



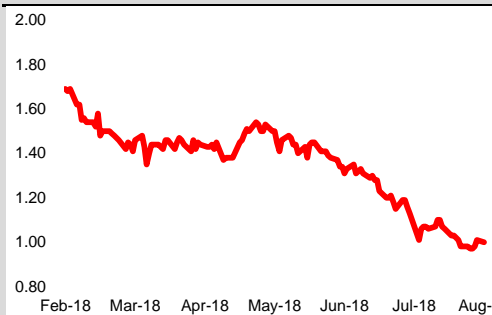
DESCRIPTION

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 RM1.10
Current Price RM0.95
Expected Return +16%

Market Sector Main Construction
Bursa Code 4723
Bloomberg Ticker JAK MK
Shariah Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) RM1.25 – RM1.84
3-Month Average Vol ('000) 2,346.7

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-0.7	-11.1	1.4
Relative Returns	8.1	-3.9	-1.9

KEY STOCK DATA

Market Capitalisation (RM m) 526.8
No. of Shares (m) 545.9

MAJOR SHAREHOLDERS

	%
Koon Yew Yin	10.9
Ang Lam Poah	9.1
Tan Pheng Kit	6.2

Tan Siang Hing

T 603 2268 3016

F 603 2268 3014

E tan.sianghing@publicinvestbank.com.my

Within Expectations

JAKS Resources (JAKS) registered 2QFY18 net profit of RM12.7m (>100% YoY, -28.4% QoQ) which is within our and consensus expectations. In 1H2018, the Group's net profit of RM30.6m (>100% YoY) only constituted 38% and 39% of our and consensus full year estimates however but we deem it as in line as we believe that subsequent quarters should see stronger contribution from its Vietnam EPC contract. With the recent land sale and private placement, the Group's balance sheet improved with gearing now down to 0.31x currently from 0.45x in December 2017. We understand that the power plant construction progress is on schedule, with c.RM558m already having been recognized since 2016. Balance of works totaling RM1.3bn is expected to be recognized more significantly in 2H2018 and FY19. That said, we are disheartened by the legal row with Star Media, with the latter attempting to make a call on the RM50m bank guarantee when JAKS failed to deliver Tower A on the stipulated date. Factoring higher execution risk and potential losses from the Pacific Star legal row, we revise our TP to RM1.10 (from RM1.30 previously), derived from higher c.30% discount to our SOTP estimates of RM1.60. Maintain **Neutral**.

§ **Outstanding orderbook at RM2.0bn (from RM2.1bn in 1QFY18).** The construction division maintained its earnings momentum, anchored by its Vietnam IPP EPC contract in which revenue and profit rose 47.3% and 57.8% YoY to RM63.5m and RM16.1m respectively. We understand that the Vietnam IPP EPC job still has outstanding orderbook of RM1.3bn, which is expected to be billed significantly in 2H2018 and FY19.

As for property, unbilled sales as at 2QFY18 stood at RM159.4m, mainly from the Pacific Star development. The losses in the property business were partly mitigated by gain of land sale arising from disposal of USJ land amounting to RM5.8m. Its mall, Evolve Concept, is still incurring losses totaling RM7.5m during the quarter while property development losses were mainly due to liquidated ascertained damage (LAD) charges of RM8.3m. We expect property to continue to drag earnings in the near term while waiting for completion of Pacific Star and also improvement of mall occupancy which is now has only 54% open tenants.

KEY FORECAST TABLE

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	640.4	676.9	1,163.4	1,132.9	901.3	25.2%
Operating Profit	16.5	138.5	161.5	162.5	133.1	21.5%
Pre-tax Profit	-7.3	112.2	130.8	132.7	146.3	24.5%
Net Profit	-16.7	126.7	79.5	80.7	89.0	18.1%
EPS (Sen)	-3.1	23.2	14.6	14.8	16.3	18.1%
P/E (x)	-31.5	4.2	6.6	6.5	5.9	
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)	2Q18	2Q17	1Q18	YoY (%)	QoQ (%)	YTD FY18	YTD FY17	YoY (%)
Revenue	178.3	170.9	210.2	4.3	-15.2	388.5	325.7	19.3
EBIT	11.2	2.6	17.1	326.4	-34.6	28.2	11.7	141.1
PBT	6.0	-4.5	10.8	nm	-44.2	16.8	-1.6	nm
Net profit	12.7	2.0	17.8	543.6	-28.4	30.6	9.5	221.1
Margins:								
EBIT	6.3	1.5	8.1			7.3	3.6	
PBT Margin	3.4	-2.7	5.1			4.3	-0.5	
Net Profit Margin	7.1	1.2	8.5			7.9	2.9	

Source: Bloomberg, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	640.4	676.9	1,163.4	1,132.9	901.3
Gross Profit	90.6	179.7	211.5	209.1	152.4
Operating expenses	-74.1	-41.2	-50.1	-46.6	-19.3
Operating Profit	16.5	138.5	161.5	162.5	133.1
Other Gains / (Losses)	0.4	8.4	4.1	5.3	48.3
Finance Costs	-24.2	-34.7	-34.8	-35.0	-35.2
Pre-tax Profit	-7.3	112.2	130.8	132.7	146.3
Income Tax	-8.7	-23.5	-31.4	-31.9	-35.1
Effective Tax Rate (%)	119.5	-20.9	-24.0	-24.0	-24.0
Minorities	-0.7	-14.9	-19.9	-20.2	-22.2
Net Profit	-16.7	126.7	79.5	80.7	89.0
Growth					
Revenue (%)	38.8	5.7	71.9	-2.6	-20.4
Gross Profit (%)	-2.5	98.3	17.7	-1.2	-27.1
Net Profit (%)	-140.3	-858.2	-37.2	1.5	10.2

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Property, Plant & Equipment	17.1	18.0	18.8	19.8	20.8
Cash and Cash Equivalents	101.7	133.8	118.0	141.9	140.2
Receivables	263.6	274.0	318.7	310.4	310.6
Other Assets	1,175.5	1,207.9	1,241.8	1,283.2	1,329.8
Total Assets	1,557.9	1,633.6	1,697.4	1,755.3	1,801.5
Payables	443.8	443.8	443.8	443.8	443.8
Borrowings	530.9	533.4	535.9	538.4	541.0
Dues to Customers	0.0	0.0	0.0	1.0	2.0
Other Liabilities	0.17	34.80	40.42	38.27	18.67
Total Liabilities	974.9	1,012.0	1,020.1	1,021.5	1,005.4
Shareholders' Equity	504.8	543.4	599.1	655.6	717.9
Total Equity and Liabilities	1,557.9	1,633.6	1,697.4	1,755.3	1,801.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	1.0	1.1	1.2	1.3	1.5
NTA Per Share	0.7	0.8	0.9	1.0	1.2
EPS (Sen)	-3.4	25.6	16.1	16.3	18.0
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 (%)	-1.1	7.8	4.7	4.6	4.9
ROE (%)	-3.3	23.3	13.3	12.3	12.4

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.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:

PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014

Dealing Line 603 2268 3129