

RHB favours Kerjaya Prospek for attractive dividend yield

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KUALA LUMPUR (July 10): RHB Investment Bank favours Kerjaya Prospek Group Bhd (KL:KERJAYA) for its attractive dividend yield of 5% estimated for the financial year ending Dec 31, 2025, alongside a steady profit after tax margin.

In a note on Wednesday, RHB maintained its 'buy' rating for Kerjaya Prospek, with a higher target price of RM2.45 a share, from RM2.15 previously.

No changes were made to the earnings estimates for the group, with a higher target price-earnings (P/E) of 17 times (previously 14 times), according to RHB.

The higher P/E was attributed to Kerjaya Prospek's construction arm in RHB's sum-of-parts valuation, and was justified by Kerjaya Prospek's stronger industrial prospects, which were absent during the 2017 construction upcycle (when the stock was traded at 15 times).

The house estimated Kerjaya Prospek's outstanding order book to be at RM4.1 billion, which is three times the cover ratio, with RM980 million worth of new jobs secured year-to-date.

It is estimated that at least 30% of Kerjaya Prospek's order book comes from the Seri Tanjung Pinang Phase 2 (STP2) project.

Currently, there is more than just STP2 in Penang for Kerjaya Prospek, said RHB. According to the research house, the group has clinched RM1.3 billion worth of jobs in the Batu Kawan area awarded by Aspen (Group) Holdings.

RHB emphasised a positive outlook with Kerjaya Prospek Property Bhd's (KL:KPPROP) latest development of 222,000 sq ft of land in Batu Kawan into a mixed development via a joint venture with Aspen.

The research house stated that the new development may demonstrate that the Batu Kawan area has much to offer.

Meanwhile, other opportunities, said RHB, could stem from Eastern & Oriental Bhd's (KL:E&O) (RM1.38; 'buy'). The house estimated the Elmina West development to have a baseline gross development value of RM1.5 billion over 135 acres of freehold land.

"Recall that Kerjaya Prospek secured a RM25 million job in the third quarter of 2023 to undertake earthworks in Elmina West.

"We view this development to be important for E&O to mitigate single-location risk," added RHB.

Overall downside risks evaluated by the house included a property market slowdown and prolonged cost pressures.