

31 May 2024

# Kimlun Corporation

## A Slow Start to FY24

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**KIMLUN's 1QFY24 results met expectations. It barely broke even in 1QFY24 as its new construction projects were still at early stages of execution. Nonetheless, it is poised to benefit from a new wave of public infrastructure projects. We maintain our forecasts, TP of RM1.47 and our MARKET PERFORM rating.**

KIMLUN's 1QFY24 net profit only made up 1% of both our full-year forecast and the full-year consensus estimate. However, we consider the results within expectations as we expect strong results in coming quarters. No dividend was declared as expected as it usually only pays a final dividend.

**YoY**, its 1QFY24 revenue grew 18% largely driven by the acceleration of construction progress of the Sarawak Sabah Link Road but lower property revenue was recorded as its on-going project reached tail-end. However, its core net profit was flattish at RM0.5m (vs. RM0.4m a year ago) on higher administrative and finance costs.

**QoQ**, its 1QFY24 revenue declined 22% as 1Q is typically a slow quarter for construction activities on the back of the long Chinese New Year break. Its net profit plunged 92%, similarly, on the back of higher administrative and finance costs.

**Outlook.** As at Mar 2024, its construction outstanding order book stood at RM2.26b (from RM1.9b three month ago) while that of manufacturing unit stood at RM370m (from RM300m previously). Moving forward, we project 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) semiconductor factories, and (iv) MRT3.

**Forecasts.** Maintained.

**Valuations.** We also maintain our TP of RM1.47 based on 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).

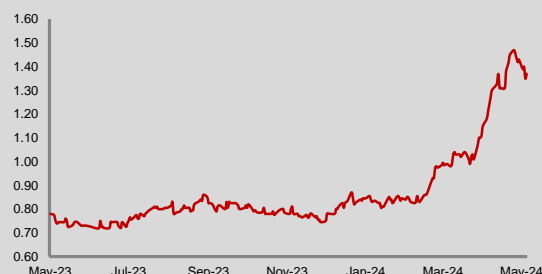
**Investment case.** We like KIMLUN as: (i) it is a beneficiary of the roll-out of public infrastructure projects, (ii) it capitalises on the stable public infrastructure sector in Singapore with its precast concrete products manufactured in Johor, and (iii) its strong earnings visibility is backed by a construction outstanding order book of RM2.26b 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: **RM1.37**  
Target Price: **RM1.47** ↔

### Share Price Performance



KLCI 1,604.26  
YTD KLCI chg 10.3%  
YTD stock price chg 75.6%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker KICB MK EQUITY  
Market Cap (RM m) 484.1  
Shares Outstanding 353.4  
52-week range (H) 1.49  
52-week range (L) 0.70  
3-mth avg. daily vol. 617,220  
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	-	39.4	54.5
Earnings Revision	-	-	-
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	0.6	0.6
PER (x)	68.5	11.5	9.3
Net Gearing (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

31 May 2024

Income Statement								
FYE Dec (RM m)	1Q FY24	4Q FY23	QoQ	1Q FY23	YoY	1Q FY24	1Q FY23	YoY
Revenue	205.1	263.9	-22%	173.2	18%	205.1	173.2	18%
COGS	-188.3	-244.1	-23%	-158.7	19%	-188.3	-158.7	19%
GP	16.7	19.8	-16%	14.5	16%	16.7	14.5	16%
Other Income	1.6	5.4	-70%	0.8	105%	1.6	0.8	105%
Selling and Admin Expenses	-11.5	-10.5	10%	-8.9	29%	-11.5	-8.9	29%
Finance Costs	-5.3	-4.5	18%	-3.7	44%	-5.3	-3.7	44%
JV	-0.1	-1.3	-93%	-0.7	-88%	-0.1	-0.7	-88%
PBT	1.4	8.9	-84%	1.9	-26%	1.4	1.9	-26%
Tax	-1.0	-2.3	-54%	-1.6	-34%	-1.0	-1.6	-34%
PAT	0.4	6.6	-94%	0.4	7%	0.4	0.4	7%
MI	-0.2	0.0	310%	-0.1	167%	-0.2	-0.1	167%
Net Profit	0.5	6.7	-92%	0.4	30%	0.5	0.4	30%
Exceptional Items	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Core Net Profit	0.5	6.7	-92%	0.4	30%	0.5	0.4	30%
NDPS (sen)	0.0	1.0	-100%	0.0	N/A	0.0	0.0	N/A
EBIT Margin	8%	8%		8%		8%	8%	
PBT Margin	1%	3%		1%		1%	1%	
Net Margin	0%	3%		0%		0%	0%	
Core Profit Margin	0%	3%		0%		0%	0%	
Effective Tax	73%	26%		82%		73%	82%	

