

Improved progress billings to drive Kerjaya growth

PETALING JAYA: Higher contributions from the property development business are expected to boost Kerjaya Prospek Group Bhd's earnings in the first quarter ended March 31, 2024 (1Q24), which is scheduled for release on May 29.

"We estimate 1Q24 net profit to be in the range of RM35mil to RM38mil (1Q23: RM29mil; 4Q23: RM36mil), representing 20% to 21% of our 2024 earnings forecast.

"The better results can be attributed to increased contributions from the property development segment," Phillip Research said.

For the second half of the year, the research house anticipated Kerjaya Prospek to post a stronger earnings growth on the back of improved progress billings from ongoing projects. These projects include the Texas Instrument project in

Melaka (RM578mil), The Meg (RM265mil) and Arica (RM171mil).

Phillip Research added that its ongoing property development projects such as The Vue (gross development value or GDV of RM300mil) and Papyrus (GDV: RM500mil) are expected to see quicker construction progress, having reached 40% and 20% completion, respectively.

In addition, the company has a healthy outstanding order book to sustain its growth.

Kerjaya's outstanding order book stood at RM4.6bil as of the end of 2023 after securing RM411mil in new orders.

This represented 27% of the research house's order-book replenishment assumptions for 2024.

"All secured projects thus far in 2024 have been awarded by E&O Bhd and

Kerjaya Prospek Property Bhd. We expect the momentum for new order-book win to sustain, reaching RM800mil to RM1bil from both companies in 2024, supported by their combined launch target of RM2bil."

Meanwhile, Phillip Research pointed out that Kerjaya Prospek, in partnering with Samsung C&T, is targeting opportunities such as the Penang international airport expansion (RM1.5bil) and several semiconductor projects in Penang, with an estimated individual contract value of RM1bil.

The research house raised its target price to RM2 from RM1.93 for Kerjaya Prospek, maintaining its "buy" recommendation.

"We like Kerjaya Prospek for its above average profit after tax margin of 10%-13% and healthy net cash position which enable the group to pay an attractive dividend yield of 4.4%," it added.