



Kerjaya Prospek Group Berhad

Starting FY2024 with four contract wins

Main Board
Construction
BUY

TP: RM1.93
Last Closing Price: RM1.68
Initiated Price: RM1.17

Bloomberg: KPG MK | Stock Code: 7161

Valuation / Recommendation

The results were within our expectations for revenue, achieving 102.9% of our full year forecast for FY23. However, profit expectations fell short, reaching only 91.6% of the forecast attributed to lower-than-expected margins.

We maintain a BUY recommendation on KPG, with a revised target price (TP) of RM1.93, up from RM1.66 based on a FY24F EPS of 13.5 and a PE of 14.3x which is a 15% discount to the FY24F construction peer's average PE and introduce our FY25F earnings.

Investment Highlights

Kerjaya Prospek net profit increased by 25% yoy for 4QFY23 largely attributed to improved progress in the group's construction work. 97.7% of their contributions are from their construction segments which have increased yoy by 29.3% from to RM1,639.8m in FY23 (up from RM1,268.5m). Lower than expected margins were attributed to increased tax rate and delay in payment progress from previous projects.

As of December 31, 2023, Kerjaya Prospek holds a solid net cash reserve of RM167.2 million. Management remains confident in maintaining this financial buffer moving forward not opting for an increase in borrowings.

Healthy order book. The firm's outstanding order book stands at RM4.2bn as of 31 December 2023, of which RM1.5bn are from related parties transactions. As at 29 Feb 2024, the total contract value amounting to RM6.7m. Management remains confident in achieving and maintaining their target order book replenishment of RM1.5bn for FY2024.

Kerjaya Prospek secured several significant contracts in January 2024, including:(i) Main building works for a high-rise residential development in Andaman Island valued at RM170.9m from Persada Mentari, (ii) Superstructure works on Gurney Marine Bridge awarded by TPD valued at RM69.2m, (iii) Piling and sub-structure works for a 50-storey serviced apartment on Andaman Island valued at RM25.9m from Persada Mentari,(iv) Execution and completion of a proposed residential development project in Mukim Setapak, KL, from Kerjaya Property valued at RM111.8 million. These contracts total to 4 construction projects secured in 2024, bringing the year-to-date contract wins to RM377.8m which should provide the group earning visibility until 2027.

Dividend. A fourth interim single tier dividend of 2.0 sen per share was declared, ex on 19th March 2023. (FY23 – 8.0 sen, FY22 – 6.0 sen, FY21 –3.5 sen)

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

Investment Statistics	FY21	FY22	FY23	FY24F	FY25F
Revenue	977.0	1122.2	1457.8	1631.5	1746.9
EBITDA (RM m)	161.8	154.1	170.8	198.4	240.1
EBITDA Margin (%)	16.6	13.7	11.7	12.2	13.7
Pre-tax Profit (RM m)	131.7	148.5	179.1	223.5	239.5
Net Profit (RM m)	96.8	114.9	132.6	169.9	182.1
PAT Margin (%)	9.9	10.2	9.1	10.4	10.4
EPS (sen)	16.7	19.1	16.5	12.9	12.1
EPS Growth (%)	6.8	18.4	15.2	28.4	7.1
Dividend Yield (%)	5.0	5.1	5.2	4.2	4.2
PE (x)	16.7	19.1	16.5	12.9	12.1
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
ROA (%)	7.0	8.1	8.3	9.8	9.3
ROE (%)	9.5	10.2	11.5	13.6	13.4

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)	1539.3
Expected Share Return (%)	14.9
Expected Dividend Yield (%)	4.2
Expected Total Return (%)	19.1

Price Performance	1M	3M	12M
Absolute (%)	1.2	17.5	43.6
Relative to Index (%)	1.5	5.7	6.1

Stock Return Information

Market Cap (RM m)	2128.9
Issued Shares (m)	1261.1
52W High (RM)	1.82
52W Low (RM)	1.05
Estimated Free Float (%)	19.0
Beta vs FBM KLCI	0.53
3-month Average Vol. (m)	28.2

Top 3 Shareholders

Egovision Sdn Bhd	49.8
Amazing Parade Sdn Bhd	20.3
Employees Provident Fund Board	6.8





Quarter Results & Peer Comparisons

Quarter Results Comparison (RM m)

