

Kimlun Corporation

Bags RM150m Building Job in Johor

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KIMLUN has bagged a RM150m building job in Johor, boosting its YTD job wins to RM283.6m and outstanding order book to RM2.18b. We raise our FY24-25F earnings forecasts by 8% and 9%, respectively, lift our TP by 10% to RM0.98 (from RM0.89) but keep our MARKET PERFORM call.

KIMLUN has secured a building contract worth RM150m from Astaka Development Sdn Bhd for main building works for a serviced residence development known as Aliva Mount Austin, in Johor Bahru, Johor. The contract is due for completion in 4QCY26. We estimate the contract will fetch a gross profit margin of 7% to 9%.

We are positive on this second key contract win for KIMLUN in FY24, bringing its YTD contract wins to RM283.6m (vs. our FY24 job wins assumption of RM750m) and its current construction outstanding order book to RM2.18b, which is quite close to the peak of RM2.4b during the last up-cycle in FY17.

Outlook. We expect a brighter outlook for KIMLUN in FY24 backed by the roll-out of public infrastructure projects. We understand that KIMLUN is eyeing work packages and pre-cast concrete product orders from: (i) Pan Borneo phase 2, (ii) flood mitigation projects, (iii) Singapore Cross Island Line, (iv) semiconductor factories, and (v) MRT3.

Forecasts. We upgrade our FY24-25F net profit forecasts by 8% and 9%, respectively, as we raise our FY24-25F job win assumptions to RM800m and RM850m (from RM750m and RM800m, against the company's target of RM900m per year).

Valuations. Correspondingly, we lift our TP by 10% to RM0.98 from RM0.89, based on unchanged 10x FY25F PER, at a discount to 18x we ascribed to mid-sized to large contractors given KIMLUN's much smaller size. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

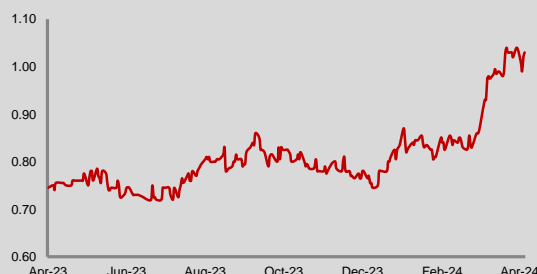
Investment case. We like KIMLUN as: (i) it is a beneficiary of the roll-out of public infrastructure projects, (ii) it capitalises on the stable public infrastructure sector in Singapore with its precast concrete products manufactured in Johor, and (iii) its strong earnings visibility is backed by a construction outstanding order book of RM2.18b which will keep it busy for the next 2-3 years. However, its valuations are rich after the recent run-up in its share price. Maintain **MARKET PERFORM**.

Risks to our call include: (i) delays in the roll-out of public infrastructure projects, (ii) liquidated ascertained damages (LAD) arising from cost overrun and delays, (iii) rising cost of building materials; and (iv) labour shortages.

MARKET PERFORM ↔

Price: RM1.03
Target Price: RM0.98 ↑

Share Price Performance



KLCI	1,544.76
YTD KLCI chg	6.2%
YTD stock price chg	32.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KICB MK Equity
Market Cap (RM m)	364.0
Shares Outstanding	353.4
52-week range (H)	1.05
52-week range (L)	0.70
3-mth avg daily vol:	244,693
Free Float	31%
Beta	0.9

Major Shareholders

Phin Sdn Bhd	37.3%
Pang Khang Hau	6.0%
Pang Yon Tin	5.4%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	852.6	1009.3	1092.6
EBIT	29.0	56.9	62.4
PBT	13.1	41.4	45.4
Net Profit	7.1	31.5	34.5
Core Net Profit	7.1	31.5	34.5
Consensus		37.7	47.7
Earnings Revision (%)		+7.9	+9.4
Core EPS (sen)	2.0	8.9	9.8
Core EPS Growth (%)	-80.8	345.4	9.6
NDPS (sen)	1.0	1.0	1.0
NTA per Share (RM)	2.02	2.10	2.20
Price to NTA (x)	0.5	0.5	0.5
PER (x)	51.5	11.6	10.5
Debt-to-Equity ratio (x)	0.49	0.26	0.20
ROA (%)	0.5	2.0	2.1
ROE (%)	1.0	4.2	4.4
Net Div. Yield (%)	1.0	1.0	1.0

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	5.18	6.20	19.7%	14,344.4	Y	07/2024	40.2	48.0	29.7%	19.2%	14.2	11.4	1.2	10.0%	12.0	2.3%
IJM	OP	2.36	2.54	7.6%	8,274.6	Y	03/2024	11.6	12.4	62.5%	7.0%	25.9	27.7	0.9	4.7%	8.0	3.4%
KERJAYA	OP	1.75	1.90	8.6%	2,206.8	Y	12/2024	14.2	15.8	33.3%	11.3%	14.4	12.5	1.5	13.0%	10.0	5.7%
KIMLUN	MP	1.03	0.980	-4.9%	364.0	Y	12/2024	8.9	9.8	343.7%	9.5%	10.4	8.8	0.5	4.2%	1.0	1.0%
SUNCON	OP	2.80	3.16	12.9%	3,610.2	Y	12/2024	12.7	16.7	-3.2%	31.1%	22.0	21.1	3.7	17.6%	6.0	2.1%
WCT	OP	0.520	0.660	26.9%	737.0	Y	12/2024	2.5	3.0	-85.9%	18.4%	20.6	14.1	0.3	1.2%	0.5	1.0%
Sector Aggregate					29,537.0					65.6%	16.7%	15.2	13.0	1.1	7.0%		2.6%

Source: Kenanga Research

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19 April 2024

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★			
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Migrant Worker Welfare	★	★	☆		
	Waste Disposal/Pollution Control	★	★	☆		
	Work Site Safety	★	★	★		
	Environmentally Friendly Construction Technology	★	★	★		
	Supply Chain Auditing	★	★			
	Energy Efficiency	★	★			
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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