

## Jaks Resources Bhd

In line with expectations

### Summary

- Jaks Resources Bhd's (JAKS) 3QFY21 net profit rose 19.1% YoY to RM31.9m, anchored by the contribution from the Vietnam power plant following the commencement since end-2020. Revenue for the quarter, however, fell 51.6% YoY to RM30.6m in lower contribution from the Vietnam EPCC works.
- For 9MFY21, cumulative net profit jumped 254.3% YoY to RM80.4m. Revenue for the period, however, slipped 58.0% YoY to RM89.6m. The reported earnings came within expectations, making up to 78.5% of our forecasted net profit of RM102.4m and 100.1% of consensus forecasted net profit at RM80.3m.
- Under the prevailing scenario, we foresee the absence of construction contracts for the remainder of FY21f. Moving forward, the outstanding orderbook of RM259.3m will provide earnings visibility over the next couple of years. Meanwhile, JAKS tenderbook remain relatively unchanged at RM4.00bn.
- Elsewhere, the property development segment is expected to continue dragging overall performances, on the back of the lacklustre occupancy rate. With the influx and overcapacity of new retail shops and malls, attempts to improve occupancy rate will be difficult, in our view. Still, a silver lining will be seen from the handover of Pacific Towers business hub by end-2021.
- Over at Vietnam, we reckon that the coal fired thermal power plant will continue to anchor the bottom line over the foreseeable future. Going forward, we see JAKS leaning towards expansion of renewable energy sector, both local and internationally with the LSS4 project slated to commence operations by 1Q23.
- Moving forward, the option raise additional 10.0% stake in the power plant will be put onto the table, given that the aforementioned project has delivered sustainable cash flow over the past quarters. Meanwhile, JAKS remains committed in sourcing for renewable infrastructure projects in both Malaysia and Vietnam to boost their recurring income stream.

Quarterly performance								
FYE Dec (RM m)	3QFY20	2QFY21	3QFY21	QoQ (%)	YoY (%)	9MFY20	9MFY21	YoY (%)
Revenue	63.2	41.6	30.6	(26.5)	(51.6)	213.4	89.6	(58.0)
EBITDA	29.0	(3.5)	(7.3)	110.3	(125.2)	25.8	(15.6)	(176.6)
PBT	17.2	23.9	27.5	14.7	59.6	(8.0)	66.7	933.2
PAT	16.3	23.9	27.4	14.5	67.8	(10.1)	66.2	754.1
Core PATMI	26.7	28.8	31.9	10.6	19.1	22.7	80.4	254.3
Reported PATMI	26.7	28.8	31.9	10.6	19.1	22.7	80.4	254.3
Core EPS (sen)	1.3	1.4	1.6	10.6	19.1	1.1	3.9	254.3
EBITDA margin (%)	45.9	(8.3)	(23.8)			12.1	(17.4)	
PBT margin (%)	27.3	57.6	89.9			(3.8)	74.4	
Core PATMI margin (%)	42.3	69.3	104.2			10.6	89.7	

Results Note – 3QFY21

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### BUY

Share price	RM0.395
Target price	RM0.75
Previous TP	RM0.75
Capital upside	89.9%
Dividend return	--
Total return	89.9%

### 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)	806.7
52W High/Low	0.83 / 0.38
Est. Free float	79.5
Beta (x)	1.2
3-mth avg vol ('000)	15,248.2
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	-15.1	-22.5	-41.9
Relative	-14.1	-18.8	-38.5

### Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI (m)	56.5	102.4	110.4
EPS (sen)	2.8	5.0	5.4
P/E (x)	14.3	7.9	7.3