FY Dec	4Q23	3Q23	qoq	4Q22	YOY
Revenue	489.0	362.2	69.4%	285.3	71.4%
COGS	(433.7)	(311.1)	84.3%	(237.4)	82.7%
Gross Profit	55.4	51.2	3.7%	47.9	15.6%
Other Income	7.3	5.8	836.6%	(0.8)	-1036.6%
Admin Expenses	(11.7)	(9.2)	9.1%	(11.1)	5.7%
Operating Profit	50.9	47.7	30.6%	34.3	48.4%
Finance Costs	(0.5)	(0.8)	148.7%	(0.2)	148.7%
Profit Before Tax	50.4	47.0	29.9%	34.1	47.8%
Taxations	(14.5)	(11.4)	43.6%	(5.5)	162.7%
Profit After Tax	35.9	35.6	25.2%	28.6	25.0%
Minority Interest	0.2	0.0	326.5%	0.0	5125.0%
Net Profit	35.7	35.6	24.7%	28.7	23.6%
Core net profit	35.7	35.6	24.7%	28.7	23.6%
EPS (sen)	2.8	2.8	0.4%	2.3	24.7%

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23	FY24F	FY23	FY24F	FY23	Current	FY23	FY24F
Sunway Construction	SCGB MK	2.56	3,300.8	17.3	18.7	0.11	0.14	7.35%	7.91%	0.64	0.70
IJM Corp	IJM MK	2.20	7,713.6	35.6	19.5	0.04	0.11	57.5%	13,327%	2.81	2.79
AME Consortium	AME MK	1.74	1,112.0	8.4	12.1	0.16	0.14	109.1%	136.6%	1.27	1.38
Average				20.4	16.8						

Source: Mercury Securities, Bloomberg



Key Financial Data

PROFIT & LOSS (RM m) FY Dec	FY2021	FY2022	FY2023	FY2024F	FY2025F
Net Revenue	977.0	1122.2	1457.8	1631.5	1746.9
Gross Profit	157.2	176.3	198.1	244.7	262.0
Other Operating Income	18.8	12.5	21.8	24.5	26.2
EBIT	115.7	129.1	146.9	177.7	222.4
Administrative Expenses	29.1	33.8	39.3	44.0	47.2
Other Operating Expenses	6.2	0.5	0.0	0.0	0.0
Profit from operations	132.8	149.1	180.7	225.1	241.1
Interest Income	0.0	0.0	0.0	0.0	0.0
Interest Expense	1.1	0.6	1.6	1.6	1.6
Profit Before Tax	131.7	148.5	179.1	223.5	239.5
Taxation	34.9	33.7	46.6	53.7	57.5
Minority Interests	-0.1	0.0	0.2	0.1	0.1
Profit After Tax	96.9	114.8	132.5	169.9	182.0
Profit After Tax (PATMI)	96.9	115.8	132.6	169.9	182.1
Net Revenue	977.0	1122.2	1457.8	1631.5	1746.9
BALANCE SHEET (RM m) FY Dec	FY2021	FY2022	FY2023	FY2024F	FY2025F
Cash & Equivalents	210.3	255.7	195.7	284.2	343.7
Trade & Other Receivables	638.2	627.9	805.8	782.8	987.2
Inventories	197.0	201.6	245.8	367.7	491.2
Other Current Assets	11.7	8.1	44.0	46.2	48.5
Current Assets	1057.2	1093.3	1261.5	1344.5	1685.9
Property, Plant & Equipment	93.2	90.5	92.4	92.4	92.4
Other Non-Current Assets	231.7	235.9	235.3	246.8	258.8
Non-Current Assets	324.9	326.4	327.6	339.1	351.2
Trade & Other Payables	247.6	220.5	319.7	367.0	499.6
Other Current Liabilities	56.0	16.8	33.2	33.2	33.2
Current Liabilities	312.5	248.0	381.4	428.4	560.8
Other Non-Current Liabilities	52.0	49.9	53.3	50.4	50.8
Non-current Liabilities	52.0	49.9	53.3	50.4	50.8
Share Capital	642.7	683.0	683.0	683.0	683.0
Retained Profits	378.3	443.6	475.0	569.2	675.6
Total Equity	1017.2	1121.3	1152.7	1247.5	1353.8
CASH FLOW (RM m) FY Dec	FY2021	FY2022	FY2023	FY2024F	FY2025F
Profit Before Tax	131.8	148.5	179.1	223.5	239.5
Depreciation & Amortization	32.4	24.9	23.7	20.5	17.5
Other operating cash flow	41.4	22.9	14.5	23.9	20.3
Operating Profit/Loss Before W Capital	173.2	171.4	193.6	247.4	259.7
Changes in working capital	-125.4	-33.5	-126.7	-126.7	-126.7
Others	34.9	33.7	46.6	53.7	57.5
Cash flow from operations	-26.9	103.5	30.7	51.2	51.2
Other investing cash flow	4.3	-10.5	-13.6	-12.9	-12.3
Cash flow from investing activities	25.1	25.1	88.5	20.9	75.4
Dividends paid	37.1	62.1	88.3	88.3	88.3
Cash and cash equivalent (Beginning year)	170.4	182.6	195.7	284.2	343.7
Cash and cash equivalent (End year)	182.5	221.8	195.9	284.3	343.9



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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