Initiated Price: RM1.17

Valuation / Recommendation

The results met our expectations, with an accomplishment of 46.5% and 44.7% of our full-year revenue and profit forecasts for FY23. This success can be attributed to the significant advancements in construction work activities. Our confidence in Kerjaya Prospek remains steadfast, leading us to uphold a BUY recommendation. The target price (TP) remains unchanged at RM1.46, aligned with a FY23F EPS of 10.8 sen and a PE ratio of 13.6x, consistent with the two-year average. Kerjaya stands out due to its adept and efficient cost management practices, resulting in profit margins that surpass the industry average.

Investment Highlights

Solid financial position. As of June 30, 2023, Kerjaya Prospek boasts a robust net cash reserve amounting to RM203.7 m. This substantial financial buffer strategically positions the company for potential future project expansion endeavors.

Robust Order Book: The company maintains an impressive order book of RM4.5 bn, encompassing RM2.0 bn from related parties and RM984.2 m from infrastructure projects. This substantial order book augments earnings predictability for the upcoming three-year period. In the recent quarter, the company secured three noteworthy contracts: firstly, a residential development contract valued at RM404.4 m from BCM Holdings; secondly, a RM24.7 m contract for earthworks for a proposed mixed development from Eastern & Oriental Express Sdn Bhd; and thirdly, a RM21.3 m contract for infrastructure works for the proposed STP2 Development in Penang from Persada Mentari Sdn Bhd. These contract acquisitions contribute to the year-to-date contract wins, now nearing RM983.8 m, closely approaching the company's targeted total order book win of RM1.2 bn for FY23.

Proven Track Record: Under the adept leadership of chairman Datuk Tee Eng Ho, who brings over three decades of experience in civil and building construction, Kerjaya maintains an accomplished management team. Notable projects in Kerjaya's portfolio include the RM503 m Bloomsvale Old Klang Road and the RM710 m Astrum Ampang. The company is presently engaged in 36 ongoing projects, with an order book valued at RM4.5 bn. Additionally, the imminent completion of the Papyrus project by the end of FY23 is anticipated to significantly contribute to their bottom-line, with an expected margin of 10%.

Risk Considerations: Several risk factors warrant attention, including (1) the potential failure to secure new projects, (2) unforeseen project cancellations, delays, or postponements, and (3) unanticipated increases in construction costs.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	811.0	977.0	1125.6	1303.9	1511.0
EBITDA (RM m)	133.5	147.2	168.0	169.2	222.9
PATMI (RM m)	89.2	102.8	113.7	136.1	157.9
Profit Margin (%)	11.0	10.5	10.2	10.4	10.5
EPS (sen)	7.2	8.3	9.2	10.8	12.5
EPS Growth (%)	-34.8	14.7	10.5	30.0	36.6
BV Per Share (sen)	90.1	82.2	90.5	87.4	90.8
PE (x)	16.4	15.4	13.3	11.1	9.6
Dividend Yield (%)	1.6	3.0	5.1	5.1	5.1
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
ROA (%)	6.0	7.4	8.9	9.3	10.5
ROE (%)	8.0	10.1	10.2	12.3	13.8

Sources: Mercury Securities, Company

RESULTS (RM m)	2Q23	1Q23	qoq %	2Q22	yoy %
FY Dec					
Revenue	309.3	297.2	4.0	276.9	11.7
Cost of sales	259.9	255.1	1.9	233.9	11.1
Gross profit	49.4	42.2	17.2	43.0	14.9
Other income	1.4	7.4	-81.3	4.2	-66.5
Admin expenses	7.3	10.1	-27.5	7.7	-4.8
Other expenses	0.6	0.4	71.0	0.9	-30.1
Profit from operations	42.9	39.2	9.5	38.6	11.1
Finance cost	0.2	0.1	77.3	0.1	85.1
Profit before tax	42.7	39.0	9.3	38.5	10.9
Tax	11.2	9.6	16.4	9.9	13.0
Net profit	31.5	29.4	7.0	28.6	10.1
Core net profit	31.5	29.4	7.0	28.6	10.1
EPS (sen)	2.5	2.3	7.3	2.3	8.7
Core EPS (sen)	2.5	2.3	7.3	2.3	8.7

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 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)	1,451.53
Expected Share Return (%)	21.7
Expected Dividend Yield (%)	5.1
Expected Total Return (%)	26.8

Price Performance

	1M	3M	12M
Absolute (%)	9.1	9.1	10.1
Relative to Index (%)	2.7	2.8	-2.1

Share Information

Market Cap (RM m)	1,513.3
Issued Shares (m)	1,261.1
52W High (RM)	1.28
52W Low (RM)	1.05
Estimated Free Float (%)	18.9
Beta vs FBM KLCI	0.56
3-month Average Vol. (m)	5.1

Top 3 Shareholders (%)

Egovision Sdn Bhd	49.8
Amazing Parade Sdn Bhd	20.3
Employees Provident Fund Board	7.1

Sources: Mercury Securities, Company, Bloomberg

Research Team Coverage

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