

Jaks Resources Bhd

Ensured by stability from Vietnam

Summary

- Jaks Resources Bhd's (JAKS) 4QFY22 core net profit jumped 100.2% YoY to RM113.7m, lifted by the higher contribution from the share of profit in the Vietnam joint venture. Revenue for the quarter climbed 147.2% YoY to RM45.9m.
- For FY22, cumulative core net profit declined marginally by 1.9% YoY to RM100.2m, making up to 122.2% of our forecasted core net profit of RM82.0m. The variance is mainly due to better-than-expected contribution from Vietnam and lower-than-expected losses registered under the property development segment.
- Given the absence of new orderbook replenishment, we reckon that the construction segment may continue to remain in red, while the balance EPC works at Vietnam is expected to be recognised progressively in subsequent quarters. Moving forward, outstanding orderbook of c.RM150.0m will provide revenue visibility over the next 2 years.
- On the property investment segment, efforts to ramp up occupancy rates in both Pacific Towers and Evolve Concept Mall remain in place, but the prolonged overhang of commercial property situation in Malaysia is expected to remain in the picture over the longer run.
- Elsewhere, the LSS4 project is well on track for commercial operation next month. We believe that the aforementioned project is expected to generate approximately RM10.0m per annum to bottom line over 25-year period. Elsewhere, there was no progress over the MoU entered with Qhazanah Sabah Sdn Bhd.
- Meanwhile, we gather that JAKS is currently taking a private placement exercise of up to 292.9m new shares, representing 10.0% of total existing shares. Proceeds will be utilised to repay credit facilities. While there will be dilution effect, we reckon that the move may be able to generate a cost saving of RM4-5m per annum, under the maximum scenario. This will in turn expect 4-6% improvement in bottomline figures.

Quarterly performance

FYE Dec (RM m)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	12MFY21	12MFY22	YoY (%)
Revenue	18.5	16.4	45.9	179.9	147.2	108.1	89.8	(17.0)
EBITDA	(56.1)	(21.5)	(41.6)	93.5	25.9	(77.3)	(81.0)	(4.7)
PBT	(36.4)	15.8	(5.6)	(135.5)	84.6	30.3	37.1	22.6
PAT	(36.5)	15.7	(6.0)	(138.3)	83.6	29.7	36.2	21.8
Core PATMI	21.7	20.3	43.5	113.7	100.2	102.1	100.2	(1.9)
Reported PATMI	(28.6)	20.3	(3.2)	(116.0)	88.7	51.8	53.5	3.4
Core EPS (sen)	1.0	1.0	2.1	113.7	100.2	4.9	4.8	(1.9)
EBITDA margin (%)	(302.5)	(131.1)	(90.6)			(71.5)	(90.2)	
PBT margin (%)	(196.3)	96.4	(12.2)			28.0	41.4	
Core PATMI margin (%)	117.1	124.2	94.8			94.4	111.6	

Results Note – 4QFY22

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BUY

Share price	RM0.24
Target price	RM0.39
Previous TP	RM0.39
Capital upside	62.5%
Dividend return	2.1%
Total return	64.1%

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)	2,087.3
Market Cap (m)	501.6
52W High/Low	0.39 / 0.23
Est. Free float	75.4
Beta	0.9
3-mth avg vol ('000)	8,369.8
Shariah compliant	Yes

Major shareholders

Ang Lam Poah	14.0
Etiqa Life Insurance	2.0
Tee Tiam Lee	1.5

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-5.9	-15.8	-39.2
Relative	-3.3	-10.9	-31.9

Earnings snapshot

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	102.1	100.2	96.2
EPS (sen)	4.9	4.8	4.6
P/E (x)	4.9	5.0	5.2

