

05 June 2024

Kimlun Corporation

Bags RM234m Building Job in Shah Alam

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KIMLUN has secured a private building job worth RM234.3m in Shah Alam, Selangor, boosting its YTD job wins to RM660.9m and outstanding order book to RM2.64b. It is poised to benefit from a new wave of public infrastructure projects. We maintain our forecasts, TP of RM1.47 and MARKET PERFORM call.

KIMLUN has secured a building contract worth RM234.3m from Saujana Development Sdn Bhd for a high-rise residential development in Seksyen U2, Shah Alam, Selangor. The construction work is expected to be completed in 3QCY26. We estimate that the contract will fetch a gross profit margin of 7% to 9%.

We are positive on this forth key contract win for KIMLUN in FY24, bringing its YTD contract wins to RM660.9m (vs. our FY24 job wins assumption of RM900m) and its current construction outstanding order book to RM2.64b (which has already surpassed 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. Maintained.

Valuations. We also maintain our TP of RM1.47 based on unchanged 10x FY25F PER, at a discount to the 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).

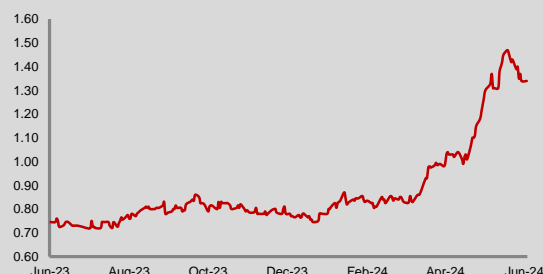
Investment case. We like KIMLUN as: (i) it is a beneficiary of the roll-out of public infrastructure projects, (ii) it capitalises on the stable public infrastructure sector in Singapore with its precast concrete products manufactured in Johor, and (iii) its strong earnings visibility is backed by a construction outstanding order book of RM2.64b 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: RM1.34
Target Price: RM1.47 ↔

Share Price Performance



KLCI 1,615.40
YTD KLCI chg 11.1%
YTD stock price chg 71.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KICB MK Equity
Market Cap (RM m)	473.5
Shares Outstanding	353.4
52-week range (H)	1.49
52-week range (L)	0.70
3-mth avg. daily vol.	620,350
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	-	37.4	53.6
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)	67.0	11.2	9.1
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

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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%
Balance Sheet						Core PATAMI margin	0%	5%	1%	4%	4%
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	Effective Tax Rate	-175%	-9%	-47%	-24%	-24%
Fixed Assets	142.8	137.2	164.9	165.0	170.0	ROE	-0.1%	5.2%	1.0%	5.6%	6.4%
Intangibles	0.0	0.0	0.0	0.0	0.0	ROA	0.0%	2.8%	0.5%	2.6%	3.1%
JVA	17.1	15.2	12.5	12.5	12.5	Leverage					
NC Inventories	214.4	178.8	308.8	310.0	320.0	Debt/Equity (x)	0.43	0.43	0.58	0.55	0.51
Inventories	168.6	207.5	231.6	140.0	140.0	Net Debt/(Cash)	237.5	235.4	350.0	182.1	130.3
Rec+Con.Asset	703.4	665.9	711.9	680.0	680.0	Net Debt/Equity (x)	0.33	0.33	0.49	0.24	0.16
Other Assets	10.6	30.2	53.3	55.0	60.0	Valuations					
Cash	69.5	72.2	63.4	231.3	283.1	Core EPS (sen)	-0.2	10.4	2.0	11.9	14.7
Total Assets	1326.4	1307.1	1546.4	1593.8	1665.5	NDPS (sen)	1.0	1.0	1.0	1.0	1.0
Payables	266.6	252.7	377.4	380.0	400.0	BV/share (RM)	2.04	2.01	2.02	2.13	2.28
ST Borrowings	158.6	151.5	217.4	217.4	217.4	Core PER (x)	N/A	12.9	67.0	11.2	9.1
LT Borrowings	148.5	156.1	195.9	195.9	195.9	Net Div. Yield (%)	0.7	0.7	0.7	0.7	0.7
Other Liabilities	21.7	21.4	21.4	21.4	21.4	PBV (x)	0.66	0.67	0.66	0.63	0.59
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	6.20	6.70	8.1%	17,175.3	Y	07/2024	40.2	50.6	29.7%	25.8%	17.0	13.7	1.5	10.0%	12.0	1.9%
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	1.34	1.47	9.7%	473.5	Y	12/2024	11.9	14.7	493.0%	23.0%	13.5	11.5	0.6	5.5%	1.0	0.7%
SUNCON	MP	3.16	3.16	0.0%	4,074.4	Y	12/2024	12.7	16.7	-3.2%	31.1%	24.9	23.8	4.2	17.6%	6.0	1.9%
WCT	OP	0.605	0.660	9.1%	857.4	Y	12/2024	2.5	3.0	-85.9%	18.4%	24.0	16.4	0.3	1.2%	0.5	0.8%
Sector Aggregate					34,613.0					40.3%	21.3%	17.3	14.2	1.3	7.3%		2.3%

Source: Kenanga Research

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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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