



# Kerjaya Prospek Group Berhad

## Bright prospects from contract wins

Bloomberg: KPG MK | Stock Code: 7161

### Valuation / Recommendation

The results met our expectations, with an accomplishment of 68.4% and 66.6% of our full-year revenue and profit forecasts for FY23. We revise our revenue and profit forecast upward by 8.6% and 6.6% for FY23F due to acquisition of new contracts. We maintain a BUY recommendation on Kerjaya Prospek Group Bhd with a revised TP of RM1.66 (up from RM1.46), aligning with its FY23F EPS of 11.5 and a PE ratio of 14.4x consistent with the two-year average. Kerjaya remains our favourite in the construction sector due to its attractive valuations.

### Investment Highlights

Kerjaya Prospek net profit increased by 11.1% yoy for Q3FY23 largely attributed to advancements in construction activities and positive contributions from the Vue @ Monterez project in the property segment. Lower than expected margins were attributed to rising cost of cement prices.

Solid financial position. As at 30 Sept 2023, Kerjaya Prospek boasts a robust net cash reserve amounting to RM204.2m. This substantial financial buffer strategically positions the company for potential future project expansion.

Healthy order book. The firm's order book stands at RM4.7bn as of September 30, 2023, with RM2.0 billion from related parties and RM900m from infrastructure projects. A RM404m contract with BCM Holding was terminated (accepted during June 2023) effectively reducing the orderbook down to RM4.3bn, in which a RM20m damages claim against BCM was filed by Kerjaya Prospek. Management remains confident in achieving and maintaining their target order book replenishment of RM1.5bn for FY2024.

Additionally, during August to September 2023, the company has acquired several noteworthy contracts. The projects include: (i) high-rise building job in Bandar Putra Permai by UEMS valued at RM125m, (ii) concrete structure work for a factory in Melaka from Samsung-KP JV valued at RM142.2m, (iii) high-rise development contract valued at RM226m from Aspen Vision Sdn Bhd, (iv) construction and completion of 69 units of 3- storey semi-detached and terrace houses on Andaman Island, Penang from E&O valued at RM104.7m. In total, the company has won 9 construction contracts in 2023, bringing the YTD contract wins to RM1.6bn, inclusive of the project value with BCM Holding.

Dividend. A third interim single tier dividend of 2.0 sen per share was declared, ex on 14th Dec 2023. (9MFY23 – 6.0 sen, FY22 – 6.0 sen, FY21 – 3.5 sen)

Risk Considerations: (1) risk of failure in securing new projects, (2) unforeseen project cancellations, delays, or postponements, and (3) unanticipated increases in construction costs.

| Investment Statistics | FY20     | FY21     | FY22     | FY23F    | FY24F    |
|-----------------------|----------|----------|----------|----------|----------|
| Revenue               | 811.0    | 977.0    | 1122.2   | 1416.2   | 1631.5   |
| EBITDA (RM m)         | 133.1    | 142.9    | 204.1    | 189.9    | 220.1    |
| EBITDA Margin (%)     | 16.4     | 14.6     | 18.2     | 13.4     | 13.5     |
| Pre-tax Profit (RM m) | 119.6    | 135.4    | 148.5    | 189.3    | 219.5    |
| Net Profit (RM m)     | 90.8     | 100.6    | 114.8    | 145.0    | 167.8    |
| PAT Margin (%)        | 11.2     | 10.3     | 10.2     | 10.2     | 10.3     |
| EPS (sen)             | 7.2      | 7.9      | 9.1      | 11.5     | 13.2     |
| EPS Growth (%)        | -        | 10.8     | 14.1     | 26.4     | 15.7     |
| Dividend Yield (%)    | 4.3      | 3.0      | 5.1      | 4.2      | 4.2      |
| PE (x)                | 20.7     | 18.7     | 16.4     | 13.0     | 11.2     |
| Net Gearing (%)       | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |
| ROA (%)               | 6.1      | 7.3      | 8.1      | 9.2      | 10.1     |
| ROE (%)               | 8.2      | 9.9      | 10.2     | 13.1     | 15.3     |

Main Board  
Construction  
BUY

TP: RM1.66  
Last Closing Price: RM1.41  
Initiated Price: RM1.17

#### 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)                  | 1453.29 |
| Expected Share Return (%)   | 16.9    |
| Expected Dividend Yield (%) | 4.3     |
| Expected Total Return (%)   | 21.2    |

