

Kerjaya's prospects bright

Double-digit net profit expected again in current financial year

CONSTRUCTION

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KERJAYA Prospek Group Bhd appears to be regaining ground after the pandemic and lockdown-induced economic slowdown last year.

The construction company is looking forward to its financial year ending Dec 31 and hints that it may hold some surprises on the upside.

"We are confident we will continue to achieve double-digit net profit margin in FY21," Kerjaya Prospek's executive chairman Datuk Tee Eng Ho tells *StarBizWeek*.

The company has announced the clinching of a RM153.5mil construction contract through its 49% owned associate company Kerjaya Bina BMK Sdn Bhd.

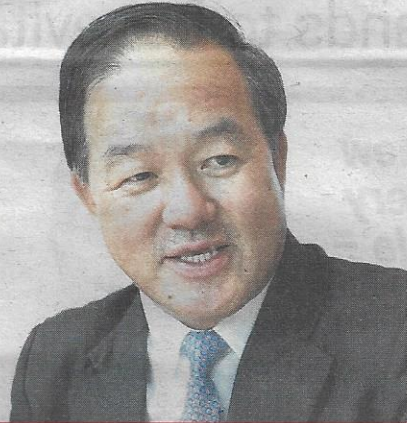
This construction contract entails the building of serviced apartments and carparks for BBCC Development Sdn Bhd, which is the master developer for the Bukit Bintang City Centre (BBCC) development in Jalan Pudu, Kuala Lumpur.

Pursuant to this development, its shares had moved higher and had seen gains as investors celebrated its first contract win of the year.

With a market capitalisation of around RM1.75bil, Kerjaya appears to be on track to grow further from its order book forecast.

Tee says the contract will put it on track to secure its order book projections in the near to medium term.

"The project is expected to provide an additional stream of revenue for Kerjaya Prospek



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Datuk Tee Eng Ho

17 APR 2021

over the next two years. Our outstanding order book of RM3.4bil will last until 2024," he says.

Its share of the recent contract is at RM75.22mil.

The company's target is to secure a billion ringgit worth of contracts this year, according to Tee.

"Kerjaya Prospek's tender book is always in the range of RM1.5bil to RM2bil.

"There are still a lot of tender opportunities in the market where we will continue to tender aggressively for projects that can deliver good returns to our shareholders," he says.

He is expecting 2021 to be a year of recovery, given the gradual rollout of vaccines throughout the country.

The company had in the FY20 reported that its net profit fell year-on-year (y-o-y) by 35.4% to RM90.59mil on the back of revenue falling

y-o-y by 23.1% to RM811mil.

It said in its financial statements that the construction segment, which is its main driver of profitability, had been affected by the movement control order.

"Barring any unforeseen circumstances, we expect FY21 to be better than FY20 as the market is gradually recovering," Tee says.

Another segment of the company is property.

Tee says the segment will see more interest given the low interest rate environment and the company is planning to launch two projects this year.

They are the Montez Development and the Yakin Land Development, with a combined gross development value of RM630mil.

"There is pent-up demand for properties backed by the low-interest rate environment. We expect to see more improvement in sales

and contract wins from 2021," Tee says.

"We will continue to look out for strategic landbank within the Klang Valley," he adds.

The construction sector is the main contributor to Kerjaya Prospek's turnover and profitability.

The property development segment is the second largest contributor.

"We are optimistic of the construction industry's outlook as property sales have been on the rise recently.

"The construction sector is expected to be on an uptrend in the second half of the year," Tee says.

He says the construction industry will continue to be led by the recently announced large infrastructure projects by the government.

They included the circle line of the mass rapid transit project or MRT3.

It was recently reported that the tender for the MRT3 project would be held in August, of which the price tag is expected to be at RM20bil.

"The big infrastructure projects will start to be awarded soon and this will possibly be from the MRT3, East Coast Rail Link and the reclamation project," he says.

Meanwhile, Kenanga Research says there could be a chance for Kerjaya Prospek to gain more from the ongoing BBCC development.

"We expect the BBCC signature towers' contract value to be north of RM500mil and should Kerjaya win it, would be an upside surprise.

"That said, the contract is not expected to be dished out anytime soon," says the research house which had retained its outperform rating and a target price of RM1.75 on Kerjaya Prospek.