

28 May 2024

Kimlun Corporation

Bags RM143m Building Job in Johor

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KIMLUN has secured a RM143m building job in Johor, boosting its YTD job wins to RM426.6m and outstanding order book to RM2.32b. We raise our FY24-25F earnings forecasts by 34% and 50%, respectively, lift our TP by 50% to RM1.47 (from RM0.98) but keep our MARKET PERFORM call.

KIMLUN has secured a building contract worth RM143m from Melia Spring Sdn Bhd for building works for a serviced apartment in Johor Bahru, Johor. The construction work is expected to be completed in 4QCY26. We estimate the contract will fetch a gross profit margin of 7% to 9%.

We are positive on this third key contract win for KIMLUN in FY24, bringing its YTD contract wins to RM426.6m (vs. our FY24 job wins assumption of RM750m) and its current construction outstanding order book to RM2.32b, 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 34% and 51%, respectively, as: (i) we raise our job win assumptions to RM900m for both years (from RM800m and RM850m, respectively) to align ourselves with KIMLUN's guidance for RM900m annually, and (ii) we lift our gross margin assumption to 7% and 8% from 5% previously.

Valuations. Correspondingly, we lift our TP by 50% to RM1.47 from RM0.98, 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).

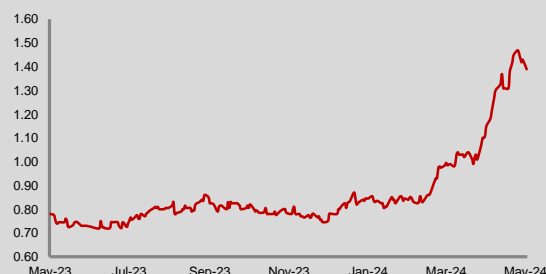
Investment case. We like KIMLUN as: (i) it is a beneficiary of the roll-out of public infrastructure projects, (ii) it capitalises on the stable public infrastructure sector in Singapore with its precast concrete products manufactured in Johor, and (iii) its strong earnings visibility is backed by a construction outstanding order book of RM2.32b 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: RM1.39
Target Price: RM1.47 ↑

Share Price Performance



KLCI 1,618.27
YTD KLCI chg 11.2%
YTD stock price chg 78.2%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker KICB MK Equity
Market Cap (RM m) 491.2
Shares Outstanding 353.4
52-week range (H) 1.49
52-week range (L) 0.70
3-mth avg daily vol: 591,952
Free Float 28%
Beta 1.0

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	1186.8	1242.6
EBIT	29.0	70.9	85.1
PBT	13.1	55.4	68.1
Net Profit	7.1	42.1	51.8
Core Net Profit	7.1	42.1	51.8
Consensus	-	38.5	48.7
Earnings Revision (%)	-	+33.8	50.1
Core EPS (sen)	2.0	11.9	14.7
Core EPS Growth (%)	-80.8	496.2	22.9
NDPS (sen)	1.0	1.0	1.0
NTA per Share (RM)	2.02	2.13	2.28
Price to NTA (x)	0.7	0.7	0.6
PER (x)	69.5	11.7	9.5
Debt-to-Equity ratio (x)	0.49	0.24	0.16
ROA (%)	0.5	2.6	3.1
ROE (%)	1.0	5.6	6.4
Net Div. Yield (%)	0.7	0.7	0.7

