Research by kenanga

Company Update

19 September 2024

Kimlun Corporation

Secures RM128m Job in Johor Bahru

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KIMLUN has won a RM128.1m contract to build a residential development project in Johor Bahru, Johor. This brings its YTD contract wins to RM789.0m and outstanding order book to RM3.28b. It is poised to benefit from a new wave of public infrastructure projects. We maintain our forecasts, TP of RM1.69 and OUTPERFORM rating.

KIMLUN has secured a RM128.1m contract from Tanah Sutera Development Sdn Bhd to build a residential development project in Johor Bahru. The contract comprises two sections: the first which is valued at RM57.86m is expected to be completed by 3QCY26 while the second section which is worth RM70.27m is scheduled for completion within 21 months from its commencement date. The offer for works for the latter section shall be valid for the employer's consideration and acceptance within six months from 3 Oct 2024.

We are positive on this fifth key contract win for KIMLUN in FY24, bringing its YTD contract win to RM789.0m (vs. our FY24 job wins assumption of RM900m) and its current construction outstanding order book to RM3.28b which has already surpassed the peak of RM2.4b during the previous upcycle in FY17.

Outlook. We project a brighter outlook for KIMLUN in FY25 backed by the roll-out of public infrastructure projects with improved profit margin after a work prolongation and escalation in input and labour costs previously. We understand that KIMLUN is eyeing work packages and pre-cast concrete product orders from: (i) Pan Borneo Sarawak Phase 2, (ii) flood mitigation projects, (iii) semiconductor factories, and (iv) MRT3.

Forecasts. Maintained.

Valuations. Maintain our TP of RM1.69 based on unchanged at 12x FY25F PER for its construction business, 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).

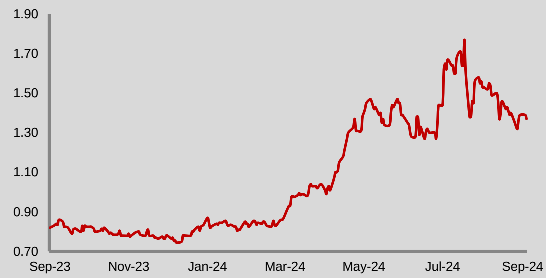
Investment case. We like KIMLUN as: (i) it is a beneficiary of the roll-out of public infrastructure projects, (ii) it capitalises on the stable public infrastructure sector in Singapore with its precast concrete products manufactured in Johor, and (iii) its strong earnings visibility is backed by a construction outstanding order book of RM3.28b 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:	**RM1.37**
Target Price:	**RM1.69** ↔

Share Price Performance



KLCI	1,660.59
YTD KLCI chg	14.2%
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)	1.77
52-week range (L)	0.71
3-mth avg. daily vol.	786,819
Free Float	28%
Beta	1.2

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	1029.3	1186.4
EBIT	29.0	43.6	70.7
PBT	13.1	28.1	53.7
Net Profit	7.1	21.3	40.8
Core Net Profit	7.1	21.3	40.8
Consensus	-	23.3	48.2
Earnings Revision (%)	-	-	-
Core EPS (sen)	2.0	6.0	11.6
Core EPS Growth (%)	-80.8	202.5	91.4
NDPS (sen)	1.0	1.0	1.0
NTA per Share (RM)	2.02	2.07	2.19
Price to NTA (x)	0.7	0.7	0.6
PER (x)	68.6	22.7	11.9
Debt-to-Equity ratio (x)	0.49	0.28	0.21
ROA (%)	0.5	1.4	2.5
ROE (%)	1.0	2.9	5.3
Net Div. Yield (%)	0.7	0.7	0.7

KIMLUM's SoP Valuation

Segment	Valuation (RM m)	Valuation (RM/share)	Basis
Construction	581	1.64	12x FY25F PER
Property	16	0.05	RNAV
Valuation	**597**	**1.69**	

Source: Kenanga Research

Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Revenue	691.1	756.1	852.6	1186.8	1242.6
GP	50.1	86.5	61.6	106.7	120.9
JVA	-0.7	-2.9	-3.1	0.0	0.0
EBIT	15.8	53.1	29.0	70.9	85.1
Finance costs	-14.8	-12.8	-15.9	-15.5	-17.0
PBT	1.0	40.3	13.1	55.4	68.1
Taxation	-1.7	-3.6	-6.2	-13.3	-16.4
PAT	-0.7	36.7	6.9	42.1	51.8
MI	-0.1	-0.1	-0.2	0.0	0.0
PATAMI	-0.6	36.8	7.1	42.1	51.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core PATAMI	-0.6	36.8	7.1	42.1	51.8

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
Sharehldr. 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

Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
Growth					
Revenue	-13%	9%	13%	39%	5%
EBIT	-54%	>100%	-45%	145%	20%
PBT	-94%	>100%	-68%	325%	23%
PAT	-109%	>100%	-81%	513%	23%
PATAMI	-107%	>100%	-81%	496%	23%
Core PATAMI	-104%	>100%	-81%	496%	23%
Profitability					
EBIT margin	2%	7%	3%	6%	7%
PBT margin	-	5%	2%	5%	5%
PAT margin	-	5%	1%	4%	4%
PATAMI margin	-	5%	1%	4%	4%
Core PATAMI margin	-	5%	1%	4%	4%
Effective Tax Rate	N/A	-9%	-47%	-24%	-24%
ROE	N/A	5.2%	1.0%	5.6%	6.4%
ROA	N/A	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	6.0	11.6
NDPS (sen)	1.0	1.0	1.0	1.0	1.0
BV/share (RM)	2.04	2.01	2.02	2.07	2.19
Core PER (x)	-821.9	13.1	68.6	22.7	11.9
Net Div. Yield (%)	0.7	0.7	0.7	0.7	0.7
PBV (x)	0.67	0.68	0.68	0.66	0.63

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 BHD	MP	7.80	7.54	-3.3%	21,992.8	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	2.98	3.00	0.7%	10,448.4	Y	03/2025	13.0	14.4	-6.5%	11.2%	23.0	20.7	1.1	4.8%	8.0	2.7%
KERJAYA PROSPEK GROUP BHD	OP	1.90	2.24	17.9%	2,396.0	Y	12/2024	14.2	16.4	33.3%	15.4%	13.4	11.6	1.7	13.0%	10.0	5.3%
KIMLUN CORP BHD	OP	1.37	1.69	23.4%	484.1	Y	12/2024	6.0	11.5	200.0%	91.5%	22.7	11.9	0.6	2.8%	1.0	0.7%
SUNWAY CONSTRUCTION GROUP	MP	4.27	4.28	0.2%	5,505.6	Y	12/2024	14.0	20.4	6.1%	45.7%	30.6	21.0	6.0	20.7%	6.0	1.4%
WCT HOLDINGS BHD	OP	1.03	1.43	38.8%	1,542.2	Y	12/2024	3.8	6.2	-78.9%	63.2%	27.3	16.7	0.5	1.8%	0.5	0.5%
SECTOR AGGREGATE					**42,369.0**					**42.2%**	**24.9%**	**21.0**	**16.8**	**1.5**	**7.3%**		**2.0%**

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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