

RHB Bumps Up Kerjaya Prospek's TP By 25%

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Kerjaya Prospek (KPG MK) has maintained its BUY rating from RHB Investment Bank (RHB), with a revised target price of RM2.45, indicating a potential 25% upside. Throughout FY24, the company secured new contracts consistently, underscoring its resilience despite a lack of new industrial segment projects, which could catalyse revaluation.

RHB estimates Kerjaya Prospek's outstanding order book at approximately RM4.1 billion, equating to around three times coverage, with RM980 million in new contracts secured year-to-date, comprising 65% of their FY24 replenishment target of RM1.5 billion. Notably, a substantial portion of this order book, around 30%, is attributed to the Seri Tanjung Pinang Phase 2 (STP2) project, where future opportunities are bolstered by strong demand and high take-up rates for existing developments like The Lume.

Beyond STP2, the group has also made significant strides in the Batu Kawan area, securing contracts worth approximately RM1.3 billion from Aspen Holdings (ASPEN SP). Additionally, through its property arm, it is collaborating with ASPEN on a mixed-use development spanning 222,000 square feet, further leveraging growth potential in Batu Kawan.

The group's involvement in Eastern & Oriental's Elmina West development, with an estimated gross development value of MYR1.5 billion, presents another promising avenue. Kerjaya Prospek's role in executing earthworks for this project underscores its strategic positioning to benefit from EAST's diversification efforts and expansion plans.

RHB has adjusted its target price valuation for Kerjaya Prospek, assigning a higher target price-to-earnings ratio (P/E) of 17x (up from 14x) for its construction segment in its sum-of-parts assessment. This adjustment reflects increased optimism about the company's industrial prospects, bolstered by recent contract wins and strategic initiatives aimed at enhancing market position and profitability.

Investors are advised to consider Kerjaya Prospek shares for potential growth, underpinned by its robust order book and strategic expansions in key development projects. With favourable earnings visibility and a compelling valuation relative to industry benchmarks, Kerjaya Prospek presents an attractive investment opportunity poised for sustained growth and value creation in the construction sector.