NEW STRAITS TIMES ESTABLISHED 1845

DATA CENTRE MARKET ENTRY

Kerjaya Prospek seen to profit

KUALA LUMPUR: Kerjaya Prospek Group Bhd's (KPG) maiden RM858 million data centre contract is expected to carry a net margin of between five and seven per cent, lower than its usual construction margin as it marks the group's entry into the sector, analysts said.

RHB Investment Bank Bhd (RHB Research) said the contract is KPG's largest project win to date, surpassing its previous record of RM710 million for the Astrum Ampang project secured in February 2022.

"Margin-wise, we expect net margins for this job to be between five and seven per cent," it said.

The research firm said the latest contract accounts for about 15 per cent of KPG's RM5.9 billion outstanding order book.

"At the same time, we do not discount the possibility of ES Sunlogy Bhd, in which Kerjaya Prospek has a 31 per cent stake, being a potential subcontractor for the data centre job's mechanical and electrical works."

RHB Research said potential involvement in major infrastructure projects, such as the Penang Light Rail Transit, may serve as another catalyst for the construction group.

Kenanga Research expects the project to generate a net margin of between five and six per cent, below KPG's typical 10 per cent level, but viewed the contract positively as a strategic entry into the highly competitive data centre sector.

"This contract elevated year-to-date order replenishment to RM3.23 billion, surpassing our full-year financial year 2026 assumption of RM2.5 billion as well as management's RM3 billion target.

"This pushed the outstanding orderbook to RM5.9 billion, providing strong earnings visibility over the next three years."

Kenanga Research raised its financial years 2026 and 2027 job win assumptions to RM3.5 billion and RM2.5 billion, respectively.

It also raised its revenue recognition assumptions to RM2.6 billion and RM3 billion, respectively.

"However, we blend down our overall construction net margin assumption slightly to 9.8 per cent (from 10 per cent) to reflect the lower-margin profile of the data centre job.

"Net dividend per share projections remain unchanged at 14 sen per annum."

Kenanga Research also raised the target price-to-earnings ratio for KPG's construction business to 18 times from 16 times following its successful entry into the data centre market.