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Kerjaya Prospek Group Bhd

Another Related-Party Win in Penang

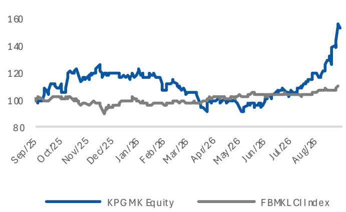
Recommendation:		BUY
Current Price:		RM3.48
Previous Target Price:		RM3.58
Target Price:	↑	RM3.75
Capital Upside/Downside:		7.8%
Dividend Yield (%):		4.0%
Total Upside/Downsid		11.8%

Stock information

Board	MAIN
Sector	Construction
Bursa / Bloomberg Code	7161 / KPGMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,254.2
Market Cap (RM' m)	4,364.5
52-Week Price Range (RM)	2.06-3.6
Beta (x)	0.6
Free float (%)	29.2
3M Average Volume (m)	1.3
3M Average Value (RM' m)	3.7

Top 3 Shareholders	(%)
Egovision Sdn Bhd	50.0
Amazing Parade Sdn Bhd	18.0
Amanah Saham Nasional Bhd	2.6

Share Price Performance



	1M	3M	12M
Absolute (%)	27.5	58.9	52.0
Relative (%)	29.7	58.3	43.2

Earnings summary

FYE Dec	FY26F	FY27F	FY28F
Revenue (RM'm)	2,762.6	3,817.3	3,109.5
PATAMI (RM'm)	254.4	314.3	257.8
CNP (RM'm)	254.4	314.3	257.8
EPS - core (sen)	20.2	25.0	20.5
P/E (x)	17.2	13.9	17.0

- **KERJAYA has secured a contract worth RM37.8m for piling and substructure works at an affordable apartment development in Pulau Andaman, Penang.**
- **Assuming a PAT margin of 10%, the contract is expected to contribute c.RM3.78m (or 1.5% of FY26F PAT) over its c.24-month tenure.**
- **This latest win lifts KERJAYA's total new contract wins for 2026 to a record c.RM3.3bn, well above the Group's already-raised expectations, and pushes the outstanding order book to a record RM5.9bn.**
- **Hence, we raise our FY26F/FY27F/FY28F earnings forecasts by 1.5%/4.7%/8.7%, respectively.**
- **Maintain BUY with a higher TP of RM3.75 (from RM3.58 previously), based on 15.0x PE applied to a higher FY27F EPS of 25.0 sen (from 23.8 sen), alongside a three-star ESG rating.**

Secured RM37.8m Piling and Substructure Contract. KERJAYA's wholly-owned subsidiary, Kerjaya Prospek (M) Sdn Bhd, has accepted a letter of award from Persada Mentari Sdn. Bhd. (PMSB), an indirect subsidiary of E&O, for the execution and completion of piling and substructure works for a proposed affordable apartment development at Bandar Tanjung Pinang, Pulau Andaman, Penang, for a fixed lump sum contract price of RM37.82m. The development comprises one block of 38-storey affordable housing apartments totalling 922 units, together with amenity/facility areas, car parks and a Tenaga Nasional Berhad main distribution substation. The contract is scheduled to commence on 1 October 2026 and is targeted for completion within 24 months.

Our View. We view this contract win **positively**, as it provides an additional revenue stream for the Group over the next two years. **We assume a PAT margin of approximately 10% for this project, the contract could contribute approximately RM3.78m in PAT over its 24-month tenure, equivalent to roughly 1.5% of our FY26F PAT forecast on a full-contract basis.** We would nonetheless note that this piling and substructure package is a related-party job from E&O, reinforcing that a meaningful share of KERJAYA's order book, including this scope-limited early-works package on a larger Penang development, continues to be sourced from related parties even as the Group pursues third-party diversification into data centre and industrial infrastructure work. Execution risk is assessed as low, given the limited scope (piling and substructure only) and KERJAYA's extensive track record executing similar related-party jobs for E&O developments.

