

Kerjaya Prospek Expecting Strong 1Q24 On Ongoing Projects

By K. Harinderan - May 9, 2024

RHB Investment Bank (RHB) said today (May 9) they expect Kerjaya Prospek's 1Q24 core profit to be between MYR34m and MYR36m, which translates to 21-28% YoY and 3-9% QoQ growth.

Growth during the quarter will be backed by better progress of ongoing projects, ie The Meg and Astrum Ampang. RHB forecasts a 3-year (FY23-26F) earnings CAGR of 12% backed by its steady job replenishment trends coupled with better property development contribution.

RHB keeps a BUY call with unchanged MYR2.15 TP, 19% upside.

FY24F dividend yield is also attractive at c.4.4% (higher than most peers).

Additional prospects in the pipeline. Aside from the Seri Tanjung Pinang phase 2 (STP2) development in Penang which has facilitated KPG's constant job replenishment (c.MYR1.8bn jobs secured cumulatively), RHB highlighted the Bukit Bintang City Centre (BBCC) project which could bring about further opportunities for KPG.

KPG is no stranger to BBCC as the group has clinched close to MYR600m of contracts (spread over four packages) from the said development.

Packages yet to be awarded under BBCC include an office tower, a serviced residences tower, and the BBCC Signature Tower. As of late, RHB observed that there is a structure being built on what was previously known as the BBCC sales office and gallery (which is supposed to be converted into the BBCC Signature Tower).

RHB initially assumed that the said structure relates to works for the BBCC Signature Tower but upon sighting the notification board – the structural works is for converting the sales office and gallery into a temporary business space.

Therefore, works for BBCC Signature Tower has yet to be tendered out and RHB does discount the possibility of KPG (together with Samsung C&T) to eye for the project when tenders are advertised (exact tender timeline not known).

Samsung C&T itself has a track record in skyscraper projects, including the Burj Khalifa and PNB Merdeka 118 Tower and hence, KPG's existing involvement in BBCC may pave the way for its partnership with Samsung C&T to bid for the project.

RHB estimates the package for the 80-storey BBCC Signature Tower to be well in the excess of MYR500m.



Penang: The Silicon Hub Of ASEAN

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Penang – a thriving hub boasting highly promising investment prospects – is propelled by the ever-expanding E&E sector, and bolstered by infrastructure upgrades, a surging demand for real estate, and increasing disposable income.

RHB Investment Bank (RHB), in its Malaysia Thematic note today said renowned for its strategic location, skilled workforce, and business-friendly environment, Penang remains a magnet for investors.

Government incentives and the forthcoming Penang Light Rail Transit (LRT) promise enhanced connectivity, further stimulating investments, job creation, and driving growth in the technology, property, and construction sectors.

An economic powerhouse. Penang continued to attract substantial investments in 2023 (MYR63.4bn), solidifying its status as a premier investment destination. In turn, the state's GDP/capita witnessed a remarkable rise to MYR69.7k in 2022 from MYR44.8k in 2015, fuelling jobs expansion and increased household incomes.

Note: Penang recorded a significant growth in E&E exports, from MYR209m in 2018 to MYR341m in 2022, reflecting a robust 5-year CAGR of 12.1%.

Technology: A thriving E&E hub. Penang stands poised to benefit from the recovery of the semiconductor sector and repercussions of US-China trade tensions.

Its established E&E and manufacturing industries are positioned to capitalise on heightened investment in technology and medical technology supply chains, presenting vast business opportunities for local companies across the spectrum (from design houses and outsourced manufacturing to engineering support and material supply & support services).

Construction: A beacon of opportunity. The construction sector in Penang will continue to shine, in our view, buoyed by ongoing projects such as Seri Tanjung Pinang 2 (STP2), escalating demand for E&E facilities, and property projects, alongside the impending Penang LRT Mutiara Line.

This heightened infrastructure rollout is set to benefit contractors, with an estimated MYR10-20bn worth of contracts anticipated in the coming years – driven by the Penang Transport Master Plan (PTMP) and development of Silicon Island.

Property: Following the momentum. Penang's property sector is fuelled by burgeoning activity in the E&E space, major infrastructure upgrades, and rising income/capita.

The proliferation of new industrial parks like Batu Kawan Industrial Park 2 (BKIP2), Penang Technology Park @Bertam, and AME Elite Consortium's (AME MK, BUY, TP: MYR2.05) Northern Industrial Park are set to fuel job creation and population migration. This, with enhanced connectivity from various infrastructure upgrades, is poised to drive demand for residential properties, particularly in the mid-to high-end segments.

RHB's Key ideas. Within RHB's coverage, Coraza Integrated Technology (Coraza), Eastern & Oriental (E&O), Gamuda, Inari Amertron (INRI), Kerjaya Prospek (KPG), and Malaysian Resources Corp (MRC) are among the potential beneficiaries.

Beyond their coverage, NationGate (NATGATE MK, NR), ViTrox Corp (VITRO MK, NR), Pentamaster (PENT MK, NR), MI Technovation (MI MK, NR), TT Vision (TTV MK, NR), Aemulus (AMLS MK, NR), and PIE Industrial (PIE MK, NR) are amongst other potential beneficiaries.