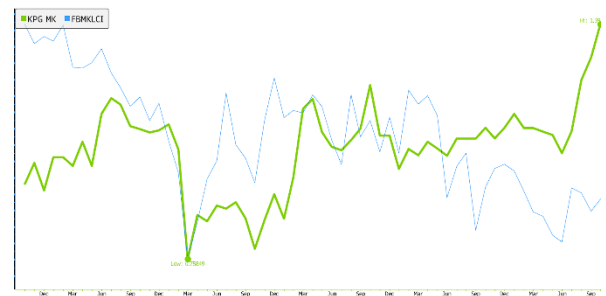
| Price Performance     | 1M  | 3M   | 12M  |
|-----------------------|-----|------|------|
| Absolute (%)          | 2.2 | 18.5 | 22.6 |
| Relative to Index (%) | 0.8 | 0.9  | -3.2 |

#### Stock Return Information

|                          |        |
|--------------------------|--------|
| Market Cap (RM m)        | 1787.0 |
| Issued Shares (m)        | 1261.1 |
| 52W High (RM)            | 1.53   |
| 52W Low (RM)             | 1.05   |
| Estimated Free Float (%) | 20.2   |
| Beta vs FBM KLCI         | 0.495  |
| 3-month Average Vol. (m) | 33.9   |

#### Top 3 Shareholders

|                                |      |
|--------------------------------|------|
| Egovision Sdn Bhd              | 49.8 |
| Amazing Parade Sdn Bhd         | 20.3 |
| Employees Provident Fund Board | 5.6  |



Source: Mercury Securities, Bloomberg

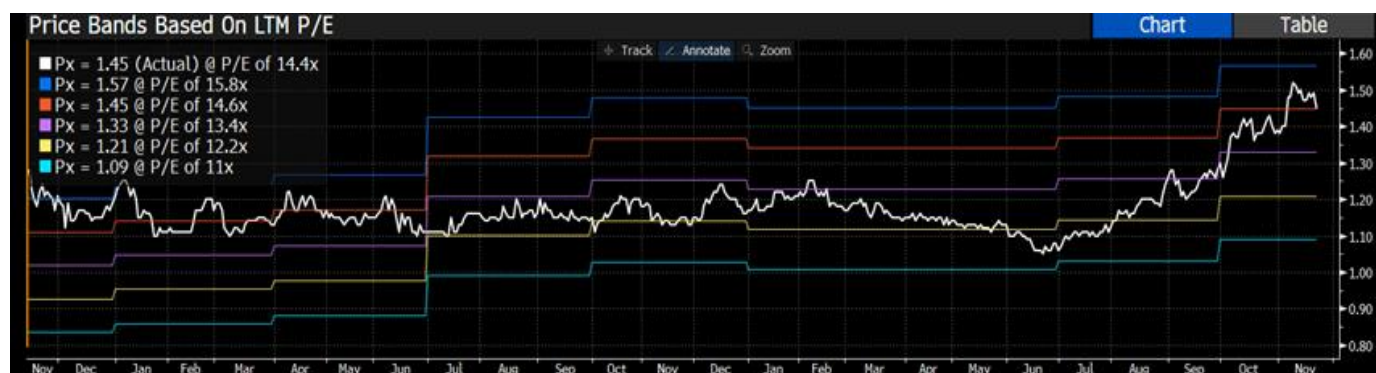


# Quarter Results & Peer Comparisons

## Quarter Results Comparison (RM m)

| FY Dec            | 3Q23    | 2Q23    | qoq%  | 3Q22  | YOY%    |
|-------------------|---------|---------|-------|-------|---------|
| Revenue           | 362.2   | 309.3   | 17%   | 259.4 | 39.6%   |
| COGS              | (311.1) | (259.9) | 20%   | 214.6 | 45.0%   |
| Gross Profit      | 51.2    | 49.4    | 4%    | 44.8  | 14.1%   |
| Other Income      | 5.8     | 1.4     | 314%  | 3.2   | 80.0%   |
| Admin Expenses    | (9.2)   | (7.9)   | 16%   | 8.0   | 14.2%   |
| Operating Profit  | 47.7    | 42.9    | 11%   | 37.8  | 26.3%   |
| Finance Costs     | (0.8)   | (0.2)   | 259%  | 0.1   | 897%    |
| Profit Before Tax | 47.0    | 42.7    | 10%   | 37.7  | 24.5%   |
| Taxations         | (11.4)  | (11.2)  | 2%    | 8.9   | 27.3%   |
| Profit After Tax  | 35.6    | 31.6    | 13%   | 28.8  | 23.6%   |
| Minority Interest | 0.0     | 0.0     | -154% | 0.0   | 1533.3% |
| Net Profit        | 35.6    | 31.6    | 12.7% | 31.6  | 23.6%   |
| Core net profit   | 35.6    | 31.6    | 12.7% | 31.6  | 23.6%   |
| DPS (sen)         | 2.82    | 2.28    | 23.7% | 2.28  | -       |

