

## Jaks Resources Berhad

### Marking footprint into Sabah

#### Summary

- Jaks Resources Bhd's (JAKS) wholly-owned subsidiary Jaks Solar Power Sdn Bhd (JSPSB) has entered into a memorandum of understanding (MoU) with Qhazanah Sabah Sdn Bhd (QSSB) to establish a formal collaboration and cooperation related to the preparation, development and implementation of solar power and hydro power plants in the state of Sabah.
- The MoU is intended to set out the understanding between JSPSB and QSSB of the indicative principal terms in relation to the proposed collaboration and is valid for one year from the date of execution.
- We gather that QSSB is deemed to be the strategic investment arm of Sabah State Government since 1995, with the prime objective to function as the catalyst to drive Sabah's economic development and growth across various sectors.
- We deem the move to be positive for JAKS which is in line with the group's intention to expand their presence in the renewable energy sector. Already, JAKS has made its footprint into the renewable energy sector through the 1,200MW coal-fired thermal power plant in Vietnam which saw full commercial operation in January 2021. Meanwhile, JSPSB was also shortlisted for the Large Scale Solar project (LSS4) with a capacity of 50MW.
- Accordingly, Sabah Electricity Sdn Bhd has since identified several hydropower sites in Sabah with potential of 200MW to be developed over the next decade. Hence, we believe that QSSB may be able to leverage on JAKS expertise in the renewable energy sector to explore into potential business cooperation or collaboration opportunities to drive Sabah's economic growth.

#### Valuation & Recommendation

- We made no changes to our earnings forecast, given that the MoU has no financial impact to JAKS operations. Therefore, we maintained our **BUY** recommendation on JAKS, with an unchanged target price of RM0.72.
- 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 its concession business segment on a discounted cash flow approach (key assumptions include an IRR of 11.5%, WACC of 7.0% and terminal growth rate of 2.5%) in view of the long-term sustainable projected income.
- 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

#### Company Update

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#### BUY

Share price	RM0.465
Target price	RM0.72
Previous TP	-
Capital upside	54.8%
Dividend return	-
Total return	54.8%

#### Company profile

Engaged in civil engineering and construction of buildings and infrastructure projects, specialising on water-related infrastructure projects and power generation.

#### Stock information

Bursa Code	4723
Bloomberg ticker	JAK MK
Listing market	MAIN
Share issued (m)	2,042.3
Market Cap (m)	949.7
52W High/Low	0.83 / 0.40
Est. Free float	83.2
Beta	0.7
3-mth avg vol ('000)	16,466.5
Shariah compliant	Yes

#### Major shareholders

	%
Ang Lam Poah	13.0
Van Eck Associates Corp	1.7
Dimensional Fund Advisors	1.5

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

	1M	3M	12M
Absolute	-13.1	-23.8	-8.6
Relative	-8.9	-18.5	-4.1

#### Earnings snapshot

FYE (Dec)	FY20	FY21f	FY22f
PATMI (m)	60.6	88.7	105.7
EPS (sen)	2.8	4.4	5.2
P/E (x)	16.8	10.7	9.0

