30 November 2020

Outthink. Outperform.

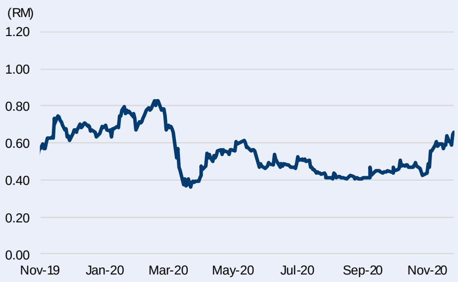
AFFIN HWANG CAPITAL

Results Note

RM0.66 @ 27 November 2020

"Unit 1 of the Hai Duong Power Plant (1,200WM) will be supplying to the grid before end of 2020"

Share price performance



	1M	3M	12M
Absolute (%)	55.3	62.3	7.5
Rel KLCI (%)	41.7	54.0	4.5

	BUY	HOLD	SELL
Consensus	1	-	-

Source: Bloomberg

Stock Data

Sector	Utilities
Issued shares (m)	1,755.2
Mkt cap (RMm)/(US$m)	1,158.4/284.7
Avg daily vol - 6mth (m)	20.4
52-wk range (RM)	0.33-0.85
Est free float	80.4%
Stock Beta	1.71
Net cash/(debt) (RMm)	(354.52)
ROE (CY21E)	2.1%
Derivatives	No
(Warr 18/23, WP RM0.465, EP RM0.34)	
(Warr 20/25, WP RM0.410, EP RM0.49)	
Shariah Compliant	Yes

Key Shareholders

Ang Lam Poah	15.1%

Source: Affin Hwang, Bloomberg

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Jaks Resources (JAK MK)

BUY (maintain)
Up/Downside: 21.2%

Price Target: RM0.80
Previous Target (Rating): RM0.61 (BUY)

Ready to supply to the grid

- **Jaks Resources' (JAKS) 9M20 core-LATAMI of RM20.7m is below our expectation, as we were forecasting them to deliver around RM33.9m for the year.**
- **As the weaker-than-expected performance was due to higher losses from the property segment, we are not overly concern given that Jaks has already disposed the unit at end of 3Q20.**
- **Although we have cut our earnings for FY20E to factor in the weaker earnings, we have raised our TP to RM0.80, as we believe the completion risk for the power plant is now lower. Maintain BUY.**

1st unit of Hai Duong Power Plant is ready

According to CECC, the majority owner of Hai Duong power plant, the plant has completed the testing and commissioning process of the 1st unit of the 1,200MW power plant ahead of schedule, and is now ready to supply electricity to the grid. The power plant is now pending the final approval from the authorities before they are able to start selling to the grid. As such, Jaks should be able to recognise some profit from the power plant before end of the year. We believe that given that CECC was able to deliver the 1st unit ahead of schedule, there is a high likelihood that the 2nd unit could be completed ahead of time too, which is expected to be delivered within the next 6 months.

Higher losses from property segment

The weaker than expected performance for JAKS, is largely due to the weak set of results from its property development and investment division, which LBT (excluding the disposal gains) have widened to RM45m in 3Q20 from RM16m in 2Q20. The losses can be attributed to both the Pacific Star development project and also from the operations of its Evolve concept mall. Since Jaks has successfully dispose the Pacific Star project at end of 3Q20, we expect the losses for this segment to halve starting next quarter, as such we are not overly concern about the losses. JAKS has recorded an extraordinary gain of around RM43.4m related to the disposal exercise.

Reiterate BUY, with a TP of RM0.80

Despite cutting our EPS forecast for FY20E to factor in the higher than expected losses for 3Q20, we are raising our TP to RM0.80, as we revalue of the Hai Duong Power Plant, given that the completion risk is now lower. Despite the weaker than expected performance, we are still keeping our BUY call. Downside risk is unexpected delay to the start of Hai Duong Power Plant.