### Relative performance chart



## Valuation & Recommendation

- Given that the reported results came slightly within expectations, made no changes to our earnings forecast. We maintained our **BUY** recommendation on JAKS, with an unchanged target price of RM0.75. We view that current price weakness presents a great opportunity for investors to bargain hunt with forward P/E trading only at 7.9x and 7.3x for FY21f and FY22f respectively.
- Our target price is derived by sum-of-parts (SOP) approach as we ascribed a target PER of 9.0x to both its construction and property development segments, based on their potential earnings contribution in FY22f. 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)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	658.1	1,051.7	251.0	162.8	186.0	Cash	167.1	151.5	174.6	166.3	312.1
EBITDA	(7.0)	86.6	(70.2)	25.8	28.7	Receivables	512.4	295.8	251.4	223.0	203.8
EBIT	(20.5)	71.2	(89.7)	4.0	6.9	Inventories	47.2	76.6	0.5	0.4	0.5
Net finance income/ (cost)	(22.3)	(18.5)	(24.4)	(22.1)	(21.4)	PPE	646.2	691.0	726.0	728.6	725.4
Associates & JV	-	-	-	-	-	Others	870.1	1,034.0	976.1	813.8	781.1
<b>Profit before tax</b>	<b>(43.2)</b>	<b>52.6</b>	<b>(110.3)</b>	<b>90.2</b>	<b>105.1</b>	<b>Assets</b>	<b>2,243.0</b>	<b>2,248.8</b>	<b>2,128.5</b>	<b>1,932.2</b>	<b>2,022.9</b>
Tax	(3.4)	(6.7)	(18.2)	(9.7)	(14.4)	Debts	434.7	423.0	387.4	406.7	386.4
<b>Net profit</b>	<b>(46.6)</b>	<b>45.9</b>	<b>(128.5)</b>	<b>80.5</b>	<b>90.7</b>	Payables	986.0	446.5	358.3	205.6	239.6
Minority interest	(62.0)	(62.2)	(43.9)	(22.0)	(19.8)	Others	0.1	459.5	255.3	111.8	98.2
<b>Core earnings</b>	<b>34.8</b>	<b>124.8</b>	<b>56.5</b>	<b>102.4</b>	<b>110.4</b>	<b>Liabilities</b>	<b>1,420.7</b>	<b>1,329.0</b>	<b>1,001.0</b>	<b>724.2</b>	<b>724.2</b>
Diluted core earnings	-	-	-	101.5	108.0	Shareholder's equity	599.0	659.6	925.0	925.0	925.0
Exceptional items	-	-	-	-	-	Minority interest	4.1	(58.1)	(16.4)	(16.4)	(16.4)
Reported earnings	34.8	124.8	56.5	102.4	110.4	<b>Equity</b>	<b>822.3</b>	<b>919.9</b>	<b>1,127.5</b>	<b>1,208.0</b>	<b>1,298.7</b>
<b>Cash Flow Statement</b>						<b>Valuation &amp; Ratios</b>					
FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Profit before taxation	(43.2)	52.6	(110.3)	90.2	105.1	Core EPS (sen)	1.7	6.1	2.8	5.0	5.4
Depreciation & amortisation	13.5	15.5	19.4	21.8	21.9	Diluted Core EPS (sen)	-	-	-	4.6	4.9
Changes in working capital	(19.1)	28.5	22.3	(181.2)	15.0	P/E (x)	23.2	6.5	14.3	7.9	7.3
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	8.6	8.1
Taxation	(6.2)	(4.0)	(3.3)	(9.7)	(14.4)	DPS (sen)	-	-	-	-	-
Others	96.2	119.1	96.6	90.0	90.0	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Operating cash flow</b>	<b>41.2</b>	<b>211.7</b>	<b>20.9</b>	<b>11.0</b>	<b>217.5</b>	BVPS (RM)	0.40	0.45	0.55	0.59	0.64
Net capex	8.2	(70.5)	(55.0)	2.6	(3.3)	P/B (x)	1.0	0.9	0.7	0.7	0.6
Others	(67.4)	(139.2)	(117.7)	(24.4)	(18.6)	EBITDA margin	-1.1%	8.2%	-28.0%	15.8%	15.5%
<b>Investing cash flow</b>	<b>(59.1)</b>	<b>(209.7)</b>	<b>(172.7)</b>	<b>(21.8)</b>	<b>(21.9)</b>	EBIT margin	-3.1%	6.8%	-35.7%	2.4%	3.7%
Changes in borrowings	(37.1)	(19.2)	(30.5)	19.4	(20.3)	PBT margin	-6.6%	5.0%	-44.0%	55.4%	56.5%
Issuance of shares	68.5	40.9	245.3	-	-	PAT margin	-7.1%	4.4%	-51.2%	49.4%	48.7%
Dividends paid	-	-	-	-	-	Core PAT margin	5.3%	11.9%	22.5%	62.9%	59.4%
Others	7.0	(22.7)	(27.5)	(43.5)	(26.5)	ROE	4.2%	13.6%	5.0%	8.5%	8.5%
<b>Financing cash flow</b>	<b>38.4</b>	<b>(1.0)</b>	<b>187.3</b>	<b>(24.1)</b>	<b>(46.8)</b>	ROA	1.6%	5.5%	2.7%	5.3%	5.5%
<b>Net cash flow</b>	<b>20.4</b>	<b>1.0</b>	<b>35.5</b>	<b>(34.9)</b>	<b>148.8</b>	Net gearing	32.5%	29.5%	18.9%	19.9%	5.7%
Forex	(1.8)	2.8	(5.0)	(4.5)	(4.0)						
Others	-	-	-	-	-						
Beginning cash	63.6	82.2	86.0	116.5	77.2						
Ending cash	82.2	86.0	116.5	77.2	222.0						

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