#### Relative performance chart



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
<b>Revenue</b>	<b>658.1</b>	<b>1,051.7</b>	<b>251.0</b>	<b>392.0</b>	<b>324.5</b>	Cash	167.1	151.5	174.6	240.5	244.7
EBITDA	(7.0)	86.6	(70.2)	27.1	27.9	Receivables	512.4	295.8	251.4	257.8	280.0
EBIT	(20.5)	71.2	(89.7)	5.4	5.1	Inventories	47.2	76.6	0.5	1.0	1.3
Net finance income/ (cost)	(22.3)	(18.5)	(24.4)	(21.7)	(21.4)	PPE	646.2	691.0	726.0	763.0	772.6
Associates & JV	-	-	-	-	-	Others	870.1	1,034.0	976.1	975.8	994.5
<b>Profit before tax</b>	<b>(43.2)</b>	<b>52.6</b>	<b>(110.3)</b>	<b>49.3</b>	<b>75.7</b>	<b>Assets</b>	<b>2,243.0</b>	<b>2,248.8</b>	<b>2,128.5</b>	<b>2,238.1</b>	<b>2,293.1</b>
Tax	(3.4)	(6.7)	(18.2)	(8.6)	(13.2)	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>40.6</b>	<b>62.4</b>	Payables	986.0	446.5	358.3	383.0	390.1
Minority interest	(62.0)	(62.2)	(43.9)	(48.3)	(43.5)	Others	0.1	459.5	255.3	280.1	285.9
<b>Core earnings</b>	<b>34.8</b>	<b>124.8</b>	<b>56.5</b>	<b>89.0</b>	<b>105.9</b>	<b>Liabilities</b>	<b>1,420.7</b>	<b>1,329.0</b>	<b>1,001.0</b>	<b>1,069.9</b>	<b>1,062.5</b>
Diluted core earnings	-	-	-	88.0	103.5	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	89.0	105.9	<b>Equity</b>	<b>822.3</b>	<b>919.9</b>	<b>1,127.5</b>	<b>1,168.2</b>	<b>1,230.6</b>
<b>Cash Flow Statement</b>						<b>Valuation &amp; Ratios</b>					
<b>FYE Dec (RM m)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21f</b>	<b>FY22f</b>	<b>FYE Dec (RM m)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21f</b>	<b>FY22f</b>
Profit before taxation	(43.2)	52.6	(110.3)	49.3	75.7	Core EPS (sen)	1.7	6.1	2.8	4.4	5.2
Depreciation & amortisation	13.5	15.5	19.4	21.8	22.9	Diluted Core EPS (sen)	-	-	-	4.0	4.7
Changes in working capital	(19.1)	28.5	22.3	31.6	29.7	P/E (x)	27.3	7.6	16.8	10.7	9.0
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	11.7	9.9
Taxation	(6.2)	(4.0)	(3.3)	(8.6)	(13.2)	DPS (sen)	-	-	-	-	-
Others	96.2	119.1	96.6	30.0	30.0	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>124.0</b>	<b>145.0</b>	BVPS (RM)	0.40	0.45	0.55	0.57	0.60
Net capex	8.2	(70.5)	(55.0)	37.0	9.6	P/B (x)	1.2	1.0	0.8	0.8	0.8
Others	(67.4)	(139.2)	(117.7)	(58.8)	(32.4)	EBITDA margin	-1.1%	8.2%	-28.0%	6.9%	8.6%
<b>Investing cash flow</b>	<b>(59.1)</b>	<b>(209.7)</b>	<b>(172.7)</b>	<b>(21.8)</b>	<b>(22.9)</b>	EBIT margin	-3.1%	6.8%	-35.7%	1.4%	1.6%
Changes in borrowings	(37.1)	(19.2)	(30.5)	19.4	(20.3)	PBT margin	-6.6%	5.0%	-44.0%	12.6%	23.3%
Issuance of shares	68.5	40.9	245.3	-	-	PAT margin	-7.1%	4.4%	-51.2%	10.4%	19.2%
Dividends paid	-	-	-	-	-	Core PAT margin	5.3%	11.9%	22.5%	22.7%	32.7%
Others	7.0	(22.7)	(27.5)	(40.0)	(32.5)	ROE	4.2%	13.6%	5.0%	7.6%	8.6%
<b>Financing cash flow</b>	<b>38.4</b>	<b>(1.0)</b>	<b>187.3</b>	<b>(20.6)</b>	<b>(52.8)</b>	ROA	1.6%	5.5%	2.7%	4.0%	4.6%
<b>Net cash flow</b>	<b>20.4</b>	<b>1.0</b>	<b>35.5</b>	<b>81.6</b>	<b>69.3</b>	Net gearing	32.5%	29.5%	18.9%	14.2%	11.5%
Forex	(1.8)	2.8	(5.0)	(4.5)	(4.0)						
Others	-	-	-	-	-						
Beginning cash	63.6	82.2	86.0	116.5	193.7						
Ending cash	82.2	86.0	116.5	193.7	259.0						

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