Relative performance chart



Valuation & Recommendation

- Despite the stronger-than-expected earnings, we made no changes to our earnings forecast as we expect softer margins ahead due to the elevated building material costs which we reckon that both the construction and property investment sector may continue to lag behind the recovery. Therefore, we maintained our **BUY** recommendation on JAKS with an unchanged target price of RM0.39.
- Our target price is derived by sum-of-parts (SOP) approach as we ascribed a target PER of 7.0x to both its construction and property investment segments as we expect the pace of recovery to be measured. Meanwhile, we valued both its concession businesses (coal fired 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. Delay in commercial operation date of LSS4. 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	75.1	108.8	Cash	151.5	174.6	143.9	138.4	96.9
EBITDA	86.6	(70.2)	(74.0)	(87.1)	(85.9)	Receivables	295.8	251.4	225.5	226.2	223.5
EBIT	71.2	(89.7)	(89.8)	(108.5)	(106.8)	Inventories	76.6	0.5	0.5	0.6	0.6
Net finance income/ (cost)	(18.5)	(24.4)	(20.6)	(21.1)	(20.1)	PPE	691.0	726.0	710.4	696.5	686.5
Associates & JV	(0.0)	3.8	140.7	142.0	155.8	Others	1,034.0	976.1	1,105.0	1,159.7	1,194.0
Profit before tax	52.6	(110.3)	30.3	12.5	28.9	Assets	2,248.8	2,128.5	2,185.2	2,221.6	2,201.6
Tax	(6.7)	(18.2)	(0.5)	(0.2)	(0.6)	Debts	423.0	387.4	372.6	353.9	336.2
Net profit	45.9	(128.5)	29.7	12.2	28.3	Payables	906.0	358.3	238.1	259.6	252.1
Minority interest	(62.2)	(43.9)	(22.0)	(19.8)	(17.8)	Others	-	255.3	273.1	304.6	296.9
Core earnings	124.8	56.5	102.1	82.0	96.1	Liabilities	1,329.0	1,001.0	883.8	918.1	885.2
Diluted core earnings	-	-	-	29.6	45.1	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	32.0	46.1	Equity	919.9	1,127.5	1,301.4	1,303.4	1,316.4
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	12.5	28.9	Core EPS (sen)	6.1	2.8	5.0	4.0	4.7
Depreciation & amortisation	15.5	19.4	15.8	21.3	20.9	Diluted Core EPS (sen)	-	-	-	1.3	2.0
Changes in working capital	28.5	22.3	(13.9)	22.3	(10.2)	P/E (x)	4.5	9.9	5.5	6.8	5.8
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	20.6	13.5
Taxation	(4.0)	(3.3)	(3.8)	(0.2)	(0.6)	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%	1.8%	2.7%
Operating cash flow	211.7	20.9	(31.4)	136.7	129.0	BVPS (RM)	0.45	0.55	0.64	0.64	0.64
Net capex	(70.5)	(55.0)	(3.3)	(13.8)	(10.0)	P/B (x)	0.6	0.5	0.4	0.4	0.4
Others	(139.2)	(117.7)	(102.9)	(50.0)	(120.0)	EBITDA margin	8.2%	-28.0%	-68.4%	-116.1%	-79.0%
Investing cash flow	(209.7)	(172.7)	(106.2)	(63.8)	(130.0)	EBIT margin	6.8%	-35.7%	-83.1%	-144.5%	-98.2%
Changes in borrowings	(19.2)	(30.5)	(19.1)	(18.6)	(17.7)	PBT margin	5.0%	-44.0%	28.0%	16.6%	26.5%
Issuance of shares	40.9	245.3	-	-	-	PAT margin	4.4%	-51.2%	27.5%	16.3%	26.0%
Dividends paid	-	-	-	(10.2)	(15.3)	Core PAT margin	11.9%	22.5%	94.4%	109.3%	88.4%
Others	(22.7)	(27.5)	119.4	(40.0)	-	ROE	13.6%	5.0%	7.8%	6.3%	7.3%
Financing cash flow	(1.0)	187.3	100.3	(68.8)	(33.0)	ROA	5.5%	2.7%	4.7%	3.7%	4.4%
Net cash flow	1.0	35.5	(37.4)	4.1	(34.1)	Net gearing	29.5%	18.9%	17.6%	16.5%	18.2%
Forex	2.8	(5.0)	(0.6)	(0.5)	(0.5)						
Others	-	-	-	-	-						
Beginning cash	82.2	86.0	116.5	78.6	82.2						
Ending cash	86.0	116.5	78.6	82.2	47.6						

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