



JAKS RESOURCES BERHAD

Neutral

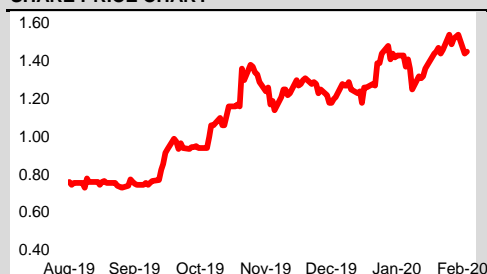
DESCRIPTION

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 RM1.13
Current Price RM1.39
Expected Return -19%

Market Main
Sector Construction
Bursa Code 4723
Bloomberg Ticker JAK MK
Shariah Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) RM0.53 – RM1.57
 3-Month Average Vol ('000) 18,596.8

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	0.7	11.6	80.0
Relative Returns	6.2	23.9	94.2

KEY STOCK DATA

Market Capitalisation (RM m) 905.0
 No. of Shares (m) 651.1

MAJOR SHAREHOLDERS

	%
Ang Lam Poah	12.3
Original Invention SB	5.1
KWAP	4.2

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Vietnam EPC at 93% Completion

JAKS Resources' (JAKS) 4QFY19 net profit, as expected, slowed down to RM17.8m (NM YoY, -28.7% QoQ) which was within our expectation but below consensus. In FY19, Group net profit came in at RM108.6m (>100% YoY) which constituted 96% and 90% of our and consensus full year estimates. The overall completion for its power plant in Vietnam is said to be at 93%, from 82% a quarter ago. We understand that the completion of its first unit which was initially thought to be by end-2019 is now postponed due to Covid-19. The commercial operation date (COD) is now targeted for 3QFY20, from 1H FY20 earlier. As such, we revise our FY20/FY21 earnings downwards by -41%/-29%. We also change our valuation method from SOTP to RNAV as JAKS' value is now mainly driven by its power plant, versus various business units previously. Maintain **Neutral**, with TP increased to RM1.13, from RM1.00 previously (pegged at 35% discount to RNAV) on lower completion risks of its power plant. All told, we are still wary over the various dilutive equity fund raisings done so far to meet its liquidity demands and the poor execution especially on its property business.

§ **Power plant at 93% completion.** EPC contract revenue and net profit, as expected, continued to slow down with the Group recognizing RM166.9m revenue and RM32.9m net profit in Q4FY19. For FY19, The Group recognized RM1.1bn (+62.3% YoY) and RM108.6m (+607.6% YoY) from the EPC contract. It still has RM338m remaining to be billed with the power plant expected to be completed by 2020.

§ **Outstanding orderbook at RM618.6m.** In the absence of new jobs, the Group's outstanding orderbook dropped from RM847m to RM618.6m in 4QFY19. This is in line with the Group's strategy to re-focus its resources on the Vietnam power plant project.

§ **Property LAD to end in FY20.** Property losses could drag longer but we understand that Management is still working to complete the Star Tower and the remaining 3 blocks by 1H2020. Unbilled sales as at 4QFY19 stood at RM130m. Occupancy at the Evolve Concept Mall dropped to 72% from 85% with committed tenants at 86%.

KEY FORECAST TABLE

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F	CAGR
Revenue	740.5	1,068.2	671.3	286.3	293.2	-19.4%
Operating Profit	-18.6	73.5	94.2	52.1	51.5	-21.7%
Pre-tax Profit	-43.4	52.5	74.6	97.3	116.5	-3.5%
Net Profit	15.1	108.6	45.4	59.2	70.8	-17.3%
EPS (Sen)	2.3	16.7	7.0	9.1	10.9	-17.3%
P/E (x)	59.8	8.3	19.9	15.3	12.8	
DPS (Sen)	0.0	0.0	0.0	0.0	1.0	
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.7	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>Results Review</u> <u>(RM m)</u>	<u>4Q19</u>	<u>4Q18</u>	<u>3Q19</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>YTD</u>	<u>YTD</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>
Revenue	238.9	168.0	216.0	42.2	10.6	1,068.2	658.1	62.3
EBIT	-6.0	-40.5	21.9	-85.1	-127.5	73.5	-19.5	-476.9
PBT	-11.9	-48.1	17.2	-75.3	-169.2	52.5	-43.2	-221.5
Net profit	17.8	-12.5	24.9	NM	-28.7	108.6	15.4	607.6
Margins:								
EBIT	-2.5	-24.1	10.1			6.9	-3.0	
PBT Margin	-5.0	-28.6	8.0			4.9	-6.6	
Net Profit Margin	7.4	-7.4	11.5			10.2	2.3	

Source: Bloomberg, PublicInvest Research estimates

Table 2: RNAV

	RM/m	Multiplier/ Stake	Value to Jaks	Per Share
NTA as at end-2019				1.16
Hai Duong IPP - FCFE at 12% equity cost	1,096	30%	329	0.48
EPC Contract	298			0.10
Warrant proceeds				0.10
RNAV per share				1.74
After 35% discount				1.13

Source: Bloomberg, PublicInvest Research estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Revenue	740.5	1,068.2	671.3	286.3	293.2
Gross Profit	108.8	186.6	109.0	63.4	63.2
Operating expenses	-127.4	-113.1	-14.8	-11.3	-11.7
Operating Profit	-18.6	73.5	94.2	52.1	51.5
Other Gains / (Losses)	-0.5	0.0	8.0	73.0	93.0
Finance Costs	-24.3	-20.9	-27.6	-27.8	-28.0
Pre-tax Profit	-43.4	52.5	74.6	97.3	116.5
Income Tax	-3.4	-6.0	-17.9	-23.4	-28.0
Effective Tax Rate (%)	7.8	-11.4	-24.0	-24.0	-24.0
Minorities	61.9	62.1	-11.3	-14.8	-17.7
Net Profit	15.1	108.6	45.4	59.2	70.8

Growth

Revenue (%)	9.4	44.3	-37.2	-57.3	2.4
Gross Profit (%)	11.0	71.5	-41.5	-41.8	-0.4
Net Profit (%)	-88.1	617.9	-58.2	30.4	19.7

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Property, Plant & Equipment	4.1	1.9	1.9	2.0	2.1
Cash and Cash Equivalents	166.6	151.3	140.4	137.4	140.1
Receivables	515.8	553.8	581.5	610.5	641.1
Other Assets	1,483.8	1,611.6	1,630.7	1,650.1	1,670.5
Total Assets	2,170.2	2,318.6	2,354.4	2,400.0	2,453.8
Payables	910.9	976.4	976.4	976.4	976.4
Borrowings	429.4	421.8	424.9	428.1	431.2
Dues to Customers	0.0	1.0	2.0	3.0	4.0
Other Liabilities	7.67	-0.91	-1.91	-2.91	-3.91
Total Liabilities	1,348.0	1,398.3	1,401.4	1,404.6	1,407.8
Shareholders' Equity	818.1	979.3	1,012.1	1,054.5	1,105.1
Total Equity and Liabilities	2,170.2	2,318.6	2,354.4	2,400.0	2,453.8

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2018A	2019A	2020F	2021F	2022F
Book Value Per Share	1.3	1.5	1.6	1.6	1.7
NTA Per Share	1.0	1.3	1.4	1.4	1.5
EPS (Sen)	2.3	16.7	7.0	9.1	10.9
DPS (Sen)	0.0	0.0	0.0	0.0	1.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	9.2
ROA (%)	0.7	4.7	1.9	2.5	2.9
ROE (%)	1.8	11.1	4.5	5.6	6.4

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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