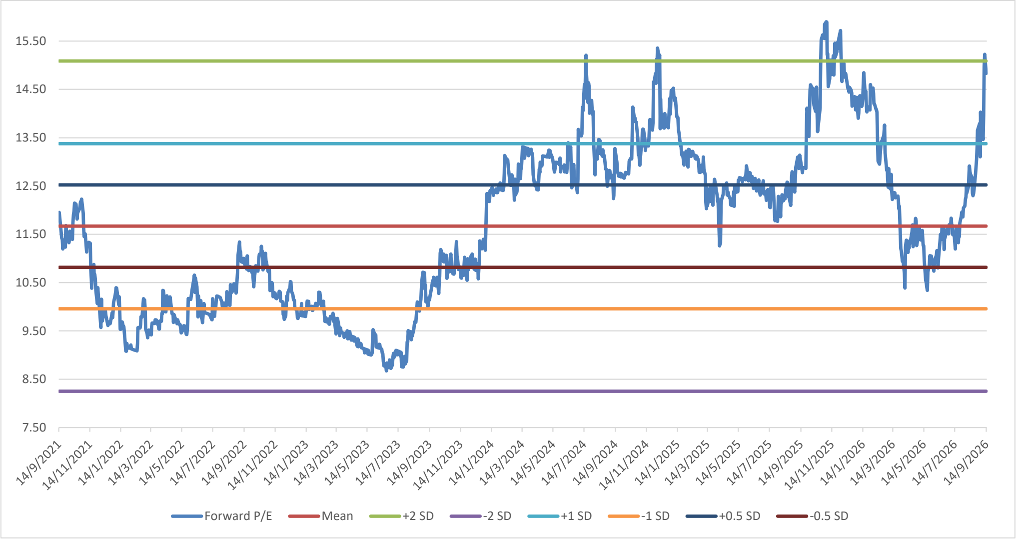
Outlook. This latest award lifts KERJAYA's total new contract wins for FY26 to a record c.RM3.3bn, comfortably surpassing the Group's original full-year target of RM2.0bn. **The outstanding order book has correspondingly risen to a record RM5.9bn, translating to a book-to-bill ratio of approximately 2.6x based on FY25 revenue**, underpinning continued strong earnings visibility over the coming years. We continue to expect a mix of related-party replenishment, such as this contract, alongside larger third-party wins in data centre, industrial and other infrastructure-related segments, to underpin KERJAYA's order book growth over the next few years. We believe the combination of a robust RM5.9bn order book, a growing data centre and industrial pipeline, and potential M&E-related synergies from the ES Sunlogy stake position KERJAYA well to sustain earnings growth into FY27 and FY28, even as the residential property market in Malaysia faces periodic headwinds from material costs and financing conditions.

Earnings Revision. Following this new contract award, KERJAYA's FY26 order book replenishment has accounted for 95% of our RM3.5bn assumption. **We have revised our FY26 and FY27 order book replenishment assumptions upward** to RM3.9bn and RM2.4bn respectively, while maintaining our FY28 assumption of RM2.1bn. Consequently, our earnings forecasts for FY26F/FY27F/FY28F have been revised upward by 1.5%/4.7%/8.7% to RM254.4m/RM314.3m/RM257.8m, respectively.

Valuation & Recommendation. We maintain our **BUY** recommendation on KERJAYA with a higher TP of **RM3.75** (from **RM3.58**), based on a 15.0x PE applied to a higher FY27F EPS of **25.0 sen** (from **23.8 sen**), alongside a three-star ESG rating.

KERJAYA's forward PE has re-rated above its historical mean, reflecting the Group's stronger contract replenishment and earnings growth outlook. While valuation is no longer undemanding, we believe the Group's record RM5.9bn order book provides strong earnings visibility into FY27-FY28. With an estimated total return of 11.8%, we maintain our BUY recommendation.

Figure 1: KERJAYA's 5 years Forward P/E chart



Source: Bloomberg, Apex Securities

Risks. Rising material costs, labour shortages, continued reliance on related-party contract awards, and oversupply of high-rise residential projects in the property sector.

APEX SECURITIES 鼎峰证券有限公司

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**1835.5**	**2249.3**	**2762.6**	**3817.3**	**3109.5**
Gross Profit	**246.2**	**353.1**	**386.8**	**477.2**	**394.9**
EBITDA	**225.4**	**339.1**	**359.1**	**439.0**	**363.8**
Depreciation & Amortisation	-16.8	-18.5	-22.2	-25.1	-26.2
EBIT	**208.6**	**320.6**	**337.0**	**413.9**	**337.6**
Net Finance Income/ (Cost)	7.6	11.7	6.1	6.4	6.5
Associates & JV	0.0	0.0	0.0	2.6	2.6
Pre-tax Profit	**216.2**	**308.9**	**343.1**	**422.9**	**346.7**
Tax	-55.9	-81.3	-88.7	-108.6	-88.9
Profit After Tax	**160.3**	**227.6**	**254.4**	**314.3**	**257.8**
Minority Interest	0.0	-0.6	0.0	0.0	0.0
Net Profit	**160.2**	**227.0**	**254.4**	**314.3**	**257.8**
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	**160.2**	**227.0**	**254.4**	**314.3**	**257.8**

