



JAKS RESOURCES BERHAD

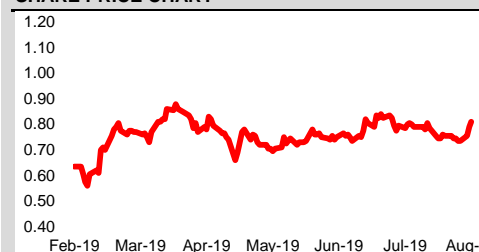
Neutral

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	RM0.75
Current Price	RM0.82
Expected Return	-9%
Market Sector	Main Construction
Bursa Code	4723
Bloomberg Ticker	JAK MK
Shariah Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	RM0.41 – RM1.56
3-Month Average Vol ('000)	10,020.5

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-10.6	36.9	-14.6
Relative Returns	-7.2	45.9	-7.5

KEY STOCK DATA

Market Capitalisation (RM m)	479.5
No. of Shares (m)	584.7

MAJOR SHAREHOLDERS

	%
Ang Lam Poah	12.3
Original Invention SB	5.1
KWAP	4.2

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Within Expectations

JAKS Resources (JAKS) posted 2QFY19 net profit of RM37.3m (+192.8% YoY, +30.4% QOQ) which was largely within our and consensus expectations. In 1H2019, the Group's net profit of RM65.9m (+115.5% YoY) constituted 59% and 58% of our respective full year net profit forecast. We believe the subsequent quarters' billings from its Vietnam EPC contract might not be as strong as this quarter, hence we deem these numbers in line. We understand that the overall progress for its Vietnam EPC contract is progressing well and has hit c.70% completion from 63% a quarter ago. All told, we are still wary over the various dilutive equity fund raisings done so far to meet its liquidity demands and the poor execution especially on its property business. Maintain **Neutral** on the stock with our TP of RM0.75 (pegged at 50% to SOTP).

§ **Power plant at 70% completion (from 63% in 1QFY19).** EPC contract contributed another solid performance, with revenue rising +256% YoY to RM226.4m with RM54.3m in net profit (+237% YoY) recorded. Remaining works are expected to be completed by 2020. We understand that power plant should be able to achieve commercial operation date by mid-2020. So far, total revenue of RM1.21bn has been recognized from the job since 2016.

§ **Outstanding orderbook at RM1.07bn.** In absence of new jobs, the Group's outstanding orderbook depleted further to RM1.07bn, from RM1.37bn a quarter ago. We expect this trend to continue as the Group continues to focus its resources on its Vietnam power plant project.

§ **Property losses to drag till end-2019.** We understand that with the on-going lawsuits with The Star Media Group (Star), the handover of the Star Tower has now hit a snag and would now need to wait for the court to determine if Star would need to take possession or otherwise. The remaining 3 blocks are still expected to be completed by end-2019. Unbilled sales as at 2QFY19 stood at RM121m (from RM128m a quarter ago). Loss at property development was RM13.5m; mainly due to the liquidated ascertained damages (LAD) provided during the quarter. Encouragingly, occupancy at Evolve Concept Mall is now said to be at 85%, up from 62% in 1QFY19 with recent signing of an anchor tenant which had taken up 154k sf. Management believes it can improve the occupancy rate further by end-2019 with the objective to achieve operational breakeven target.

KEY FORECAST TABLE

FYE Dec (RM m)	2017A	2018A	2019F	2020F	2021F	CAGR
Revenue	676.9	740.5	1,169.3	671.3	286.3	-19.4%
Operating Profit	138.5	-18.6	208.1	126.2	59.1	-19.2%
Pre-tax Profit	112.2	-43.4	185.3	126.2	137.5	5.2%
Net Profit	126.7	15.1	112.6	76.8	83.6	-9.9%
EPS (Sen)	21.7	2.6	19.3	13.1	14.3	-9.9%
P/E (x)	3.8	31.7	4.3	6.2	5.7	
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

<u>Results Review</u>				<u>Y-o-Y</u>	<u>Q-o-Q</u>	<u>YTD</u>	<u>YTD</u>	<u>Y-o-Y</u>
<u>(RM m)</u>	<u>2Q19</u>	<u>2Q18</u>	<u>1Q19</u>	<u>(%)</u>	<u>(%)</u>	<u>FY19</u>	<u>FY18</u>	<u>(%)</u>
Revenue	315.4	170.0	297.8	85.5	5.9	613.2	372.5	64.6
EBIT	30.0	11.2	27.7	167.9	8.1	57.7	28.2	104.1
PBT	24.4	6.0	22.8	304.8	7.2	47.2	16.8	180.8
Net profit	37.3	12.7	28.6	192.8	30.4	65.9	30.6	115.5
Margins:								
EBIT	9.5	6.6	9.3			9.4	7.6	
PBT Margin	7.7	3.5	7.6			7.7	4.5	
Net Profit Margin	11.8	7.5	9.6			10.7	8.2	

Source: Bloomberg, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2017A	2018A	2019F	2020F	2021F
Revenue	676.9	740.5	1,169.3	671.3	286.3
Gross Profit	98.0	108.8	256.6	134.0	63.4
Operating expenses	40.5	-127.4	-48.5	-7.8	-4.3
Operating Profit	138.5	-18.6	208.1	126.2	59.1
Other Gains / (Losses)	1.3	-0.5	5.3	28.3	78.3
Finance Costs	-27.5	-24.3	-28.1	-28.3	0.0
Pre-tax Profit	112.2	-43.4	185.3	126.2	137.5
Income Tax	-2.1	-3.4	-44.5	-30.3	-33.0
Effective Tax Rate (%)	-1.9	7.8	-24.0	-24.0	-24.0
Minorities	16.6	61.9	-28.2	-19.2	-20.9
Net Profit	126.7	15.1	112.6	76.8	83.6
Growth					
Revenue (%)	5.7	9.4	57.9	-42.6	-57.3
Gross Profit (%)	8.1	11.0	135.8	-47.8	-52.7
Net Profit (%)	-858.2	-88.1	644.4	-31.9	8.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2017A	2018A	2019F	2020F	2021F
Property, Plant & Equipment	7.0	4.1	4.3	4.5	4.7
Cash and Cash Equivalents	218.0	166.6	88.3	122.1	124.5
Receivables	352.1	515.8	620.3	547.6	528.5
Other Assets	1,513.8	1,483.8	1,545.8	1,614.2	1,689.9
Total Assets	2,090.8	2,170.2	2,258.8	2,288.5	2,347.6
Payables	797.6	910.9	910.9	910.9	910.9
Borrowings	463.8	429.4	432.7	435.9	439.2
Dues to Customers	0.0	0.0	1.0	2.0	3.0
Other Liabilities	65.33	7.67	38.19	9.90	6.25
Total Liabilities	1,326.7	1,348.0	1,382.8	1,358.7	1,359.4
Shareholders' Equity	698.1	818.1	871.9	925.6	984.2
Total Equity and Liabilities	2,090.8	2,170.2	2,258.8	2,288.5	2,347.6

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2017A	2018A	2019F	2020F	2021F
Book Value Per Share	1.2	1.4	1.5	1.6	1.7
NTA Per Share	0.9	1.1	1.2	1.3	1.4
EPS (Sen)	21.7	2.6	19.3	13.1	14.3
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 (%)	6.1	0.7	5.0	3.4	3.6
ROE (%)	18.1	1.8	12.9	8.3	8.5

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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Published and printed by:

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