KERJAYA PROSPEK

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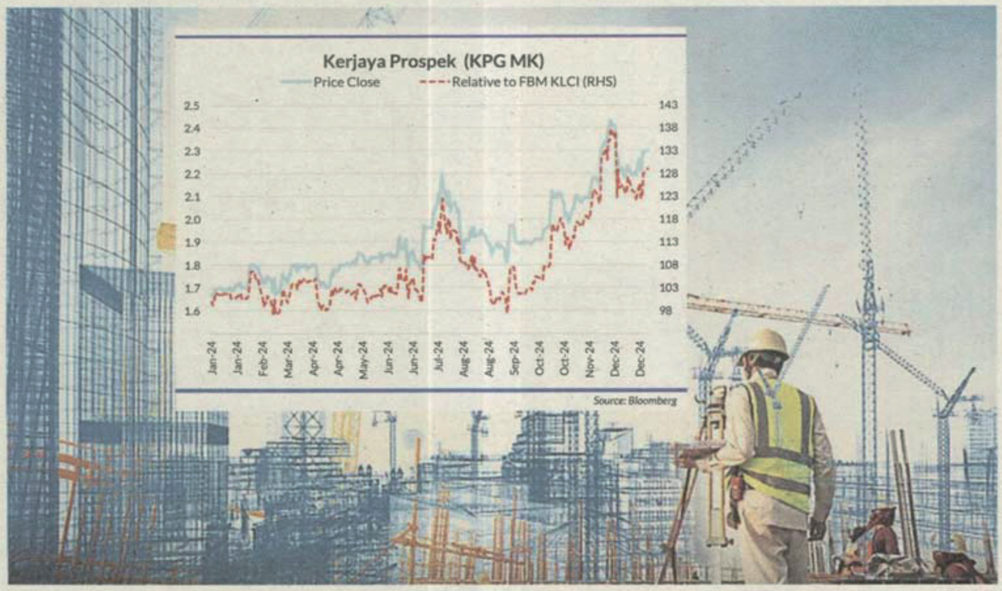
# Kerjaya shares may still have some legs

## The group's total outstanding orderbook stands at RM4.2b




TMRgraphic

**The firm is principally involved in the construction of high-end commercial and high-rise residential buildings**

**CONSTRUCTION** company Kerjaya Prospek Group Bhd, whose counter jumped last month to its highest point in five years after announcing a special dividend, may have reached its present high point, though at least two research houses see some upside value in it.

The counter has six 'Buy' and two 'Hold' calls with a 52-week consensus target price of RM2.43 among the analysts tracked by *Bloomberg*.

The counter hit its 52-week high of RM2.45 in early December 2024, with its 52-week low at RM1.61. The counter ended at RM2.30 on Jan 10, valuing the company at RM2.9 billion.

After landing its first job for 2025, research analysts from RHB Investment Bank Bhd (RHBIB) and Public Investment Bank Bhd (PIBB) have maintained their 'Buy' calls on the counter, with a 52-week target prices of RM2.67 and RM2, respectively.

On Jan 6, Kerjaya said its wholly owned subsidiary Kerjaya Prospek (M) Sdn Bhd has secured a RM256.4 million contract from Eastern & Oriental Express Sdn Bhd, an indirect subsidiary of Eastern & Oriental Bhd (EAST), for a proposed development in Elmina West, Shah Alam.

The contract covers the construction of three phases of development, which include 179 three-storey terrace houses in total, along with the building of facilities such as a clubhouse, electrical substation, security house and landscaping.

Work was set to begin on Jan 20, 2025, with an expected completion timeline of 26 months.

The contract was expected to generate significant revenue for Kerjaya over the next three years, positively impacting the group's earnings and net assets per share for the financial years 2025-2027, it told the local stock exchange.

In a separate statement, Kerjaya CEO/ED Tee Eng Tiong said with the latest project, Kerjaya's total outstanding orderbook stood at about RM4.2 billion, ensuring sustained earnings visibility for the next three years.

The first job this year for the construction company specialising in high-rise buildings accounted for 12.8% of the fiscal year 2025 (FY25) job replenishment target of RM2 billion, according to PIBB.

"All told, we keep our forecasts unchanged as this forms part of our FY25 orderbook replenishment assumption. Based on our estimation, this job is expected to contribute 5%-6% per annum on average to the group's earnings during the 26-month contract period, assuming low-teen margins," it said.

It noted that the construction orderbook was healthy at RM4.2 billion, noting that it provided earnings visibility for the next two to three years.

"Our estimates indicate that this project will contribute about RM11.8 million per annum on average from FY25-FY27F, assuming low-teen profit margins. No changes made to our earnings estimates as this makes up part of our FY25 orderbook replenishment assumption of RM2 billion," it said.

In its report, RHBIB noted that the latest win was not the first job secured by the company in relation to EAST's Elmina West development.

It noted that the group had clinched a RM25 million contract in the third quarter of 2023 (3Q23) to undertake earthworks in the said development.

"We expect the net margin for this latest contract in Elmina West to be 9%-10%. Works should commence in late January and are expected to be completed in 26 months. Looking ahead, other opportunities that may arise from Elmina West include the launch of a project of over 110 shophouses by EAST in FY26," it said.

In the medium to near-term opportunities, it said Penang still has ample opportunities — such as dredging and land reclamation works for Phases 2B and 2C of Seri Tanjung Pinang Phase 2 (STP2, GDV: RM60 billion) which could be in excess of RM500 million, combined with upcoming launches with a GDV of more than RM500 million in total for STP in the next six months.

In November, the company's share price began moving upward after declaring a surprise dividend when announcing its financial results for the 3Q24 on Jan 9.

The company declared its interim dividend of three sen per ordinary as well as a special dividend of four sen per share, both with an ex-date of Dec 13 and entitlement date of Dec 16.

"The 3Q24 net dividend per share of seven sen, including a four sen special dividend, came as a pleasant surprise," said Kenanga Investment Bank Bhd in a research note last month, downgrading the counter to 'Market Perform' from 'Buy'.

In the report, it said continued to like Kerjaya for its innovative and hence high-margin formwork construction method, its lean and hands-on management team with a strong execution track record as well as its strong earnings visibility underpinned by a sizeable outstanding orderbook and recurring orders from related companies of at least RM1 billion a year.

It said it downgraded the stock following its recent price performance which priced in its positives, but noted it offered attractive dividend yields of around 5%, based on regular dividends.

For the first nine months, Kerjaya's net profit was up 21% year-on-year (YoY) to RM116.7 million while its revenue was up 28% YoY to RM1.237 billion.

Its 3Q24 revenue was up 39% to RM504.8 million compared to the same period last year mainly due to improvement in progress of construction works activities.

Kerjaya is principally involved in the construction of high-end commercial and high-rise residential buildings, property development and manufacturing of lighting and kitchen solutions.

Its major shareholders are Egovision Sdn Bhd (49.8%), Amazing Parade Sdn Bhd (17.9%) and Employees Provident Fund Board (5.4%). — *TMR*