

Outthink. Outperform.

## Vietnam project delivering

Jaks's reported a relatively strong 9M16 numbers, as net profit at RM24.8mn is up 102% YoY. We believe that it is still on track to achieve RM44.8mn profit for the year, despite only achieving 55% of our full year forecast, as construction work for its Vietnam EPC starts to gather momentum. Maintain BUY with and unchanged TP at RM1.60.

### 9M16 – Vietnam starts to deliver as promised

Although 9M16 net profit is only 55% of our full year forecast, we believe full year forecast at RM44.8mn is still achievable, as we expect stronger revenue contribution from its Vietnam EPC contract in 4Q. Although its property development segment is still lose making, we don't foresee the losses to worsen as occupancy rate at its Evolve Mall remains stable.

### Construction – Building a strong case for higher growth

The strong growth is mainly driven by the EPC contract for its Vietnam IPP, which deliver 180% PBT growth YoY for the segment. We believe the growth momentum will continue into FY17, as Jaks only recorded meaningful revenue from the contract starting 2HFY16. The recent domestic contract win (SUKE highway) of RM508mn in Aug is sufficient to replenish its domestic order book, which has a run rate of RM300mn a year.

### Property development – Still lose making but not getting worse

Despite recording a higher revenue growth for 3Q16, the property development segment continues to be lose making, due to the loss making Evolve Concept Mall. Management has indicated that although the sign-up rate is at 80%, only 62% of tenants has move in, as some tenants want to see a higher footfall before opening. We don't foresee the losses to widen as the occupancy rate has remain stable for the past 6 months.

### Maintain BUY – Earnings delivery is the key catalyst

We maintain our BUY call on Jaks Resources with an unchanged 12-month target price of RM1.60, based on a 20% discount to our RNAV. The Vietnam project progress into the later stage of construction should mean that earnings momentum for Jaks would also follow in tandem. As such we believe earnings delivery is the catalyst for the stock to rerate, and getting the appraisal approval for the plant detailed design is a key milestone to be achieve by year end.

### Earnings & Valuation Summary

FYE 31 Dec	2014	2015	2016E	2017E	2018E
Revenue (RMm)	491.1	449.4	651.7	939.7	969.0
EBITDA (RMm)	73.8	81.7	131.8	191.8	197.5
Pretax profit (RMm)	53.9	55.4	112.1	172.3	178.1
Net profit (RMm)	14.0	41.6	44.8	68.9	71.3
EPS (sen)	3.2	9.5	10.2	15.7	16.3
PER (x)	32.3	10.9	10.1	6.6	6.3
Core net profit (RMm)	14.0	12.4	44.8	68.9	71.3
Core EPS (sen)	3.2	2.8	10.2	15.7	16.3
Core EPS growth (%)	86.1	(11.2)	>100	53.7	3.4
Core PER (x)	32.3	36.4	10.1	6.6	6.3
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	16.4	14.9	9.2	6.3	6.1

Chg in EPS (%)	-	-	-
Affin/Consensus (x)	-	-	-

Source: Company, Affin Hwang estimates, Bloomberg

## Results Note

# Jaks Resources

JAK MK  
Sector: Utilities

RM1.03 @ 24 Nov 2016

**BUY (maintain)**

Upside 55%

**Price Target: RM1.60**

Previous Target: RM1.60



## Price Performance

	1M	3M	12M
Absolute	1.0%	1.0%	-12.0%
Rel to KLCI	4.3%	4.6%	-9.1%

## Stock Data

Issued shares (m)	438.4
Mkt cap (RMm)/(US\$m)	451.5/101.2
Avg daily vol - 6mth (m)	1.0
52-wk range (RM)	0.81-1.28
Est free float	74.1%
BV per share (RM)	1.17
P/BV (x)	0.88
Net cash/(debt) (RMm)	(485.51)
ROE (2016E)	12.3%
Derivatives	Nil
Shariah Compliant	No

## Key Shareholders

LAM POAH ANG	8.4%
ORIGINAL INVENTION S	6.0%
PHILIP CAPITAL MANAG	5.5%

Source: Affin Hwang, Bloomberg

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**Key risks**

Risks to our call include: i) slower than expected revenue recognition from the Vietnam EPC contract; and ii) lower occupancy rate for its Evolve Concept Mall.

**Fig 1: Results Comparison**

FYE 31 Dec (RMm)	3Q16	QoQ % chg	YoY % chg	9M16	YoY % chg	Comment
Revenue	209.1	31.4	209.1	491.1	56.3	Mainly driven by construction revenue
Op costs	(186.1)	31.3	(186.1)	(441.3)	61.7	
<b>EBITDA</b>	<b>23.0</b>	<b>32.1</b>	<b>23.0</b>	<b>49.8</b>	<b>20.3</b>	
<i>EBITDA margin (%)</i>	<i>11.0</i>	<i>-0.1pt</i>	<i>-2.4ppt</i>	<i>10.1</i>	<i>-3.0ppt</i>	
Depreciation	(3.9)	18.6	373.4	(10.1)	273.8	Due to Evolve Concept Mall
<b>EBIT</b>	<b>19.2</b>	<b>35.2</b>	<b>32.1</b>	<b>39.6</b>	<b>2.5</b>	
<i>EBIT margin (%)</i>	<i>9.2</i>	<i>+0.3ppt</i>	<i>-3.5ppt</i>	<i>39.6</i>	<i>2.5</i>	
Int expense	(7.0)	6.0	60.3	(19.6)	65.8	Debt from Evolve Concept Mall
<b>Pretax profit</b>	<b>12.2</b>	<b>60.4</b>	<b>20.0</b>	<b>20.1</b>	<b>(25.3)</b>	
Tax	(1.7)	25.4	(32.3)	(4.5)	(46.3)	
<i>Tax rate (%)</i>	<i>13.9</i>	<i>-3.9ppt</i>	<i>-10.7ppt</i>	<i>22.3</i>	<i>-8.7ppt</i>	
Minority interests	3.4	(6.3)	(291.3)	9.2	(246.0)	
Net profit	<b>13.9</b>	<b>41.0</b>	<b>134.4</b>	<b>24.8</b>	<b>102.2</b>	Flow through from revenue
<b>EPS</b>	<b>3.2</b>	<b>41.1</b>	<b>134.1</b>	<b>5.7</b>	<b>102.5</b>	
<b>Core net profit</b>	<b>13.9</b>	<b>41.0</b>	<b>134.4</b>	<b>24.8</b>	<b>102.2</b>	

Source: Affin Hwang, Company data

**Fig 2: Jaks RNAV Valuation**

JAKS RNAV Segmental	Equity Value (RMm)	Comments
<b>Property</b>		
- Pacific Star	33.3	51% stake in RM1.2bn GDV due by 2016
- USJ 1	107.1	100% stake in RM2.0bn GDV to be launch in 2016
<b>Construction</b>	490.0	PER at 10x
<b>Evolve Concept Mall</b>	234.6	51% stake of 460k sft NLA @ RM 1,000psf
Gross Debt	(601.6)	
Cash	41.6	
<b>Total RNAV (without Vietnam IPP)</b>	<b>305.0</b>	
<b>RNAV/ per share (RM)</b>	<b>0.70</b>	
Vietnam IPP	571.7	
<b>Total RNAV (with Vietnam IPP)</b>	<b>876.7</b>	
<b>RNAV/ per share (RM)</b>	<b>0.70</b>	
Discount to RNAV	20%	
<b>Target price (RM)</b>	<b>1.60</b>	
No of share (mn)	438.4	

Source: Affin Hwang estimates

**Disclaimer****Equity Rating Structure and Definitions**


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<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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