



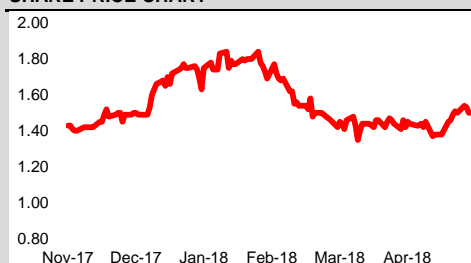
DESCRIPTION

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	RM1.60
Current Price	RM1.50
Expected Return	+7%

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)	2,593.9

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	6.4	-11.2	6.4
Relative Returns	6.2	-8.4	-0.2

KEY STOCK DATA

Market Capitalisation (RM m)	818.9
No. of Shares (m)	545.9

MAJOR SHAREHOLDERS

	%
Koon Yew Yin	20.5
Ang Lam Poah	8.8
Tan Pheng Kit	8.3

In Line

JAKS Resources (JAKS)'s 1QFY18 net profit came in at RM17.8m (+135.9% YoY, -83.4% QoQ) which was in line with our and consensus full year estimates. While the 1QFY18 net profit made up 22% and 21% of our and consensus estimates, we believe that subsequent quarters should see stronger contribution from its Vietnam EPC contract. Separately, we understand that it has recently completed the disposal of the USJ1 land in Subang Jaya. Again, its construction division contributed the bulk of the Group's revenue with RM183.6m or c.87% of total revenue. As for profits, the Vietnam EPC, as expected, delivered another set of strong earnings with c.RM25m net profit but was mitigated by losses in the property divisions. All told, we maintain our **Neutral** call for now with an unchanged RM1.60 TP, derived from c.20% discount to our SOTP estimates of RM2.00.

§ **Outstanding orderbook at RM2.1bn.** The earnings momentum continued in the Group's construction division, primarily from its EPC job in Vietnam. We understand that revenue and PBT from Vietnam EPC job were 49.3% and 69.1% higher YoY. YTD, it has recognized RM494.3m out of the RM1.9bn contract value, with the remaining billings expected in 2018 and 2019.

Separately, property revenue and PBT declined -21.3% and -48.0% respectively as the Group is working to move away from the property business to focus on construction, especially the Vietnam IPP contract. As expected, the Evolve Concept Mall is still incurring losses (c.RM.6.9m loss in 1QFY18, with JAKS' 51% share at RM3.5m). We understand that the Group has engaged a third party mall manager, with the aspiration to revamp and rejuvenate the mall to facilitate eventual monetization. As for Pacific Star, we understand that Star Tower is expected to be completed by the end of this month. The other office block and 3 apartment towers are expected to be completed by end-2018.

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)	-49.0	6.5	10.3	10.1	9.2	
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

Tan Siang Hing
T 603 2268 3016
F 603 2268 3014
E tan.sianghing@publicinvestbank.com.my

Table 1: Results Summary

Results Review (RM m)	1Q18	1Q17	4Q17	YoY (%)	QoQ (%)	YTD FY18	YTD FY17	YTD (%)
Revenue	210.2	154.8	210.7	35.8	-0.3	210.2	154.8	35.8
EBIT	17.1	9.1	108.7	87.9	-84.3	17.1	9.1	87.9
PBT	10.8	3.0	102.6	265.1	-89.5	10.8	3.0	265.1
Net profit	17.8	7.5	107.5	135.9	-83.4	17.8	7.5	135.9
Margins:								
EBIT	8.1	5.9	51.6			8.1	5.9	
PBT Margin	5.1	1.9	48.7			5.1	1.9	
Net Profit Margin	8.5	4.9	51.0			8.5	4.9	

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.

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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