



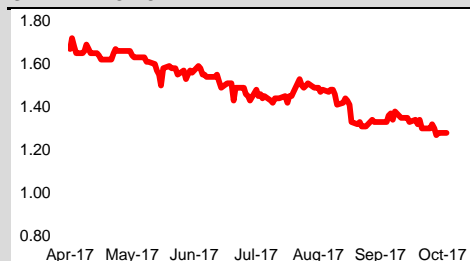
DESCRIPTION

Primarily engaged in the integrated water works industry in the early years, and now moved into infrastructural projects and land development in both domestic and international market. The new focus now is on its 30%-owned JV to build a 1200MW coal fired power plant in Vietnam.

12-Month Target Price	RM1.50
Current Price	RM1.38
Expected Return	+9%

Market Sector	Main Construction
Bursa Code	4723
Bloomberg Ticker	JAK MK
Shariah Compliant	No

SHARE PRICE CHART



52 Week Range (RM)	RM0.99 – RM1.79
3-Month Average Vol ('000)	1,614.5

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-6.1	3.8	-13.2
Relative Returns	-0.3	8.4	-10.4

KEY STOCK DATA

Market Capitalisation (RM m)	680.0
No. of Shares (m)	492.7

MAJOR SHAREHOLDERS

	%
Koon Yew Yin	20.5
Ang Lam Poah	8.8
Tan Pheng Kit	8.3

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Look Forward to FY18

JAKS Resources (JAKS) 3QFY17 performance was better with a net profit of RM9.7m (-30.4% YoY, >100% QoQ) reported during the quarter which was within our expectations but below consensus. YTD, the Group's accumulated net profit of RM19.2m (-22.6%) only constituted c.53% and c.25% of our and consensus full year estimates. We deem it in line however as we expect the final quarter to be stronger. Again, the key profit driver is its Vietnam EPC construction work albeit at slower rate. The earnings from its EPCC contract is steady with c.RM9.7m registered in 3QFY17 (RM10.2m recognized in 2QFY17 and RM14.9m in 1QFY17). Asset monetization initiative by the Group saw the disposal of two plots of land with sale value of c.RM194m, targeted to be completed in FY18. In addition, we understand its EPCC project in Vietnam is progressing well, and billings should also ramp up in FY18. As reported earlier, we would rather err on the side of caution until we see more billings from Vietnam and hence, maintain our **Neutral** call for now, with unchanged RM1.50 TP, derived from c.30% discount to our SOTP estimates of RM2.20.

§ **Lower construction revenue.** Group revenue was RM140.4m during the quarter, down 33% YoY due to higher initial works in Vietnam EPCC a year ago. Also, property development and investment revenue came in lower due to weaker sales achieved. Outstanding orderbook is estimated at RM2.4bn, depleting slightly from RM2.5bn in the last quarter. The EPC contract for Vietnam IPP alone is estimated at RM1.59bn, with the other key contracts being the Sungai Besi-Ulu Kelang Elevated Expressway (Suke) job (RM477m contract value).

§ **Accounting change for LAD.** Property division is still struggling albeit reversing its losses to net a slight pre-tax profit of RM1m during the quarter as the Group reversed RM18.1m on the provision made for the liquidated and ascertained damages (LAD) in the current quarter, with the amount reclassified to contingent liability pending the finalization of the final settlement accounts. As reported in our earlier report, property business' earnings drag is mainly due to operating cost and expenses related to financing cost and building depreciation of the Evolve Concept Mall. Unbilled sales stood at RM195m in 3QFY17.

KEY FORECAST TABLE

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F	CAGR
Revenue	461.2	640.4	1,000.2	1,163.4	1,132.9	25.2%
Operating Profit	74.5	16.5	137.9	161.5	162.5	21.5%
Pre-tax Profit	55.3	-7.3	59.6	115.8	132.7	24.5%
Net Profit	41.5	-16.7	36.2	70.4	80.7	18.1%
EPS (Sen)	9.5	-3.8	8.3	16.1	18.4	18.1%
P/E (x)	14.9	-37.0	17.1	8.8	7.7	
DPS (Sen)	0.0	0.0	0.0	0.0	0.0	
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

Results Review (RM m)	3Q17	3Q16	2Q17	YoY (%)	QoQ (%)	YTD FY17	YTD FY16	YTD (%)
Revenue	140.4	209.1	170.9	-32.9	-17.8	466.1	491.1	-5.1
EBIT	18.1	19.2	2.6	-5.7	596.2	29.9	39.6	-24.5
PBT	11.2	12.2	-4.6	-8.2	-343.5	9.6	20.1	-52.2
Net profit	9.7	13.9	2	-30.4	382.5	19.2	24.8	-22.6
Margins:								
EBIT	12.9	9.2	1.5	3.7	11.4	6.4	8.1	-1.7
PBT Margin	8.0	5.8	-2.7	2.1	10.7	2.1	4.1	-2.0
Net Profit Margin	6.9	6.6	1.2	0.2	5.7	4.1	5.1	-0.9

Source: Bloomberg, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
Revenue	461.2	640.4	1,000.2	1,163.4	1,132.9
Gross Profit	93.0	90.6	179.7	211.5	209.1
Operating expenses	-18.5	-74.1	-41.8	-50.1	-46.6
Operating Profit	74.5	16.5	137.9	161.5	162.5
Other Gains / (Losses)	4.1	0.4	-43.7	-10.9	5.3
Finance Costs	-22.1	-24.2	-34.7	-34.8	-35.0
Pre-tax Profit	55.3	-7.3	59.6	115.8	132.7
Income Tax	-8.1	-8.7	-14.3	-27.8	-31.9
Effective Tax Rate (%)	-14.7	119.5	-24.0	-24.0	-24.0
Minorities	-5.7	-0.7	-9.1	-17.6	-20.2
Net Profit	41.5	-16.7	36.2	70.4	80.7
Growth					
Revenue (%)	-6.1	38.8	56.2	16.3	-2.6
Gross Profit (%)	-16.7	-2.5	98.3	17.7	-1.2
Net Profit (%)	196.2	-140.3	-316.7	94.4	14.6

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
Property, Plant & Equipment	19.9	17.1	18.0	18.8	19.8
Cash and Cash Equivalents	87.4	101.7	117.5	95.4	119.2
Receivables	71.2	263.6	274.0	318.7	310.4
Other Assets	1,306.7	1,175.5	1,207.9	1,241.8	1,283.2
Total Assets	1,485.2	1,557.9	1,617.4	1,674.8	1,732.6
Payables	328.2	443.8	443.8	443.8	443.8
Borrowings	556.6	530.9	533.4	535.9	538.4
Dues to Customers	0.0	0.0	0.0	0.0	1.0
Other Liabilities	4.41	0.17	34.80	40.42	38.27
Total Liabilities	889.2	974.9	1,012.0	1,020.1	1,021.5
Shareholders' Equity	501.1	504.8	527.2	576.5	632.9
Total Equity and Liabilities	1,485.2	1,557.9	1,617.4	1,674.8	1,732.6

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	1.1	1.2	1.2	1.3	1.4
NTA Per Share	0.8	0.8	0.9	1.0	1.1
EPS (Sen)	9.5	-3.8	8.3	16.1	18.4
DPS (Sen)	0.0	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
ROA (%)	2.8	-1.1	2.2	4.2	4.7
ROE (%)	8.3	-3.3	6.9	12.2	12.7

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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