28 May 2024

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	691.1	756.1	852.6	1186.8	1242.6	Growth					
GP	50.1	86.5	61.6	106.7	120.9	Revenue	-13%	9%	13%	39%	5%
JVA	-0.7	-2.9	-3.1	0.0	0.0	EBIT	-54%	>100%	-45%	145%	20%
EBIT	15.8	53.1	29.0	70.9	85.1	PBT	-94%	>100%	-68%	325%	23%
Finance costs	-14.8	-12.8	-15.9	-15.5	-17.0	PAT	-109%	>100%	-81%	513%	23%
PBT	1.0	40.3	13.1	55.4	68.1	PATAMI	-107%	>100%	-81%	496%	23%
Taxation	-1.7	-3.6	-6.2	-13.3	-16.4	Core PATAMI	-104%	>100%	-81%	496%	23%
PAT	-0.7	36.7	6.9	42.1	51.8	Profitability					
MI	-0.1	-0.1	-0.2	0.0	0.0	EBIT margin	2%	7%	3%	6%	7%
PATAMI	-0.6	36.8	7.1	42.1	51.8	PBT margin	0%	5%	2%	5%	5%
Exceptionals	0.0	0.0	0.0	0.0	0.0	PAT margin	0%	5%	1%	4%	4%
Core PATAMI	-0.6	36.8	7.1	42.1	51.8	PATAMI margin	0%	5%	1%	4%	4%
						Core PATAMI margin	0%	5%	1%	4%	4%
						Effective Tax Rate	-175%	-9%	-47%	-24%	-24%
						ROE	-0.1%	5.2%	1.0%	5.6%	6.4%
						ROA	0.0%	2.8%	0.5%	2.6%	3.1%
						Leverage					
						Debt/Equity (x)	0.43	0.43	0.58	0.55	0.51
						Net Debt/(Cash)	237.5	235.4	350.0	182.1	130.3
						Net Debt/Equity (x)	0.33	0.33	0.49	0.24	0.16
						Valuations					
						Core EPS (sen)	-0.2	10.4	2.0	11.9	14.7
						NDPS (sen)	1.0	1.0	1.0	1.0	1.0
						BV/share (RM)	2.04	2.01	2.02	2.13	2.28
						Core PER (x)	-617.9	9.9	69.5	11.7	9.5
						Net Div. Yield (%)	1.0	1.0	0.7%	0.7%	0.7%
						PBV (x)	0.50	0.51	0.69	0.65	0.61
Balance Sheet											
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F						
Fixed Assets	142.8	137.2	164.9	165.0	170.0						
Intangibles	0.0	0.0	0.0	0.0	0.0						
JVA	17.1	15.2	12.5	12.5	12.5						
NC Inventories	214.4	178.8	308.8	310.0	320.0						
Inventories	168.6	207.5	231.6	140.0	140.0						
Rec+Con.Asset	703.4	665.9	711.9	680.0	680.0						
Other Assets	10.6	30.2	53.3	55.0	60.0						
Cash	69.5	72.2	63.4	231.3	283.1						
Total Assets	1326.4	1307.1	1546.4	1593.8	1665.5						
Payables	266.6	252.7	377.4	380.0	400.0						
ST Borrowings	158.6	151.5	217.4	217.4	217.4						
LT Borrowings	148.5	156.1	195.9	195.9	195.9						
Other Liabilities	21.7	21.4	21.4	21.4	21.4						
Total Liabilities	595.4	581.8	806.0	814.8	834.8						
Net Assets	731.0	725.3	740.4	779.0	830.8						
Share Cap & Reserves	289.5	289.4	289.4	289.4	289.4						
Retained Earnings	431.7	421.0	424.4	463.1	514.8						
Sharehdr. Equity	721.3	710.4	713.9	752.5	804.2						
MI	9.8	14.9	26.5	26.5	26.5						
Total Equity	731.0	725.3	740.4	779.0	830.8						
Cashflow Statement											
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F						
Operating CF	117.6	51.6	54.4	182.0	83.8						
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	161.7	51.8						

Source: Kenanga Research

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	6.10	6.70	9.8%	16,896.6	Y	07/2024	40.2	50.6	29.7%	25.8%	16.8	13.5	1.5	10.0%	12.0	2.0%
IJM	OP	2.58	2.54	-1.6%	9,045.9	Y	03/2024	11.6	12.4	62.5%	7.0%	28.3	30.2	0.9	4.7%	8.0	3.1%
KERJAYA	MP	1.83	1.90	3.8%	2,307.7	Y	12/2024	14.2	15.8	33.3%	11.3%	15.0	13.1	1.6	13.0%	10.0	5.5%
KIMLUN	MP	1.39	1.47	5.8%	491.2	Y	12/2024	11.9	14.7	493.0%	23.0%	14.0	11.9	0.6	5.5%	1.0	0.7%
SUNCON	MP	3.23	3.16	-2.2%	4,164.6	Y	12/2024	12.7	16.7	-3.2%	31.1%	25.4	24.3	4.3	17.6%	6.0	1.9%
WCT	OP	0.535	0.660	23.4%	758.2	Y	12/2024	2.5	3.0	-85.9%	18.4%	21.2	14.5	0.3	1.2%	0.5	0.9%
Sector Aggregate					33,664.2					66.5%	20.7%	17.2	14.3	1.2	7.1%		2.3%

Source: Kenanga Research

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28 May 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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