Earnings & Valuation Summary

FYE 31 Dec	2018	2019	2020E*	2021E*	2022E*
Revenue (RMm)	740.5	1,068.2	525.0	314.3	318.6
EBITDA (RMm)	38.7	117.2	(54.2)	107.6	128.7
Pretax profit (RMm)	(43.4)	52.5	(44.0)	76.4	97.5
Net profit (RMm)	15.1	108.6	30.5	97.9	114.3
EPS (sen)	2.8	17.7	1.7	5.6	6.5
PER (x)	23.8	3.7	38.0	11.8	10.1
Core net profit (RMm)	34.8	124.3	(12.9)	97.9	114.3
Core EPS (sen)	6.4	20.2	(2.1)	15.9	18.6
Core EPS growth (%)	(18.2)	216.0	(110.4)	(858.0)	16.8
Core PER (x)	10.3	3.3	(31.5)	4.2	3.6
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	18.0	6.1	(30.1)	15.9	12.7
Chg in EPS (%)			-138.1%	-0.5%	+0.6%
Affin/Consensus (x)			-	-	-

**We have factored in the impact of the new share based post the rights issuance of 1,080m new shares*
Source: Company, Affin Hwang estimates

Fig 2: Results Comparison

FYE 31 Dec (RMm)	3Q19	1Q20	3Q20	QoQ % chg	YoY % chg	9M19	9M20	YoY % chg	Comment
Revenue	216.0	75.0	63.2	*(15.8)*	*(70.8)*	829.3	213.4	*(74.3)*	Lower revenue yoy due to lower contribution from the construction work for the power plant
Op costs	(182.7)	(67.6)	(57.2)	*(15.4)*	*(68.7)*	(692.9)	(197.4)	*(71.5)*	Decline in cost as lower construction activity
EBITDA	**25.1**	**3.3**	**(29.5)**	*na*	*na*	**109.0**	**(32.5)**	*na*	
EBITDA margin (%)	*11.6*	*4.4*	*(46.7)*	*-51.1 ppts*	*-58.3 ppts*	*13.1*	*(15.2)*	*-28.4 ppts*	Decline in margin due to losses from the property and investment segment
Depreciation	(3.3)	(5.8)	(5.5)	*(6.2)*	*66.9*	(9.8)	(14.6)	*48.5*	
EBIT	**21.9**	**(2.5)**	**(34.9)**	*1,300.1*	*(259.9)*	**99.1**	**(47.1)**	*na*	
EBIT margin (%)	*10.1*	*(3.3)*	*(55.3)*	*-52.0 ppts*	*-65.4 ppts*	*12.0*	*(22.1)*	*-34.0 ppts*	
EI	0.0	0.0	143.9	*na*	*na*	(19.7)	143.9	*na*	The gain in EI is mainly related to the disposal of the Pacific Star development
Int expense	(4.6)	(5.9)	(6.3)	*6.2*	*36.0*	(15.0)	(19.3)	*na*	
JV	0.0	0.0	0.0	*na*	*na*	(0.1)	0.0	*(100.0)*	
Pretax profit	**17.2**	**(8.4)**	**102.7**	*na*	*496.1*	**64.4**	**77.5**	*20.3*	
Tax	(1.3)	(0.6)	(0.9)	*50.1*	*(30.9)*	(3.3)	(2.1)	*(36.3)*	
Tax rate (%)	*7.5*	*(7.0)*	*0.9*	*+7.9 ppts*	*-6.6 ppts*	*5.2*	*2.7*	*-2.4 ppts*	
Minority interests	9.0	11.2	(75.0)	*na*	*na*	29.8	(52.6)	*na*	The negative EI is due to the gain from the disposal the subsidiary which Jaks owns 51%
Net profit	**25.0**	**2.2**	**26.7**	*1,135.4*	*7.1*	**90.9**	**22.7**	*(75.0)*	
EPS	4.1	0.3	4.1	*1,145.5*	*(0.2)*	15.5	3.5	*(77.6)*	
Core net profit	**25.0**	**2.2**	**(16.7)**	*na*	*na*	**100.9**	**(20.7)**	*na*	Below our expectations

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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