

Kerjaya's latest job win set to enhance earnings

PETALING JAYA: Kerjaya Prospek Group Bhd's latest contract win and outstanding order-book size is expected to support the group's earnings growth in the near and long term, say analysts.

Kerjaya was recently awarded a RM104.7mil contract from Persada Mentari Sdn Bhd, an indirect subsidiary of Eastern & Oriental Bhd (E&O) for the construction of 69 units of three-storey semi-detached and three-storey terraced houses in Seksyen 2, Pulau Andaman, Penang.

Kenanga Research views Kerjaya's latest job win positively as it has increased the group's year-to-date job wins to RM1.6bil, which has now exceeded the research house's full-year assumption of RM1.5bil and surpassed Kerjaya's own target of RM1.2bil.

"It has also raised its outstanding order book to RM4.8bil. We expect this contract's profit after tax margin to be 10%.

"Currently, Kerjaya's tender book stands at about RM1.5bil to RM2bil, comprising building/reclamation jobs from its sister companies – E&O and Kerjaya Prospek Property Bhd (KPPROP) – multinational

industrial warehouse/factories (via its joint venture with Samsung C&T), as well as third-party building jobs in the Klang Valley," the research house said in a report.

Kenanga Research raised its net profit forecast for the financial year 2023 (FY23) and FY24 by 1% and 6%, respectively, as the research house now assumes job wins of RM1.7bil in FY23 (versus RM1.5bil previously). Kenanga Research maintains its job win assumption of RM1.6bil in FY24.

"We continue to like Kerjaya for its innovative and 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 order book and recurring orders from related companies (namely E&O, KPPROP)," the research house said.

Kenanga Research maintained an "outperform" call on Kerjaya with a target price of RM1.75 per share.

Meanwhile, RHB Research said near-term project wins for Kerjaya may come from Seri Tanjung Pinang Phase Two (STP2), particularly the Arica project, which

is likely to be worth RM100mil to RM200mil.

"With Andaman Phase Two yet to begin any significant reclamation works, we believe Kerjaya could stand a fair chance to do the reclamation works for this phase of STP2.

"Moreover, Kerjaya was appointed as the contractor for the developments on STP2, such as The Meg project (1,020 units) for a value of RM265mil, putting it as a frontrunner for other property projects under STP2," the research house said.

RHB Research maintained a "buy" call on Kerjaya with a target price of RM1.78.

However, TA Research, which downgraded the stock from a "buy" to "hold" call, with a target price of RM1.57 due to limited potential upside following the recent price rally, said assuming a gross margin of 14%, Kerjaya's latest contract win is estimated to generate RM10.5mil of net earnings throughout the construction period.

"Following the win, Kerjaya's total outstanding order book now stands at about RM4.8bil, equivalent to 4.3 times of FY22 revenue," the research house said.