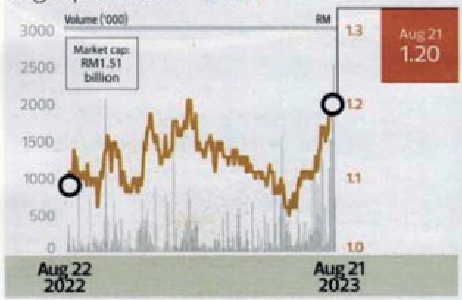
KERJAYA PROSPEK

THE EDGE MALAYSIA

Kerjaya Prospek Group Bhd

Target price: **RM1.54** **BUY**



UOB KAY HIAN RESEARCH (AUG 21): 1H23 earnings came in slightly below expectations (44% of our forecast and 41% of consensus estimates) due to lower-than-expected revenue growth and profit margins. KPG declared a second interim dividend of 2 sen per share, bringing the 1H23 total dividend to 4 sen per share, or double that of 1H22 (2 sen). The construction division's 1H23 EBIT remains strong at RM60.2 million (+4.3% y-o-y compared to RM57.7 million in 1H22), mainly lifted by improved progress of construction works.

We expect sequential earnings improvement over the coming quarters backed by a robust order book (four times the cover ratio) coupled with profit margins recovery. KPG is also on track to exceed its earlier targeted replenishment of RM1.2 billion for 2023, having secured RM983.8 million YTD.

Maintain "buy" with a higher sum-of-the-parts-based target price of RM1.54, implying 14 times 2024F PER. KPG stands ahead of its peers given its lower dependence on government jobs, its ability to bag private sector projects and steady internal job flows. KPG also offers a decent dividend yield of 4% to 5%, underpinned by a superior margin of 10% to 11%, a sustainable order book cover ratio of four times 2022 revenue and a sturdy balance sheet with a net cash position of RM204 million, or 16 sen per share, as of end-2Q23.

The Edge 28 August 2023