

More Project Win On The Way For Kerjaya Prospek

May 29, 2025



RHB Investment Bank Bhd maintains a BUY rating on Kerjaya Prospek Bhd with an increased target price of RM2.80, suggesting a 33% upside from the current price of RM2.10. Analyst Adam Mohamed Rahim highlighted that Kerjaya's first quarter 2025 core profit of RM44.1 million, a 19.5% year-on-year increase, was in line with expectations, contributing about 22% to 23% of both RHB Research's and market full-year forecasts. The positive results were supported by steady progress billings from ongoing construction projects and a significant turnaround in the property development segment.

The construction division delivered a profit after tax (PAT) of RM51.3 million in the quarter, representing a 57% rise year-on-year and maintaining a healthy margin of 12%, up from 9.9% in the same period last year.

Meanwhile, the property arm's PAT surged nearly ninefold to RM7.6 million, driven by strong sales at The Vue@Monterez and Papyrus@North Kiara, which have take-up rates of approximately 91% and 65% respectively. The company declared an interim dividend per share of 3 sen, with full-year expectations at 12 sen.

Kerjaya's construction order book stood at around RM4 billion as of March, providing a solid cover ratio of 2.3 times. New job wins year-to-date total about RM870 million, with a full-year replenishment target of RM1.6 billion. Notably, Kerjaya is bidding independently for a data centre tender and is also considering tenders worth between RM2 billion and RM3 billion for industrial projects such as data centres, factories and warehouses, potentially through a joint venture with Samsung C&T.

Opportunities in Penang remain abundant, particularly with upcoming projects at Andaman Island valued between RM400 million and RM500 million for the rest of 2025. This is part of a broader development pipeline including Eastern & Oriental's plan to launch projects with a total gross development value (GDV) of approximately RM3.8 billion from 2026 to 2030, potentially generating construction contracts worth RM1.5 billion.

RHB Research did not adjust earnings forecasts as the results were consistent with expectations but updated its valuation base year to FY26, resulting in a new sum-of-parts target price of RM2.80. The valuation incorporates a 2% environmental, social and governance (ESG) premium and places Kerjaya's forward price-to-earnings ratio at 13 times for FY26, which is considered undemanding compared to the Bursa Malaysia Construction Index's peak P/E of 16 to 17 times during the 2017 construction upcycle.

Potential catalysts for rerating include earlier-than-expected wins in the industrial sector, particularly data centre contracts, and faster launches of new phases at Aspen Vision City (AVC). Kerjaya is acquiring a 49% stake in Aspen Vision Land, which controls 80% of the master development of AVC, a project with an estimated GDV of RM5 billion spread over 35 acres. Risks to the outlook include a slowdown in the property market and prolonged cost pressures that could impact margins.