Kerjaya Prospek Group (KPG MK)

9M26: In Line; Construction Continues To Deliver

Highlights

- KPG's 9M26 results met our expectations as the growing construction earnings offset the shortfall from the property segment.
- Looking forward, earnings should improve as KPG begins work on its newly secured contracts.
- We tweak our 2026/27/28 forecasts by -1%/+7%/+2% as we account for the higher replenishments in 2026.
- Maintain BUY with a higher target price of RM4.00 (from RM3.54).

9M26 Results

Year to 31 Dec (RMm)	3Q26	qoq	yoy	9M26	Yoy
(RMm)	(RMm)	% chg	% chg	(RMm)	% chg
Revenue	**396.1**	**(1.7)**	**(30.1)**	**1,246.0**	**(21.0)**
Gross profit	105.1	34.9	5.2	281.7	7.5
EBITDA	111.3	27.0	49.4	280.7	20.6
EBIT	**106.5**	**23.6**	**47.6**	**268.9**	**23.3**
PBT	105.5	23.5	46.3	266.9	22.7
PATAMI	**69.9**	**5.4**	**21.1**	**193.5**	**22.4**
Core net profit	**65.4**	**20.1**	**(16.4)**	**182.0**	**2.2**
Margins	(%)	+/- ppt	+/- ppt	(%)	+/- ppt
Gross profit	26.5	7.2	8.9	22.6	6.0
EBIT	26.9	5.5	14.1	21.6	7.8
PBT	26.6	5.5	13.9	21.4	7.6
Core net profit	16.5	3.0	2.7	14.6	3.3

Source: KPG, UOB Kay Hian

Analysis

- **Broadly in line.** Kerjaya Prospek Group (KPG) reported a core net profit of RM182.0m (+2.2% yoy). We arrive at this after excluding a reversal for expected credit losses of RM3.7m and fair value gains on investments of RM7.8m. This broadly met our expectations but missed consensus, coming in at 71% and 68% of our and consensus full-year forecasts. An interim dividend of 3.5 sen was announced, bringing the total to 10.5 sen for 1H26 (9M25: 9.0 sen).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,835	2,249	2,032	2,495	2,829
EBITDA	250	339	355	437	490
Operating profit	218	308	337	420	472
Net profit (rep./act.)	160	225	255	317	357
Net profit (adj.)	174	239	255	317	357
EPS (sen)	13.7	18.9	20.1	25.0	28.2
PE (x)	21.6	15.7	14.7	11.8	10.5
P/B (x)	3.3	3.1	2.9	2.5	2.2
EV/EBITDA (x)	15.0	10.6	9.1	7.0	5.8
Dividend yield (%)	5.1	4.2	4.7	4.7	4.7
Net margin (%)	8.7	10.0	12.5	12.7	12.6
Net debt/(cash) to equity (%)	(20.2)	(24.6)	(40.8)	(46.7)	(55.6)
Interest cover (x)	169.0	382.4	242.0	298.5	334.5
ROE (%)	14.2	19.2	20.9	24.4	25.4
Consensus net profit	-	-	268	324	348
UOBKH/Consensus (x)	-	-	0.9	1.0	1.0

Source: KPG, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM2.96
Target Price	RM4.00
Upside	+35.1%
Previous TP	RM3.54

Stock Data

GICS sector	Industrials
Bloomberg ticker:	KPG MK
Shares issued (m):	1,254.2
Market cap (RMm):	3,712.3
Market cap (US$m):	901.0
3-mth avg daily t'over (US$m):	1.5

Price Performance (%)

52-week high/low				RM3.74/RM2.06
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(12.9)	7.2	35.8	7.6	11.3

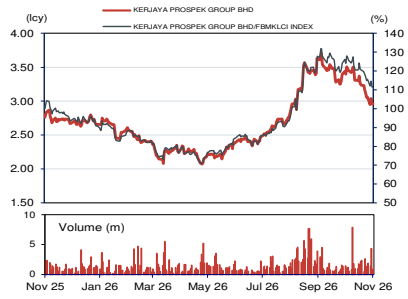
Major Shareholders (%)

Egovision Sdn Bhd	50.0
Amazing Parade Sdn Bhd	18.0
Amanah Saham Nasional	2.6

Balance Sheet Metrics

FY27 NAV/Share (RM)	0.95
FY27 Net Debt/Share (RM)	0.12

Price Chart



Source: Bloomberg

Company Description

Kerjaya Prospek Group is a construction company which specialises in high-rise building construction.

