

Kerjaya Prospek Brighter After RM105 Million Contract Win – Kenanga

By **Nurul Huda** - November 7, 2023



Kerjaya Prospek Group Bhd's (Kerjaya Prospek) latest RM104.7 million contract that has increased its YTD job wins to RM1.6b, and this promised a better earnings in FY23F and FY24F, Kenanga Research said.

“(The group’s YTD) job wins has now exceeded our full-year assumption of RM1.5 billion and surpassed the company’s own target of RM1.2 billion as well as raised its outstanding order book to RM4.8 billion.

“We expect this contract’s PAT margin to be 10%. We raise our FY23F and FY24F net profit by 1% and 6%, respectively, as we now assume job wins of RM1.7 billion in FY23 compared to RM1.5b previously.

“However, we maintain our job win assumption of RM1.6b in FY24,” Kenanga said in its Company Update note today (Nov 7).

Consequently, the research house maintains its OUTPERFORM call and lift its SoP-TP by 7% to RM1.75 from RM1.64 previously, with no adjustment to its TP based on a 3-star ESG rating.

“We are valuing its construction business at 14 times forward PER, at a discount to 18 times we ascribed to large contractors such as Gamuda, IJM and SunCon given the group’s focus on the high-rise building sector currently weighed down by oversupply in the office and residential segments.

“We continue to like Kerjaya Prospek for its innovative and hence high-margin formwork construction method, its lean and hands-on management team with a strong execution track record, its strong earnings visibility underpinned by a sizeable outstanding order book and recurring orders from related companies (E&O, KPPROP),” it said.

The risks to Kenanga’s call include further deterioration in the prospects for building jobs, rising input costs, and liquidated ascertained damages (LAD) from cost overrun and delays.

Kerjaya Prospek has been awarded RM104.7 million contract by related company Eastern & Oriental Berhad (Not Rated) for the construction of 69 units of 3-storey semi-detached and 3-storey terraced houses in Section 2, Pulau Andaman, Penang.

The contract shall commence in Dec 2023 with a construction period of 26 months.

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