

15 July 2024

# Kimlun Corporation

## In a RM600m Property JV in Johor Bahru

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**KIMLUN, via a 49:51 JV with a unit of SGX-listed Astaka Holdings Ltd (Astaka), is developing a RM600m premium serviced apartment project in Johor Bahru. We are positive on the latest venture which will contribute to KIMLUN's construction and property profits. We maintain our forecasts but raise our TP by 3% to RM1.81 (from RM1.76). Maintain OUTPERFORM.**

KIMLUN, via a 49:51 JV with Astaka Capital Sdn Bhd, a 50.99%-owned unit of Astaka, is developing a RM600m premium serviced apartment project called *Arden @ One Bukit Senyum* on a 1.662-acre land near customs, immigration and quarantine (CIQ) and Johor Bahru-Singapore rapid transit system (RTS) terminal in Johor Bahru. The JV will acquire the land from Astaka for RM61.5m or RM77 psf. KIMLUN will fork out RM0.49m for the 49% stake. It will be appointed the project's main contractor while Astaka will be in charge of project management, sales and marketing.

*Arden @ One Bukit Senyum*, Phase 3 of *One Bukit Senyum*, will comprise 600 units of premium serviced residence with a built-up area ranging from 750 sq ft to 1,650 sq ft with a price tag of RM1,300 to RM1,500 per sq ft (psf). The project will be launched in 4QCY24 with completion within 48 months.

At RM77 psf, we believe the land price is fair based on asking prices of RM55 to RM85 psf in the surrounding areas.

We are positive on the latest venture which will contribute to KIMLUN's construction profits (via building works worth c.RM300m) and property earnings.

**Forecasts.** Maintained as the project's earnings will come in beyond our forecast period.

**Valuations.** However, we raise our TP by 3% to RM1.81 (from RM1.76), having reflected enhancement from the property JV project. We continue to value KIMLUN's construction business at 12x FY25F PER, at a discount to the 20x 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).

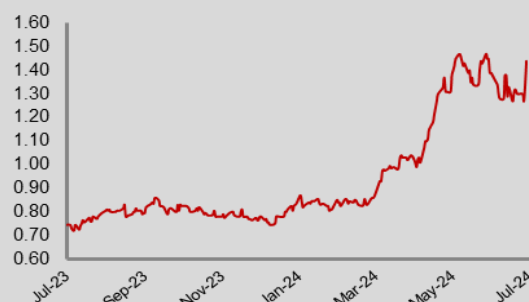
**Investment case.** We like KIMLUN as: (i) it is a beneficiary of the roll-out of public infrastructure projects, (ii) it capitalises on the stable public infrastructure sector in Singapore with its precast concrete products manufactured in Johor, and (iii) its strong earnings visibility is backed by 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 **OUTPERFORM**.

**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.

## OUTPERFORM ↔

Price: **RM1.44**  
Target Price: **RM1.81** ↑

### Share Price Performance



KLCI	1,619.06
YTD KLCI chg	11.3%
YTD stock price chg	84.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KICB MK Equity
Market Cap (RM m)	508.8
Shares Outstanding	353.4
52-week range (H)	1.49
	0.71
52-week range (L)	746,326
3-mth avg. daily vol.	28%
Free Float	1.1
Beta	Yes

### 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
<b>Net Profit</b>	7.1	42.1	51.8
<b>Core Net Profit</b>	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	0.7	0.6
PER (x)	72.0	12.1	9.8
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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### 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 BHD	OP	7.80	7.29	-6.5%	21,626.9	Y	07/2024	40.2	50.6	29.7%	25.8%	19.4	15.4	1.9	10.0%	12.0	1.5%
IJM CORP BHD	MP	3.36	3.00	-10.7%	11,780.7	Y	03/2025	13.0	14.4	-8.3%	11.2%	25.9	23.3	1.2	4.8%	8.0	2.4%
KERJAYA PROSPEK GROUP BHD	OP	2.03	2.16	6.4%	2,559.9	Y	12/2024	14.2	15.8	33.3%	11.3%	14.3	12.9	1.8	13.0%	10.0	4.9%
KIMLUN CORP BHD	OP	1.44	1.81	25.7%	508.8	Y	12/2024	11.9	14.7	493.0%	23.0%	12.1	9.8	0.7	5.5%	1.0	0.7%
SUNWAY CONSTRUCTION GROUP BHD	OP	4.75	4.28	-9.9%	6,124.5	Y	12/2024	14.0	20.4	19.4%	45.7%	34.0	23.3	6.2	19.1%	6.0	1.3%
WCT HOLDINGS BHD	OP	1.14	0.880	-22.8%	1,615.6	Y	12/2024	2.9	4.4	-83.8%	50.0%	39.3	26.2	0.6	1.4%	0.5	0.4%
<b>SECTOR AGGREGATE</b>					<b>44,216.5</b>					<b>43.6%</b>	<b>23.3%</b>	<b>21.8</b>	<b>17.7</b>	<b>1.6</b>	<b>7.3%</b>		<b>1.9%</b>

Source: Kenanga Research

*This section is intentionally left blank*

**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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