

Positive Earnings Visibility Ahead For Kerjaya Prospek From First Contract Win In FY25



Kenanga Investment Bank Bhd (Kenanga Research) has maintained a **MARKET PERFORM** call on Kerjaya Prospek Group Bhd, with a target price of RM2.21, following the company's first contract win in the financial year 2025 (FY25). The research house highlighted the company's strong order book of RM4.2 billion, which provides earnings visibility for the next three years, and cited its 4% dividend yield as a supporting factor for the rating.

Kerjaya Prospek secured an RM256.4 million building contract from its sister company, Eastern & Oriental Bhd (E&O). The contract involves constructing 360 units of three-storey terrace houses, a clubhouse, and associated infrastructure in Elmina West, Shah Alam. Work is set to begin in January 2025 and is expected to take 26 months to complete. This contract represents 14% of Kenanga Research's FY25 job replenishment assumption of RM1.8 billion.

Kenanga Research noted that Kerjaya Prospek's current tender book stands at RM4 billion, split evenly between building jobs, including related party transactions, and industrial projects such as data centres and logistic warehouses. While no changes were made to earnings forecasts, the research house has assumed contract wins of RM1.6 billion and RM1.8 billion for FY24 and FY25, respectively.

The research house's valuation of Kerjaya Prospek's construction business is based on a 12 times forward price-to-earnings ratio (PER), reflecting its focus on high-rise building projects amid an oversupplied market. This stands in contrast to larger contractors like Gamuda Bhd, IJM Corporation Bhd and Sunway Construction Bhd, which are valued at a higher 22 times forward PER.

Kenanga Research's investment case for Kerjaya Prospek remains centred on its innovative construction methods, lean management, and recurring job flows from related parties such as E&O and KPP Properties. However, the research house flagged risks including rising input costs, potential delays leading to liquidated ascertained damages, and weaker demand for building jobs in the current market.

This latest contract strengthens Kerjaya Prospek's position in the construction sector, while its robust order book and tender pipeline are expected to sustain growth. The market will now focus on the company's ability to secure additional high-margin contracts and deliver on its strong project pipeline.