Source: Company, Kenanga Research

Segmental Breakdown								
FYE Dec (RM m)	1Q FY24	4Q FY23	QoQ	1Q FY23	YoY	1Q FY24	1Q FY23	YoY
<b>Revenue</b>								
Construction	158.8	207.6	-24%	119.9	32%	158.8	119.9	32%
Manufacturing & Trading	43.5	49.7	-13%	48.4	-10%	43.5	48.4	-10%
Property Development	2.8	6.6	-58%	4.8	-43%	2.8	4.8	-43%
Investment	0.0	0.0	25%	0.0	25%	0.0	0.0	25%
<b>Total</b>	<b>205.1</b>	<b>263.9</b>	<b>-22%</b>	<b>173.2</b>	<b>18%</b>	<b>205.1</b>	<b>173.2</b>	<b>18%</b>
<b>Gross Profit</b>								
Construction	9.4	10.8	-13%	4.0	137%	9.4	4.0	137%
Manufacturing & Trading	11.5	10.5	9%	10.4	10%	11.5	10.4	10%
Property Development	-0.3	1.1	-123%	0.8	-132%	-0.3	0.8	-132%
Investment	1.5	1.5	-2%	0.9	65%	1.5	0.9	65%
Elimination	-5.3	-4.1	29%	-1.6	235%	-5.3	-1.6	235%
<b>Total</b>	<b>16.7</b>	<b>19.8</b>	<b>-16%</b>	<b>14.5</b>	<b>16%</b>	<b>16.7</b>	<b>14.5</b>	<b>16%</b>
<b>Gross Margins</b>								
Construction	6%	5%		3%		6%	3%	
Manufacturing & Trading	26%	21%		21%		26%	21%	
Property Development	-9%	17%		17%		-9%	17%	
<b>Total</b>	<b>8%</b>	<b>8%</b>		<b>8%</b>		<b>8%</b>	<b>8%</b>	

Source: Company, Kenanga Research

31 May 2024

### 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.
<b>Stocks Under Coverage</b>																	
GAMUDA	OP	6.15	6.70	8.9%	17,036.8	Y	07/2024	40.2	50.6	29.7%	25.8%	16.9	13.6	1.5	10.0%	12.0	2.0%
IJM	OP	2.77	2.77	0.0%	9,712.1	Y	03/2025	13.0	14.4	-8.3%	11.2%	30.4	32.5	1.0	5.2%	8.0	2.9%
KERJAYA	MP	1.84	1.90	3.3%	2,320.3	Y	12/2024	14.2	15.8	33.3%	11.3%	15.1	13.2	1.6	13.0%	10.0	5.4%
KIMLUN	MP	1.37	1.47	7.3%	484.1	Y	12/2024	11.9	14.7	493.0%	23.0%	13.8	11.8	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	0.600	0.660	10.0%	850.3	Y	12/2024	2.5	3.0	-85.9%	18.4%	23.8	16.3	0.3	1.2%	0.5	0.8%
<b>Sector Aggregate</b>					<b>34,568.2</b>					<b>40.3%</b>	<b>21.3%</b>	<b>17.2</b>	<b>14.2</b>	<b>1.3</b>	<b>7.3%</b>		<b>2.3%</b>

Source: Kenanga Research

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31 May 2024

**Stock ESG Ratings:**

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

☆ 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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