## PE Band Chart



Source: Mercury Securities, Bloomberg



## Key Financial Data

| PROFIT & LOSS (RM m) FY Dec       | FY2020 | FY2021 | FY2022 | FY2023F | FY2024F |
|-----------------------------------|--------|--------|--------|---------|---------|
| Net Revenue                       | 811.0  | 977.0  | 1122.2 | 1416.2  | 1631.5  |
| Gross Profit                      | 134.5  | 157.2  | 176.3  | 229.1   | 265.1   |
| Other Operating Income            | 25.2   | 18.8   | 12.5   | 15.6    | 17.9    |
| EBIT                              | 133.1  | 142.9  | 204.1  | 189.9   | 220.1   |
| Administrative Expenses           | 32.1   | 39.6   | 43.2   | 53.8    | 62.0    |
| Other Operating Expenses          | 0.0    | 0.0    | 0.0    | 0.0     | 0.0     |
| Profit from operations            | 0.0    | 0.0    | 0.0    | 0.0     | 0.0     |
| Interest Income                   | 127.5  | 136.4  | 145.6  | 190.9   | 221.1   |
| Interest Expense                  | 5.9    | 4.4    | 4.3    | 4.3     | 4.3     |
| Profit Before Tax                 | -0.9   | -1.1   | -0.7   | -0.7    | -0.7    |
| Taxation                          | 119.6  | 135.4  | 148.5  | 189.3   | 219.5   |
| Minority Interests                | 0.0    | -0.1   | 0.1    | 0.1     | 0.1     |
| Profit After Tax (PATMI)          | 90.8   | 102.8  | 113.7  | 145.1   | 167.9   |
| Preferred Dividends / Adjustments | 0.0    | 0.0    | 0.0    | 0.0     | 0.0     |
| Recurring Net Profit              | 90.8   | 102.8  | 113.7  | 145.1   | 167.9   |
| BALANCE SHEET (RM m) FY Dec       | FY2020 | FY2021 | FY2022 | FY2023F | FY2024F |
| Cash & Equivalents                | 266.7  | 210.3  | 255.7  | 200.7   | 166.2   |
| Trade & Other Receivables         | 550.1  | 638.2  | 627.9  | 779.7   | 857.4   |
| Inventories                       | 167.2  | 197.0  | 201.6  | 277.8   | 332.1   |
| Other Current Assets              | 0.6    | 0.7    | 0.5    | 0.5     | 0.6     |
| Current Assets                    | 994.0  | 1057.2 | 1093.3 | 1266.8  | 1364.7  |
| Property, Plant & Equipment       | 122.7  | 93.2   | 90.5   | 67.5    | 40.7    |
| Other Non-Current Assets          | 372.6  | 231.7  | 235.9  | 235.9   | 235.9   |
| Non-Current Assets                | 495.3  | 324.9  | 326.4  | 302.5   | 275.8   |
| Trade & Other Payables            | 121.3  | 247.6  | 220.5  | 391.5   | 383.9   |
| Other Current Liabilities         | 43.1   | 56.0   | 16.8   | 10.0    | 10.0    |
| Current Liabilities               | 245.1  | 312.5  | 248.0  | 412.2   | 404.6   |
| Other Non-Current Liabilities     | 133.9  | 52.0   | 49.9   | 50.2    | 50.0    |
| Non-current Liabilities           | 133.9  | 52.0   | 49.9   | 50.2    | 50.0    |
| Share Capital                     | 642.7  | 642.7  | 683.0  | 683.0   | 683.0   |
| Retained Profits                  | 471.9  | 378.3  | 443.6  | 431.2   | 417.7   |
| Total Equity                      | 1110.3 | 1017.2 | 1121.3 | 1109.5  | 1095.9  |
| CASH FLOW (RM m) FY Dec           | FY2020 | FY2021 | FY2022 | FY2023F | FY2XF   |
| Net profit for the financial year | 114.8  | 139.7  | 113.7  | 145.1   | 167.9   |
| Other operating cash flow         | 37.5   | 33.3   | 26.0   | 33.9    | 36.8    |
| Changes in working capital        | -4.8   | 104.1  | -10.3  | 9.0     | 6.9     |
| Tax paid                          | 152.0  | 173.2  | 0.0    | 0.0     | 0.0     |
| Cash flow from operations         | -95.8  | 213.6  | 27.6   | 159.4   | 179.3   |
| Other investing cash flow         | -28.8  | -34.9  | -33.7  | -44.2   | -51.7   |
| Cash flow from investing          | 25.9   | 20.8   | 103.5  | 30.7    | 51.2    |
| Dividends paid                    | -43.6  | -16.5  | -14.0  | -10.0   | -10.0   |
| Other financing cash flow         | -17.7  | 4.3    | -10.5  | -10.0   | -10.0   |
| Cash flow from financing          | -24.5  | -37.1  | -75.7  | -75.7   | -75.7   |



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