Key Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	12.7	18.0	20.2	25.0	20.5
P/E (x)	27.3	19.3	17.2	13.9	17.0
P/B (x)	3.9	3.6	3.5	3.1	2.9
EV/EBITDA (x)	18.3	11.9	12.0	10.6	12.1
DPS (sen)	15.0	12.5	14.0	14.0	14.0
Dividend Yield (%)	4.3%	3.6%	4.0%	4.0%	4.0%
EBITDA margin (%)	12.3%	15.1%	13.0%	11.5%	11.7%
EBIT margin (%)	11.4%	14.3%	12.2%	10.8%	10.9%
PBT margin (%)	11.8%	13.7%	12.4%	11.1%	11.1%
PAT margin (%)	8.7%	10.1%	9.2%	8.2%	8.3%
NP margin (%)	8.7%	10.1%	9.2%	8.2%	8.3%
CNP margin (%)	8.7%	10.1%	9.2%	8.2%	8.3%
ROE (%)	14.1%	18.8%	20.1%	22.3%	17.3%
ROA (%)	7.2%	9.6%	9.1%	9.5%	8.7%
Gearing (%)	2.5%	1.7%	1.8%	1.4%	1.2%
Net gearing (%)	Net Cash	Net Cash	Net Cash	19.8%	0.4%

FYE Dec (RM m)	FY26F	FY27F	FY28F
Expected order book replenishment	3900.0	2400.0	2100.0

Valuations	FY27F
Core EPS (RM)	0.250
P/E multiple (x)	15.0
Fair Value (RM)	**3.75**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**3.75**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	294.7	381.4	81.7	-258.1	12.5
Receivables	1125.3	1114.6	1475.9	2039.4	1661.2
Inventories	249.6	243.9	307.5	385.7	293.4
Other current assets	224.1	289.0	520.0	718.5	585.3
Total Current Assets	**1893.6**	**2028.9**	**2385.1**	**2885.4**	**2552.4**
Fixed Assets	92.4	94.0	99.6	112.7	117.6
Intangibles	227.9	227.9	286.8	289.4	292.0
Other non-current assets	10.8	8.3	10.8	10.8	10.8
Total Non-Current Assets	**331.2**	**330.2**	**397.2**	**412.9**	**420.5**
Short-term debt	24.1	19.2	19.6	17.6	15.8
Payables	429.8	369.2	601.3	756.2	617.3
Other current liabilities	627.3	762.5	886.4	1111.8	845.8
Total Current Liabilities	**1081.3**	**1150.8**	**1507.3**	**1885.6**	**1479.0**
Long-term debt	3.8	1.7	3.1	2.8	2.5
Other non-current liabilities	3.4	2.2	3.4	3.4	3.4
Total Non-Current Liabilities	**7.2**	**3.9**	**6.5**	**6.1**	**5.9**
Shareholder's equity	1135.6	1203.5	1267.8	1405.7	1487.2
Minority interest	0.7	0.9	0.8	0.9	0.9
Total Equity	**1136.4**	**1204.4**	**1268.6**	**1406.6**	**1488.1**

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**216.2**	**308.9**	**343.1**	**420.3**	**344.1**
Depreciation & amortisation	16.8	18.5	22.2	25.1	26.2
Changes in working capital	88.1	0.5	-119.3	-459.8	198.7
Others	2.9	-58.4	-88.7	-108.6	-88.9
Operating cash flow	**323.9**	**269.5**	**157.3**	**-123.1**	**480.0**
Net capex	-13.5	-11.5	-27.6	-38.2	-31.1
Others	-47.3	-95.4	-58.9	0.0	0.0
Investing cash flow	**-60.8**	**-106.9**	**-86.6**	**-38.2**	**-31.1**
Dividends paid	-201.8	-151.4	-176.3	-176.3	-176.3
Others	-12.2	-16.9	-2.5	-2.3	-2.0
Financing cash flow	**-214.0**	**-168.3**	**-178.8**	**-178.5**	**-178.3**
Net cash flow	**49.1**	**-5.7**	**-108.1**	**-339.8**	**270.6**
Forex	-1.0	-0.7	0.0	0.0	0.0
Others	21.1	93.1	0.0	0.0	0.0
Beginning cash	104.1	294.7	189.8	81.7	-258.1
Ending cash	**294.7**	**381.4**	**81.7**	**-258.1**	**12.5**

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 m3/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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(a) nil.