

CORPORATE

PETALING JAYA: Analysts are mostly positive about Kerjaya Prospek Group Bhd's latest RM256.4mil contract clinched from sister company Eastern & Oriental Bhd (E&O).

The new construction job is to execute and complete building contract works for the proposed development in Elmina West, Section U16 in Shah Alam, Selangor.

Phillip Capital Research in a report said: "This award marks Kerjaya's maiden contract win for 2025, meeting 16% of our full-year order book replenishment assumption of RM1.6bil."

Assuming a blended 10% net profit margin, the research house said the project is estimated to contribute RM29mil profit after tax and minority interests across 2025 to 2027.

Inclusive of this contract, Kerjaya's outstanding order book value stood at RM4.2bil, translating to a healthy 2.9 times cover of 2023 revenue, noted Phillip Capital Research.

"Moving forward, we expect contract flows to remain robust, underpinned by contracts from both E&O and Kerjaya Prospek Property Bhd (KPPROP).

"Both companies are planning for launches that total up to RM2.2bil in 2025, potentially translating into RM1bil in contract opportunities for Kerjaya," the brokerage firm added.

The near-term prospects include KPPROP's upcoming Shah Alam project with RM175mil estimated gross development value (GDV) and E&O's Marina Apartments with a RM760mil estimated GDV.

Phillip Capital Research has maintained a "buy" call on the stock with a target price of RM2.60.

Post Kerjaya's job win, RHB Research said the group's latest construction order book stands at around RM4.2bil.

Meanwhile, the group also has tenders worth RM3bil to RM4bil, with about

Job flows to remain robust for Kerjaya

New projects likely from E&O and property arm

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RHB Research

RM1.5bil related to data centre and logistics warehouse jobs.

In terms of medium to near-term opportunities, RHB Research pointed out that Penang still has ample opportunities such as dredging and land reclamation works for Phases 2B and 2C of Seri Tanjung Pinang (STP) Phase 2 with about RM6bil in GDV.

This could be in excess of RM500mil, combined with upcoming launches with a GDV of over RM500mil in total for STP in the next six months.

The research house said: "All in, we view the stock's financial year 2025 (FY25) price-to-earnings (PE) ratio of 15 times to be undemanding, versus the Bursa Malaysia Construction Index's forward PE of 18 times."

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forecast FY23 to FY26 earnings compounded annual growth rate of 14%, backed by steady job flows from Penang and the Klang Valley, coupled with stronger property development contributions."

RHB Research added a re-rating catalyst would be an earlier-than-expected win for new industrial jobs such as data centres in the first half of this year.

Meanwhile, Kenanga Research is positive on Kerjaya's first job win for FY25 of RM256.4mil.

This is against the research house's FY25 job replenishment assumption of RM1.8bil and management's target of RM1.5bil, it said in a report.

It noted Kerjaya's current total outstanding order book stands at RM4.2bil, which will keep the group busy for the next three years.

Kenanga Research has also maintained its forecasts with job win assumptions of RM1.6bil and RM1.8bil for FY24 and FY25 respectively.

The research house has kept a "market perform" call on the stock, supported by decent dividend yields of about 4% with an unchanged share target price (TP) of RM2.21.

"We continue to like Kerjaya for its innovative and hence high-margin formwork construction method about 10% net margin, its lean and hands-on management team with a strong execution track record and its strong earnings visibility, underpinned by a sizeable outstanding order book and recurring orders."

Meanwhile, TA Research, in a note to clients, said Kerjaya's first construction contract for the year brought its total unbilled order book to RM4.2bil.

Assuming a three-year historical net margin of 10%, it said: "This project is expected to generate a net profit of about RM25.6mil throughout the construction period."

It made no changes to its earnings projections as the job win is within its FY25 new job replenishment assumption of RM1.8bil.

Hence, it maintained a "buy" call on the stock with an unchanged TP of RM2.79.

TA Research noted that it liked Kerjaya for its solid earnings visibility, consistent and robust replenishment of its order book and the potential growth in industrial property construction leveraging the partnership with Samsung.