30 March 2021

Outthink. Outperform.

AFFIN HWANG CAPITAL

Results Note | **RM0.655 @ 29 March 2021**

"JAK has recorded maiden earnings contribution from its Vietnam power plant"

Share price performance

	1M	3M	12M
Absolute (%)	-10.9	-3.0	66.6
Rel KLCI (%)	-12.7	-1.0	37.4

	BUY	HOLD	SELL
Consensus	1	-	1

Source: Bloomberg

Stock Data

Sector	Utilities
Issued shares (m)	1,755.2
Mkt cap (RMm)/(US$m)	1149.6/277.7
Avg daily vol - 6mth (m)	31.3
52-wk range (RM)	0.38-0.83
Est free float	80.4%
Stock Beta	1.46
Net cash/(debt) (RMm)	(379.42)
ROE (CY21E)	8.7%
Derivatives	Yes
(Warr 18/23, WP RM0.410, EP RM0.34)	
(Warr 20/25, WP RM0.365, EP RM0.49)	
Shariah Compliant	Yes

Key Shareholders

Ang Lam Poah	15.1%

Source: Affin Hwang, Bloomberg

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Jaks Resources (JAK MK)

BUY (maintain)
Up/Downside: +22.1%

Price Target: RM0.80
Previous Target (Rating): RM0.80 (BUY)

Better times ahead

- **Jaks Resources (JAK) reported weaker-than-expected results. Core PATAMI of RM28.2m in 2020 was lower than expected due to higher losses from its mall operation**
- **However, management has guided better earnings in 2021, as their Vietnam power plant was completed ahead of schedule in January 2021 and has started supplying to the grid**
- **We maintain our TP to RM0.80 after factoring in the latest value of its property assets and the Vietnam power plant, and maintain our BUY rating**

Hai Duong power plant is now fully completed

Management has guided that both units of the 2x600MW Hai Duong power plant has been completed ahead of schedule and has started selling electricity to the grid. We estimate that with the full contribution from the power plant moving forward would be about RM120m to the group PAT. We believe that management is also exploring the option to take up the additional 10% stake, as the power plant is has been completed, and the option will expire 3 years from the Commercial Operation Date (COD). However, JAK would require additional equity to take up the option as they do not have sufficient cash to pay for the additional stake, in our view. The 10% stake would likely cost about US$50m.

Property segment remains a problem

The loss from JAK's property segment was higher than we expected due to the lower rental income generated from its mall operation. As the rental income from its anchor tenant is based on revenue sharing, the reduction in footfall and spending have significantly reduced the revenue from tenants. JAK is also forced to write down the value of the mall, as they lower their rental revenue forecast. Although JAK is trying to increase the current occupancy rate from 65%, we believe that securing new tenants remains challenging in the current environment. Similarly, for its Pacific Star Business Hub which is also operating a loss has an occupancy rate of around 44%.

Reiterate BUY, as income from Vietnam would start to materialize

We revise our forecast for 2021/22 by +9.2%/-13.0% to factor in the higher losses from its mall operation, and also better contribution from the power plant in 2021. However, we maintain our RNAV-based TP at RM0.80, with most of the value derived from the power plant assets. We believe that future earnings would remain stable with the start of the power plant, hence keeping our BUY call unchanged.

Earnings & Valuation Summary

FYE 31 Dec	2019	2020	2021E	2022E	2023E
Revenue (RMm)	1,068.2	259.4	461.8	380.0	432.5
EBITDA (RMm)	117.2	(45.2)	124.9	111.8	106.1
Pretax profit (RMm)	52.5	(106.0)	85.1	73.0	78.3
Net profit (RMm)	108.6	(80.5)	106.9	99.5	103.5
EPS (sen)	17.7	(4.6)	6.1	5.7	5.9
PER (x)	3.7	(14.4)	10.8	11.6	11.2
Core net profit (RMm)	124.3	28.2	106.9	99.5	103.5
Core EPS (sen)	20.2	1.6	6.1	5.7	5.9
Core EPS growth (%)	216.0	(92.1)	279.6	(6.9)	4.0
Core PER (x)	3.3	41.1	10.8	11.6	11.2
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	6.1	(31.3)	5.9	7.6	6.4
Chg in EPS (%)			+9.2	-13.0	new
Affin/Consensus (x)			-	-	-

Source: Company, Affin Hwang estimates

Fig 2: Results Comparison

FYE 31 Dec (RMm)	4Q19	3Q20	4Q20	QoQ % chg	YoY % chg	2019	2020	YoY % chg	Comment
Revenue	238.9	63.2	46.0	*(27.2)*	*(80.8)*	1,068.2	259.4	*(75.7)*	Lower revenue yoy due to lower contribution from the construction work for the power plant.
Op costs	(188.7)	(57.2)	(45.1)	*(21.2)*	*(76.1)*	(881.6)	(242.5)	*(72.5)*	Decline in cost due to lower construction activity.
EBITDA	**8.2**	**(29.5)**	**(12.7)**	*(57.0)*	*NA*	**117.2**	**(45.2)**	*NA*	
EBITDA margin (%)	*3.4*	*(46.7)*	*(27.6)*	*19.1ppts*	*NA*	*11.0*	*(17.4)*	*NA*	
Depreciation	(3.2)	(5.5)	(4.3)	*(21.4)*	*33.8*	(13.1)	(18.9)	*44.9*	
EBIT	**5.0**	**(34.9)**	**(17.0)**	*(51.4)*	*NA*	**104.2**	**(64.1)**	*NA*	
EBIT margin (%)	*2.1*	*(55.3)*	*(36.9)*	*18.4ppts*	*NA*	*9.8*	*(24.7)*	*NA*	
EI	(11.0)	143.9	(160.9)	*NA*	*>100*	(30.7)	(17.0)	*(44.6)*	The EI in 4Q20 was due to impairments and reversal of gains.
Int expense	(6.0)	(6.3)	(5.6)	*(11.3)*	*(6.5)*	(20.9)	(24.9)	*18.9*	
JV	0.1	0.0	7.6	*NA*	*>100*	(0.0)	7.6	*NA*	
Pretax profit	**(11.9)**	**102.7**	**(183.5)**	*(278.7)*	*>100*	**52.5**	**(106.0)**	*NA*	
Tax	(2.7)	(0.9)	(16.1)	*>100*	*>100*	(6.0)	(18.2)	*203.7*	
Tax rate (%)	*(22.4)*	*0.9*	*(8.8)*	*(9.6ppts)*	*NA*	*11.4*	*(17.2)*	*NA*	
Minority interests	32.3	(75.0)	96.3	*NA*	*197.9*	62.1	43.7	*(29.7)*	
Net profit	**17.8**	**26.7**	**(103.2)**	*NA*	*NA*	**108.6**	**(80.5)**	*NA*	
EPS	2.9	4.1	(13.2)	*NA*	*NA*	18.4	(9.7)	*NA*	
Core net profit	**23.4**	**(16.7)**	**48.9**	*NA*	*109.3*	**124.3**	**28.2**	*(77.3)*	Below our expectations.

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	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.

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