

Tan Wai Wern

(603) 7890 8888 (ext 2092)

waiwern.tan@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM2.07
Previous Target Price:	RM3.10
Target Price:	↔ RM3.10
Capital Upside/Downside:	49.8%
Dividend Yield (%):	5.8%
Total Upside/Downside	55.6%

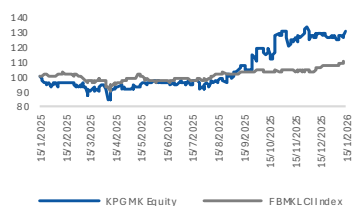
Stock information

Board	MAIN
Sector	Construction
Bursa/ Bloomberg Code	7161/ KPGMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	1,257.3
Market Cap (RM' m)	2,602.7
52-Week Price Range (RM)	1.99-2.92
Beta (x)	0.7
Free float (%)	29.3
3M Average Volume (m)	1.3
3M Average Value (RM' m)	2.9

Top 3 Shareholders

	(%)
Egovision Sdn Bhd	49.9
Amazing Parade Sdn Bhd	17.9
Employees Provident Fund Board	5.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-10.4	-18.5	-1.4
Relative (%)	-11.2	-16.8	-11.1

Earnings summary

FYE Dec	FY25	FY26F	FY27F
Revenue (RM'm)	2,249.3	2,400.0	2,690.5
PATAMI (RM'm)	227.0	227.3	259.6
CNP (RM'm)	227.0	227.3	259.6
EPS - core (sen)	18.0	18.1	20.6
P/E(x)	11.5	11.5	10.0

Kerjaya Prospek Group Bhd

Related-Party Contracts Bolsters Order Book

- **KERJAYA secured 2 contracts worth a cumulative RM102.6m from related parties for projects on Andaman Island, Penang.**
- **Assuming a PBT margin of 13%, the contracts are expected to contribute a total of c.RM13.3m (or 4.3% of FY26F PBT) over FY26F-FY28F.**
- **Maintain BUY with an unchanged TP of RM3.10, based on 15.0x PE applied to FY27F EPS of 20.6 sen, alongside a three-star ESG rating.**

Order Book Boosted by Two Related-Party Construction Contracts. KERJAYA clinched two related-party construction contracts collectively valued at RM102.6m for projects located on Andaman Island, Penang. Both contracts were awarded by Persada Mentari Sdn Bhd (PMSB), an indirect subsidiary company of Eastern & Oriental Berhad (E&O).

Building Works Contract. Kerjaya Prospek (M) Sdn Bhd (KPM), a wholly-owned subsidiary of KERJAYA, was awarded a RM69.6m building works contract from PMSB. The contract involves the construction of 28 units of 3-storey terrace houses and 18 units of 3-storey semi-detached houses on Section 2 of Andaman Island. Works is slated to commence on 1 August 2026 and is expected to be completed within 24 months from the commencement date.

Piling and Earthworks Contract. KPM secured a RM33.0m piling and earthwork contract from PMSB for a proposed serviced apartment development at Bandar Tanjung Pinang. The contract comprises of the execution and completion of the foundation piling system and pile caps, basement construction, 2 levels of lower ground construction alongside associated site works. The project is scheduled to begin on 1 July 2026 and span 12 months.

Our View. We view these contract awards **positively**, as they bring KERJAYA's total contracts secured in FY26 to six. Based on an estimated 13% PBT margin, the projects will collectively contribute c.RM13.3m throughout its construction period, representing c.4.3% of our FY26 forecast. Following the latest wins, KERJAYA's YTD contract wins have increased to RM1.1bn, lifting its outstanding order book to RM4.4bn. This translates into a solid book-to-bill ratio of 1.8x based on our FY26F revenue forecast, providing strong medium-term earnings visibility. We estimate that 50% of the Group's outstanding order book is concentrated within the Andaman Island, which support margins through lower mobilisation, procurement and labour costs.

Outlook. We expect KERJAYA to continue delivering resilient earnings performance despite prevailing macroeconomic uncertainties, supported by its sizeable outstanding order book and recurring flow of related-party developments. Assuming annual combined gross development value (GDV) launches of RM3.0bn, together with a 50% construction-to-GDV conversion ratio, the Group could secure RM1.5bn worth of related-party contracts annually, providing a strong foundation for sustainable order book replenishment. In addition, management aims to gradually rebalance its project mix toward 35% external and 65% internal jobs. We view this strategy favourably as it enhances client diversification while reducing reliance on related-party projects over the longer term. Concurrently, the Group is also expanding its participation in infrastructure-related segments such as industrial facilities, data centres and commercial developments, which could serve as additional growth catalysts amid rising demand for specialised construction works.

Earnings Revision. We make no changes to our earnings forecast as the award falls within our orderbook replenishment assumption of RM1.8bn for FY26.

Valuation & Recommendation. Maintain our **BUY** rating on KERJAYA with an unchanged TP of **RM3.10**, based on a 15.0x PE applied to FY27F EPS of 20.6 sen, alongside a three-star ESG rating.