- **Construction: Soft revenue but margins shine through.** KPG's construction segment posted PAT of RM 199.9m (+23.4% yoy) on revenue of RM1.1b (-20.0% yoy) in 9M26. While revenue remained soft, margin expansion across the board saw earnings for the segment outpace the top-line decline. KPG had previously guided that the shortfall in revenue was largely due to a timing mismatch between the completion of its previous contracts and the initial recognitions of its new jobs. However, clawbacks from completed projects would offset the decline. Looking forward, the outlook appears brighter as record-breaking orderbook replenishments signal for better times ahead. Despite already surpassing its ytd target, KPG continued to surpass expectations, securing RM3.6b in new contracts (vs 2026 target of RM2.0b). Near-term earnings also appear well supported by its existing orderbook of RM6.1b.
- **Property: New projects in 2027.** The property segment posted earnings of RM14.5m (-44.7% yoy) on revenue of RM148.8m (-27.6% yoy). Earnings came in expectedly soft as both of its existing projects, namely The Vue @ Monterez and Papyrus @ North Kiara, are nearly fully sold and handed over. Earnings contributions from both projects are expected to taper as the remaining unbilled sales are forecasted to be completed by early-27. While earnings may be lifted by clawbacks following the handover, we expect the segment to remain muted until the launch of its new projects from late-27 onwards.
- **Growing industrial presence.** Following its landmark DC win earlier in Sep 26, KPG has continued to grow its industrial contract base. The group has also recently secured a RM568.2m contract for the construction of a transmission main intake for Tenaga Nasional as part of a consortium with Jati Tinggi and Betapac. KPG had previously commented that it would diversify beyond residential works as industrial contracts and infrastructure become the main driver for growth. While it is still early days for the new venture, the recent wins have been an encouraging start with execution and track record now in focus.

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based target price of RM4.00 (from RM3.54).** This represents 16.0x 2026F PE or near +1.0SD to KPG's five-year mean. This is also in line with our target multiple for its mid-cap peers. We believe the premium is justified given the strong outlook and improving operational matrices.

Earnings Revision/Risk

- We tweak our 2026/2027/2028 forecasts by -1%/+7%/+2%, imputing the higher replenishments and marginally lower recognitions in 2026.

Replenishment Assumptions

Year	RMm
2025	1,800
2026F	3,600
2027F	3,500
2028F	3,500

Source: UOB Kay Hian

Ytd Orderbook Replenishment



Source: KPG

SOTP Valuation

	Value (RMm)	Remarks
Construction	4,660.3	18x FY27F PE
Property development	109.4	30% discount to RNAV
Net cash	295.1	End-25
Fair value	**5,064.9**	
TP (RM)	**4.00**	
Implied PE (x)	16.0	End-FY26

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
- Certified and registered against the provisions of ISO 14001:2015.
- 6.7% yoy reduction in Scope 1 and 2 emissions in 2024.

Social
- Well-diversified workforce in terms of gender: female (46%) and male (54%).

Governance
- 170 employees and directors attended Anti Bribery and Corruption training.
- High dividend payout ratio of above 70% (77% in 2024).

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**2,249**	**2,032**	**2,495**	**2,829**
EBITDA	339	355	437	490
Deprec. & amort.	18	18	18	18
EBIT	308	337	420	472
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	**307**	**336**	**418**	**471**
Tax	(81)	(81)	(100)	(113)
Minorities	(1)	(1)	(1)	(1)
Net profit	**225**	**255**	**317**	**357**
Net profit (adj.)	239	255	317	357

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	103	125	158	198
Other LT assets	228	228	228	228
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	313	550	705	950
Other current assets	1,427	1,249	1,457	1,576
Total assets	**2,072**	**2,154**	**2,549**	**2,953**
ST debt	18	18	18	18
Other current liabilities	559	566	747	916
Other LT liabilities	3	3	3	3
Shareholders' equity	1,201	1,304	1,469	1,674
Minority interest	1	1	2	3
Total liabilities & equity	**2,072**	**2,154**	**2,549**	**2,953**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**264**	**429**	**357**	**455**
Pre-tax profit	307	336	418	471
Tax	(81)	(81)	(100)	(113)
Deprec. & amort.	17	18	18	18
Working capital changes	(3)	156	22	79
Other operating cashflows	10	-	-	-
Investing	**(35)**	**(41)**	**(50)**	**(58)**
Capex (growth)	(11)	(41)	(50)	(58)
Investments	-	-	-	-
Proceeds from sale of assets	0	-	-	-
Others	(24)	-	-	-
Financing	**(166)**	**(152)**	**(152)**	**(152)**
Dividend payments	(151)	(152)	(152)	(152)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Others/interest paid	(15)	-	-	-
Net cash inflow (outflow)	**62**	**236**	**155**	**245**
Beginning cash & cash equivalent	**252**	**313**	**550**	**705**
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	**313**	**550**	**705**	**950**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.5	17.5	17.5	17.3
Pre-tax margin	13.6	16.5	16.8	16.6
Net margin	10.0	12.5	12.7	12.6
ROA	11.2	12.4	14.1	14.6
ROE	19.2	20.9	24.4	25.4
Growth				
Turnover	22.5	(9.7)	22.8	13.4
EBITDA	38.2	9.0	23.3	12.1
Pre-tax profit	41.8	9.4	24.6	12.6
Net profit	40.9	13.2	24.6	12.7
Net profit (adj.)	37.3	6.5	24.6	12.7
EPS	37.3	6.5	24.6	12.7
Leverage				
Debt to total capital	1.5	1.4	1.2	1.1
Debt to equity	1.5	1.4	1.2	1.1
Net debt/(cash) to equity	(24.6)	(40.8)	(46.7)	(55.6)
Interest cover (x)	382.4	242.0	298.5	334.5

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