

## Upbeat outlook on Kerjaya Prospek's new contract

**PETALING JAYA:** Analysts are positive about Kerjaya Prospek Group Bhd's latest RM33.2mil contract win in Penang from its sister company Eastern & Oriental Bhd (E&O).

The contract for piling and earthwork for a proposed serviced apartment in Bandar Tanjung Pinang, Penang, is expected to commence in June this year.

Kenanga Research in a report yesterday said: "We are positive on the latest contract win, its fifth in the financial year 2024 (FY24).

"This will boost its year-to-date new-job wins to RM411mil against our full-year FY24 assumption of RM1.5bil and outstanding order book to RM4.7bil."

Meanwhile, Kerjaya's tender book stands at RM2bil-RM3bil comprising largely building jobs, with half of them coming from related parties, the research house noted.

The group is also eyeing two to three industrial projects worth a total of more than RM1bil, it added.

Kenanga Research said it continues to like Kerjaya for its innovative and hence

high-margin form work construction method, its lean and hands-on management team with a strong execution track record and its strong earnings visibility.

"These are underpinned by a sizeable outstanding order book and recurring orders from related companies such as E&O and Kerjaya Prospek Property Bhd," the research house noted.

Kenanga Research has maintained its forecasts on Kerjaya with an "outperform" call on the stock, which offers attractive dividend yields of over 5%.

The brokerage firm has also kept the stock's target price (TP) at RM1.90 valuing its construction business at 14 times forward price-to-earnings ratio (PE), at a discount to the 18 times which it ascribed to large contractors such as Gamuda Bhd, IJM Corp Bhd and Sunway Construction Group Bhd.

"This is given Kerjaya's focus on the high-rise building sector currently weighed down by oversupply in the office and residential segments," it added.

The risks to the brokerage's call include

further deterioration in the prospects for building jobs, rising input costs and liquidated ascertained damages from cost overruns and delays.

Meanwhile, Phillip Capital Research in its quick bites note on Kerjaya's latest contract win said "The contract is expected to be recognised within a year, with work targeted to commence on June 17.

"Inclusive of this award, this brings cumulative contracts secured to-date to RM410mil, making up 27% of our RM1.5bil full-year orderbook replenishment assumption."

The current outstanding order book now stands at RM4.2bil, which is equivalent to 2.8 times 2023 revenue, the research house noted.

"Therefore, we estimate this contract to contribute RM3.2mil across 2024-2025 profit after tax and minority interests, based on a 10% net profit margin assumption," the research house said.

Phillip Capital Research, which made no changes to its earnings forecast on Kerjaya, has maintained a "buy" rating on the stock with a TP of RM1.93.