# **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 guite 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 rollout 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: **Target Price:** 

**RM0.98** 

# **Share Price Performance** 1.10 1.00 0.90 0.70

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

Oct-23

# **Stock Information**

Yes
KICB MK Equity
364.0
353.4
1.05
0.70
244,693
31%
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

Income Statement						Financial Data & Rati	05			
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F
Revenue	691.1	756.1	852.6	1009.3	1092.6	Growth				
GP	50.1	86.5	61.6	92.7	98.2	Revenue	-13%	9%	13%	18%
JVA	-0.7	-2.9	-3.1	0.0			-45%	96%		
EBIT	15.8	53.1	29.0	56.9	62.4	PBT	-94%	>100%	-68%	217%
Finance costs	-14.8	-12.8	-15.9	-15.5	-17.0	PAT	-109%	>100%	-81%	358%
PBT	1.0	40.3	13.1	41.4	45.4	PATAMI	-107%	>100%	-81%	345%
Taxation	-1.7	-3.6	-6.2	-9.9	-10.9	Core PATAMI	-104%	>100%	-81%	345%
PAT	-0.7	36.7	6.9	31.5	34.5					
MI	-0.1	-0.1	-0.2	0.0	0.0	Profitability				
PATAMI	-0.6	36.8	7.1	31.5	34.5	EBIT margin	2%	7%	3%	6%
Exceptionals	0.0	0.0	0.0	0.0	0.0	PBT margin	0%	5%	2%	4%
Core PATAMI	-0.6	36.8	7.1	31.5	34.5	PAT margin	0%	5%	1%	3%
						PATAMI margin	0%	5%	1%	3%
Balance Sheet						Core PATAMI margin	0%	5%	1%	3%
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	Effective Tax Rate	-175%	-9%	-47%	-24%
Fixed Assets	142.8	137.2	164.9	165.0	170.0	ROE	-0.1%	5.2%	1.0%	4.2%
Intangibles	0.0	0.0	0.0	0.0	0.0	ROA	0.0%	2.8%	0.5%	2.0%
JVA	17.1	15.2	12.5	12.5	12.5					
NC Inventories	214.4	178.8	308.8	310.0	320.0	Leverage				
Inventories	168.6	207.5	231.6	140.0	140.0	Debt/Equity (x)	0.43	0.43	0.58	0.56
Rec+Con.Asset	703.4	665.9	711.9	680.0	680.0	Net Debt/(Cash)	237.5	235.4	350.0	192.8
Other Assets	10.6	30.2	53.3	55.0	60.0	Net Debt/Equity (x)	0.33	0.33	0.49	0.26
Cash	69.5	72.2	63.4	220.6	255.1					
Total Assets	1326.4	1307.1	1546.4	1583.1	1637.6	Valuations				
						Core EPS (sen)	-0.2	10.4	2.0	8.9
Payables	266.6	252.7	377.4	380.0	400.0	NDPS (sen)	1.0	1.0	1.0	1.0
ST Borrowings	158.6	151.5	217.4	217.4	217.4	BV/share (RM)	2.04	2.01	2.02	2.10
LT Borrowings	148.5	156.1	195.9	195.9	195.9	Core PER (x)	-617.9	9.9	51.5	11.6
Other Liabilities	21.7	21.4	21.4	21.4	21.4	Net Div. Yield (%)	1.0	1.0	1.0	1.0
Total Liabilities	595.4	581.8	806.0	814.8	834.8	PBV (x)	0.50	0.51	0.51	0.49
Net Assets	731.0	725.3	740.4	768.3	802.8					
Share Cap &										
Share Cap & Reserves	289.5	289.4	289.4	289.4	289.4					
Retained Earnings	431.7	421.0	424.4	452.4	486.9					
Sharehldr. Equity	721.3	710.4	713.9	741.8	776.3					
MI	9.8	14.9	26.5	26.5	26.5					
Total Equity	731.0	725.3	740.4	768.3	802.8					
Cashflow Statemer FY Dec (RM m)	1t 2021A	2022A	2023A	2024F	2025F					
Operating CF	117.6	51.6	54.4	171.4	66.5					
Investing CF	-2.6	-20.8	-154.9	-1.3	-15.0					
Financing CF	-103.4	-17.2	97.9	-19.0	-17.0					
Change in Cash	11.5	13.7	-2.6	151.0	34.5					
Source: Kenanga Re		10.1		. 5 1. 5	J 1.0					

Name	Rating	Last Price	Target Price	Upside	Market Cap	p Shariah Current Compliant FYE	Current	t Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net. Div. (sen)	Net Div YId (%)
		g (RM)	(RM)	(%)	(RM'm)		FYE	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	Υ	07/2024	40.2	48.0	29.7%	19.2%	14.2	11.4	1.2	10.0%	12.0	2.3%
JM	OP	2.36	2.54	7.6%	8,274.6	Υ	03/2024	11.6	12.4	62.5%	7.0%	25.9	27.7	0.9	4.7%	8.0	3.49
KERJAYA	OP	1.75	1.90	8.6%	2,206.8	Υ	12/2024	14.2	15.8	33.3%	11.3%	14.4	12.5	1.5	13.0%	10.0	5.79
KIMLUN	MP	1.03	0.980	-4.9%	364.0	Υ	12/2024	8.9	9.8	343.7%	9.5%	10.4	8.8	0.5	4.2%	1.0	1.09
SUNCON	OP	2.80	3.16	12.9%	3,610.2	Υ	12/2024	12.7	16.7	-3.2%	31.1%	22.0	21.1	3.7	17.6%	6.0	2.19
WCT	OP	0.520	0.660	26.9%	737.0	Υ	12/2024	2.5	3.0	-85.9%	18.4%	20.6	14.1	0.3	1.2%	0.5	1.09
Sector Aggregate					29,537.0					65.6%	16.7%	15.2	13.0	1.1	7.0%		2.69

Source: Kenanga Research

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#### **Stock ESG Ratings:**

	Criterion			Rating	
	Earnings Sustainability & Quality	*	*	*	
4	Corporate Social Responsibility	*	*		
GENERAL	Management/Workforce Diversity	*	*	*	
	Accessibility & Transparency	*	*	*	
ច	Corruption-Free Pledge	*	*	*	
	Carbon-Neutral Initiatives	*	*	*	
	Migrant Worker Welfare	*	*	☆	
	Waste Disposal/Pollution Control	*	*	☆	
IΕ	Work Site Safety	*	*	*	
SPECIFIC	Environmentally Friendly Construction Technology	*	*	*	
ဟ	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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