KERJAYA PROSPEK

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Kenanga Raises Kerjaya Prospek TP By 40 sen After Maiden Energy Project Win

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Kenanga Research has maintained its Outperform rating on Kerjaya Prospek Group Bhd, raising its target price to RM4.20 from RM3.80 following the construction group's maiden power infrastructure project win.

The research house said Kerjaya Prospek's participation in a RM568.2 million transmission substation project awarded by Tenaga Nasional Bhd (TNB) marks an important expansion into Malaysia's growing power infrastructure sector.

The contract involves the construction of the 500/275/132/33/11kV Paka Gas Insulated Switchgear (GIS) main intake substation in Terengganu.

It was secured through a consortium comprising Jati Tinggi Group, Kerjaya Prospek and Betapac Sdn Bhd, with respective equity interests of 55%, 25% and 20%.

Kerjaya Prospek will undertake the core and shell construction works, with RM142.1 million in attributable contract revenue based on its 25% participation.

The project is expected to be completed within 24 months, with an anticipated net profit margin of approximately 10%.

Kenanga viewed the latest contract positively, noting that it positions Kerjaya Prospek to participate in Malaysia's expanding electricity infrastructure development, driven partly by rising power demand from data centres.

The research house said Kerjaya Prospek's recently acquired equity stake in Sunlogy could further strengthen its ability to pursue similar projects.

The new contract brings Kerjaya Prospek's year-to-date contract wins to RM3.5 billion, matching Kenanga's previous full-year assumption and exceeding management's earlier RM3 billion target.

Its outstanding order book has consequently increased to approximately RM5.9 billion, providing earnings visibility over the next three years.

Following the latest award, Kenanga raised its FY2026 job replenishment forecast to RM3.8 billion from RM3.5 billion.

The research house maintained its FY2027 contract win assumption at RM2.5 billion, which does not factor in any potential data centre project awards.

Kenanga maintained its FY2026 earnings forecast, as revenue recognition from contracts secured during the remaining months of the year is expected to begin primarily in 2027.

However, it upgraded its FY2027 earnings projection by 6%, reflecting additional contributions from the latest contract and higher anticipated job wins.

The research house also maintained its annual net dividend per share forecast of 14 sen, translating into an expected dividend yield of more than 4%.

Kerjaya Prospek continues to pursue industrial and commercial construction opportunities, including factory developments, data centre projects and the second package of the Penang Light Rail Transit (LRT) project.

Kenanga expects recurring construction contracts from related property developers, including Kerjaya Prospek Property Bhd and Eastern & Oriental Bhd, to provide additional support to its order book.

The group is also planning property development launches in Jalan Puchong, Kuala Lumpur, and Tanjung Bungah, Penang, in 2027, with estimated gross development values of RM800 million and RM830 million respectively.

Other projects under planning include developments in Aspen Batu Kawan and Rivanis Perai, Penang.

Following the earnings revision, Kenanga increased its sum-of-parts-derived target price to RM4.20 from RM3.80.

The valuation retains an 18-times forward price-to-earnings multiple for Kerjaya Prospek's construction business, representing a discount to the 22-times benchmark applied to larger construction companies such as Gamuda, IJM Corporation and Sunway Construction.

Kenanga said the discount reflects Kerjaya Prospek's mid-cap status, while no additional environmental, social and governance valuation adjustment was applied.

The research house remains positive on Kerjaya Prospek's construction methods, which support relatively strong profit margins, its execution track record and its recurring flow of contracts from related companies.

It estimates that these related-party developments could contribute at least RM1 billion in annual construction orders.

Nevertheless, Kenanga cautioned that weaker building construction prospects, rising input costs and potential liquidated damages arising from project delays or cost overruns remain key risks.

Kenanga maintained its Outperform recommendation, citing Kerjaya Prospek's RM5.9 billion order book, growing exposure to power infrastructure and potential new contract opportunities as key drivers of earnings growth.