

# 'Kerjaya Prospek has solid prospects, attractive yields'

➤ Rakuten Trade bullish on stock as company gears up for major projects

**PETALING JAYA:** Rakuten Trade is bullish on Kerjaya Prospek Group's (KPG) future on solid prospects and attractive yields as the company gears for major project launches. KPG plans to launch two projects – The Vue @ Montez and Papyrus North Kiara by the second half of 2023.

Rakuten vice-president of research Thong Pak Leng said that its "buy" recommendation is premised on innovative construction solutions and efficient cost structure that result in above-average profit margins; hands on management team with a proven track record of successful executions; the ability to consistently winning external jobs; and solid outstanding order book of RM4.7 billion.

Rakuten maintains KPG FY23 and FY24 earnings forecasts at RM139.2 million and RM167 million respectively attributed to higher revenue recognition. It recommends "buy" with a target price of RM1.76 based on a 13 times price-to-earnings ratio (5-year average) over FY24 earnings per share (EPS), indicating a 60% potential upside.

"KPG is targeting construction job wins of between RM1.2-1.5 billion for FY23. Presently, the company has a tender book amounting to RM1.5-2 billion. Year to date, KPG has secured new projects worth more than RM937.8 million, bringing its total orderbook to RM4.7 billion. KPG has signed a framework agreement with Samsung C&T (KL) Sdn Bhd, a wholly owned subsidiary of Samsung C&T Corp (Engineering & Construction Group) (Samsung) in 2022.

"The JV will pursue various types of business opportunities for construction contracts exceeding RM300 million. In October 2022, the Samsung-KPG JV received a letter of award from Texas Instruments Electronics Malaysia Sdn Bhd worth RM1.45 billion for the construction of a factory at Batu Berendam Industrial Park in Malacca Free Trade Zone," Thong said in a note.

He added that KPG has completed 29 projects with 36 ongoing projects notably Maya Bay – Residences Gamuda Land (T12) Sdn Bhd, Vivo – Aspen Vision City Sdn Bhd,

Bloomsvale Mixed Commercial Development – KP Property Sdn Bhd, Conlay 491 – Patsawan Properties Sdn Bhd and Astrum Ampang – Nikmat Merpati SB.

"The company has an outstanding construction order book of RM4.7 billion providing earnings visibility over the next 2-3 years," he said.

Thong continued, "The construction division of KPG is primarily undertaken by its wholly owned subsidiary Kerjaya Prospek Sdn Bhd, which is a Grade 7 contractor registered with the Construction Industry Development Board under Category B, Category CE (Civil Engineering) and Category ME (Mechanical and Electrical).

"Labour shortage is expected to be resolved with the admittance of 1,500 foreign workers in 2023 which will raise its workforce to roughly 3,000. In addition, the company has plans to add an additional 1,000 workers, bringing the total workforce to 4,000 workers," he said.

Rakuten expects KPG to pay a dividend of 8 sen and 8.5 sen for FY23 and FY24, translating into yields of 7.3% and 7.7% respectively.

"The company's balance sheet is strong with net cash of RM260.2 million as at Q1'23," Thong said.