

## Jaks Resources Bhd

### Valuations turns appealing

#### Summary

- Jaks Resources Bhd's (JAKS) 1QFY22 net profit improved 7.0% YoY to RM21.1m, mainly due to the higher share of profit in the Vietnam joint venture given that the second unit of Hai Doung power plant achieved commercial operations in January 2021. Revenue for the quarter rose 2.2% YoY to RM17.8m.
- The reported earnings came in at 30.8% of our forecasted net profit of RM68.5m and 18.7% of consensus forecasted net profit at RM113.0m. We deemed the figures to be in line in anticipation of the usual year-end kitchen sinking exercise in the construction and property development segments.
- Moving forward, we reckon that the construction segment will remain low profile in absence of orderbook replenishment in recent times. The outstanding orderbook of RM245.1m will provide revenue visibility over the next couple of years. Meanwhile, JAKS tenderbook remain relatively unchanged at RM4.00bn, comprising mainly water-related and road-related construction works.
- The property development segment is expected to remain challenging on the back of the lacklustre occupancy rate. We expect the retail traffic footfall in the group's properties to remain sluggish amid the overloaded retail space scenario. Nevertheless, JAKS remains committed to ramp up the occupancy rates of Pacific Towers Business Hub (which is at 31.0%, unchanged from 4QFY21) and re-purposing of Evolve Concept Mall (occupancy rate at 67.0%) into event hosting, recreational activities and focus on premium retirement/wellness home, nursery, maternity centre, co-working space and digital economy.
- We expect the coal fired thermal power plant in Vietnam to remain as a key profit driver in FY22f and the foreseeable future. The group also aims to strengthen the power-related business with 2 MoU signed in 2021 for the (i) potential collaboration on the development in renewable energy plants such as solar and hydropower in Sabah and (ii) development of 1,500-MW liquefied natural gas (LNG) power project in Vietnam. At the same time, we gather that the progress of LSS4 project remains well on track and is slated for completion in 1Q23.

Quarterly performance					
FYE Dec (RM m)	1QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)
Revenue	17.5	20.1	17.8	(11.0)	2.2
EBITDA	(4.9)	(55.9)	(8.6)	84.6	76.3
PBT	15.3	(36.2)	16.5	145.4	7.6
PAT	14.9	(26.3)	16.1	161.4	8.5
Core PATMI	19.7	21.8	21.1	3.1	7.0
Reported PATMI	19.7	(28.5)	21.1	174.0	7.0
Core EPS (sen)	1.0	1.1	1.0	3.1	7.0
EBITDA margin (%)	(28.0)	(278.8)	(48.2)		
PBT margin (%)	87.6	(180.6)	92.2		
Core PATMI margin (%)	113.1	108.7	118.4		

#### Results Note – 1QFY22

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#### BUY

Share price	RM0.29
Target price	RM0.55
Previous TP	RM0.61
Capital upside	89.7%
Dividend return	1.7%
Total return	91.4%

#### Company profile

Engaged in construction, specialising on water-related infrastructure projects, property investment and power generation

#### Stock information

Bursa Code	4723
Bloomberg ticker	JAK MK
Listing market	MAIN
Share issued (m)	2,042.3
Market Cap (m)	592.3
52W High/Low	0.58 / 0.27
Est. Free float	79.5
Beta (x)	0.8
3-mth avg vol ('000)	7,484.6
Shariah compliant	Yes

#### Major shareholders

	%
Ang Lam Poah	13.0
Van Eck Vectors Vietnam	2.4
Van Eck Associates Corp	2.1

#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-12.1	-21.6	-49.6
Relative	-10.4	-19.7	-49.1

#### Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	29.9	48.7	69.1
EPS (sen)	5.0	5.8	6.7
P/E (x)	5.8	5.0	4.3

#### Relative performance chart



## Valuation & Recommendation

- We maintained our **BUY** recommendation on JAKS, but with a lower target price of RM0.55 (from RM0.61) in view of the sluggish construction and property development business segments.
- Our target price is derived by sum-of-parts (SOP) approach as we ascribed a lower target PER of 7.0x (from 9.0x) to both its construction and property development segments as we expect the pace of recovery to be measured. Meanwhile, we valued both its concession businesses (thermal power plant and LSS4) on a discounted cash flow approach.
- Risks to our recommendation and target price include lower-than-expected utilisation rate or unexpected increase in overhead cost in Vietnam IPP project. Failure to meet our construction orderbook replenishment assumption of RM100.0m per annum. The Vietnam operations are denominated in USD whereby a firmer USD/MYR movement will be favourable and vice versa.

## Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	1,051.7	251.0	108.1	141.4	141.0	Cash	151.5	174.6	143.9	177.4	218.0
EBITDA	86.6	(70.2)	(74.0)	(53.2)	(45.9)	Receivables	295.8	251.4	225.5	232.5	251.2
EBIT	71.2	(89.7)	(89.8)	(74.5)	(67.0)	Inventories	76.6	0.5	0.5	0.6	0.6
Net finance income/ (cost)	(18.5)	(24.4)	(20.6)	(21.0)	(19.7)	PPE	691.0	726.0	710.4	703.2	696.2
Associates & JV	-	-	-	-	-	Others	1,034.0	976.1	1,105.0	1,124.4	1,124.7
Profit before tax	52.6	(110.3)	30.3	56.5	80.1	Assets	2,248.8	2,128.5	2,185.2	2,238.1	2,290.7
Tax	(6.7)	(18.2)	(0.5)	(7.8)	(11.0)	Debts	423.0	387.4	372.6	353.9	336.2
Net profit	45.9	(128.5)	29.7	48.7	69.1	Payables	906.0	358.3	238.1	251.7	252.1
Minority interest	(62.2)	(43.9)	(22.0)	(19.8)	(17.8)	Others	-	255.3	273.1	292.4	308.7
Core earnings	124.8	56.5	102.1	118.6	136.9	Liabilities	1,329.0	1,001.0	883.8	898.1	897.0
Diluted core earnings	-	-	-	66.1	85.9	Shareholder's equity	659.6	925.0	1,061.6	1,061.6	1,061.6
Exceptional items	16.8	141.1	(50.4)	(50.0)	(50.0)	Minority interest	(58.1)	(16.4)	(39.3)	(39.3)	(39.3)
Reported earnings	108.1	(84.6)	51.8	68.6	86.9	Equity	919.9	1,127.5	1,301.4	1,340.0	1,393.8
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Profit before taxation	52.6	(110.3)	30.3	56.5	80.1	Core EPS (sen)	6.1	2.8	5.0	5.8	6.7
Depreciation & amortisation	15.5	19.4	15.8	21.3	21.1	Diluted Core EPS (sen)	-	-	-	3.0	3.9
Changes in working capital	28.5	22.3	(13.9)	20.7	19.0	P/E (x)	4.7	10.5	5.8	5.0	4.3
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	9.7	7.5
Taxation	(4.0)	(3.3)	(3.8)	(7.8)	(11.0)	DPS (sen)	-	-	-	0.5	0.8
Others	119.1	96.6	80.9	80.9	90.0	Dividend yield	0.0%	0.0%	0.0%	1.7%	2.6%
Operating cash flow	211.7	20.9	(31.4)	171.7	199.2	BVPS (RM)	0.45	0.55	0.64	0.66	0.68
Net capex	(70.5)	(55.0)	(3.3)	(7.2)	(7.0)	P/B (x)	0.6	0.5	0.5	0.4	0.4
Others	(139.2)	(117.7)	(102.9)	(50.0)	(120.0)	EBITDA margin	8.2%	-28.0%	-68.4%	-37.6%	-32.6%
Investing cash flow	(209.7)	(172.7)	(106.2)	(57.2)	(127.0)	EBIT margin	6.8%	-35.7%	-83.1%	-52.7%	-47.5%
Changes in borrowings	(19.2)	(30.5)	(19.1)	(18.6)	(17.7)	PBT margin	5.0%	-44.0%	28.0%	39.9%	56.8%
Issuance of shares	40.9	245.3	-	-	-	PAT margin	4.4%	-51.2%	27.5%	34.5%	49.0%
Dividends paid	-	-	-	(10.2)	(15.3)	Core PAT margin	11.9%	22.5%	94.4%	83.8%	97.1%
Others	(22.7)	(27.5)	119.4	(50.0)	-	ROE	13.6%	5.0%	7.8%	8.8%	9.8%
Financing cash flow	(1.0)	187.3	100.3	(78.8)	(33.0)	ROA	5.5%	2.7%	4.7%	5.3%	6.0%
Net cash flow	1.0	35.5	(37.4)	35.7	39.2	Net gearing	29.5%	18.9%	17.6%	13.2%	8.5%
Forex	2.8	(5.0)	(0.6)	(0.5)	(0.5)						
Others	-	-	-	-	-						
Beginning cash	82.2	86.0	116.5	78.6	113.7						
Ending cash	86.0	116.5	78.6	113.7	152.5						

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