Risks. Rising material costs, labour shortages and oversupply of high-rise residential projects in the property sector.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	1472.8	1835.5	2249.3	2400.0	2690.5
Gross Profit	197.7	246.2	353.1	345.9	393.2
EBITDA	189.2	225.4	339.1	321.9	366.3
Depreciation & Amortisation	-16.3	-16.8	-18.5	-21.5	-22.5
EBIT	173.0	208.6	320.6	300.4	343.8
Net Finance Income/(Cost)	5.1	7.6	11.7	6.1	6.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	178.0	216.2	308.9	306.6	350.1
Tax	-46.3	-55.9	-81.3	-79.2	-90.5
Profit After Tax	131.7	160.3	227.6	227.3	259.6
Minority Interest	0.2	0.0	-0.6	0.0	0.0
Net Profit	131.5	160.2	227.0	227.3	259.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	131.5	160.2	227.0	227.3	259.6

Key Ratios

FYE Dec	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	10.4	12.7	18.0	18.1	20.6
P/E (x)	19.8	16.3	11.5	11.5	10.0
P/B (x)	2.3	2.3	2.2	2.0	1.9
EV/EBITDA (x)	13.4	10.4	6.6	7.4	6.5
DPS (sen)	8.0	15.0	12.0	12.0	12.0
Dividend Yield (%)	3.9%	7.2%	5.8%	5.8%	5.8%
EBITDA margin (%)	12.8%	12.3%	15.1%	13.4%	13.6%
EBIT margin (%)	11.7%	11.4%	14.3%	12.5%	12.8%
PBT margin (%)	12.1%	11.8%	13.7%	12.8%	13.0%
PAT margin (%)	8.9%	8.7%	10.1%	9.5%	9.7%
NP margin (%)	8.9%	8.7%	10.1%	9.5%	9.6%
CNP margin (%)	8.9%	8.7%	10.1%	9.5%	9.6%
ROE (%)	11.4%	14.1%	18.8%	17.9%	18.8%
ROA (%)	8.0%	7.2%	9.6%	8.8%	9.2%
Gearing (%)	2.7%	2.5%	1.7%	1.8%	1.5%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Expected order book replenishment			1800.0	1800.0	1800.0

Valuations

	FY27F
Core EPS (RM)	0.206
P/E multiple (x)	15.0
Fair Value (RM)	3.10
ESG premium/discount	0.0%
Implied Fair Value (RM)	3.10

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	104.1	294.7	381.4	250.6	244.7
Receivables	851.1	1,125.3	1,114.6	1,282.2	1,437.4
Inventories	216.0	249.6	243.9	263.5	289.9
Other current assets	135.9	224.1	289.0	451.7	506.4
Total Current Assets	1,307.1	1,893.6	2,028.9	2,248.0	2,478.4
Fixed Assets	92.4	92.4	94.0	96.6	101.0
Intangibles	227.9	227.9	227.9	227.9	227.9
Other non-current assets	7.3	10.8	8.3	10.8	10.8
Total Non-Current Assets	327.6	331.2	330.2	335.3	339.8
Short-term debt	29.8	24.1	19.2	19.6	17.6
Payables	366.4	429.8	369.2	524.8	577.3
Other current liabilities	32.9	627.3	762.5	759.6	835.6
Total Current Liabilities	429.1	1,081.3	1,150.8	1,303.9	1,430.5
Long-term debt	0.8	3.8	1.7	3.1	2.8
Other non-current liabilities	51.2	3.4	2.2	3.4	3.4
Total Non-Current Liabilities	52.0	7.2	3.9	6.5	6.1
Shareholder's equity	1,153.0	1,135.6	1,203.5	1,272.1	1,380.6
Minority interest	0.7	0.7	0.9	0.8	0.9
Total Equity	1,153.7	1,136.4	1,204.4	1,272.9	1,381.5

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	178.0	216.2	308.9	306.6	350.1
Depreciation & amortisation	16.3	16.8	18.5	21.5	22.5
Changes in working capital	-158.0	88.1	0.5	-16.6	-107.8
Others	-10.0	2.9	-58.4	-79.2	-90.5
Operating cash flow	26.3	323.9	269.5	232.2	174.4
Net capex	11.9	-13.5	-11.5	-24.0	-26.9
Others	74.9	-47.3	-95.4	0.0	0.0
Investing cash flow	86.7	-60.8	-106.9	-24.0	-26.9
Dividends paid	-88.3	-201.8	-151.4	-151.1	-151.1
Others	18.9	-12.2	-16.9	-2.5	-2.3
Financing cash flow	-69.4	-214.0	-168.3	-153.6	-153.4
Net cash flow	43.7	49.1	-5.7	54.6	-5.9
Forex	1.1	-1.0	-0.7	0.0	0.0
Others	29.6	21.1	93.1	0.0	0.0
Beginning cash	29.7	104.1	294.7	196.0	250.6
Ending cash	104.1	294.7	381.4	250.6	244.7

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Adopted LED lighting, implemented energy-saving practices in offices, and invested in renewable energy such as photovoltaic systems to reduce reliance on fossil fuels.
Waste & Effluent	★★★	100% recycling rate for iron and steel waste in FY25.
Energy	★★★	Total energy consumption stood at 35,917MWh in FY25, 42% increase from FY24 due to higher number of ongoing projects.
Water	★★★	Recorded a water intensity of 0.11 m ³ /RM1,000 Construction revenue in FY25, below 0.18 in FY24.
Compliance	★★★	In compliance with local environmental regulations.

Social

Diversity	★★	Male-dominated workforce for manual labor, 56% male and 44% female composition for office-based employees.
Human Rights	★★★	Enforce and adopts a workplace free from harassment, discrimination, enslavement, child, or forced labour. 0 human rights violations recorded in FY25.
Occupational Safety and Health	★★	All subsidiaries of construction segment certified with ISO 45001 Occupational Health and Safety Management System (OHSMS). 1 non-fatal serious injury and 0 fatalities recorded in FY25.
Labour Practices	★★★	Complies with Employee's Minimum Standards of Housing, Accommodations and Amenities Act.

Governance

CSR Strategy	★★★	Complies with principles and practices set out in the Malaysian Code on Corporate Governance (MCCG).
Management	★★★	3/8 female board composition, 4/8 Independent Directors.
Stakeholders	★★★	Major announcements and financial reports were announced in timely manner.

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Thursday, 21 May, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.