

28 February 2025

Kimlun Corporation

FY24 Results Beat; Upgrade to OP

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KIMLUN has finally delivered an improved set of results with FY24 core profit of RM17.2m surpassing both our and consensus estimates. This was driven by higher-than-expected construction earnings in 4QFY24 along with improved profit margin. FY25 earnings are expected to improve further, supported by an outstanding order book of RM3.11b. Since our downgrade last November, the share price has contracted 26%, presenting a buying opportunity, and the chief reason behind the upgrade to OP with unchanged TP of RM1.36.

FY24 results beat forecasts, with core profit of RM17.2m beating our forecast (RM8.8m) by 96% and consensus estimate (RM15.0m) by 15%. This was due to better-than-expected construction earnings with improved profit margins. It declared a final NDPS of 2.0 sen in FY24 which is higher than our 1.0 sen projection and 1.0 sen paid in FY23.

Higher work progress drove sequential results... 4QFY24 core profit bounced strongly to RM15.7m from RM2.8m in 3QFY24, thanks to the acceleration of construction progress for Sarawak-Sabah Link Road (segment revenue rose 16% QoQ) and higher production of precast products (segment revenue increased 50% QoQ) for new sales orders. The higher business activities led to improvement in its gross margins and hence better profitability.

...and a strong recovery in FY24. Similarly, higher construction progress claim boosted topline with FY24 revenue soaring 42% to RM1.21b. This lifted its core profit to RM17.2m from RM7.1m previously. The improved results were also attributed to improved profit margin with construction margin rising to 6.3% from 3.9% previously.

Outlook. As at Dec 2024, its construction outstanding order book stood at RM3.11b (from RM3.16b three month ago) while that of manufacturing unit stood at RM310m (from RM370m previously). Moving forward, we expect a better outlook for KIMLUN in FY25 backed by the roll-out of public infrastructure projects with improved profit margin after 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, and, (iii) semiconductor factories.

Forecasts. Despite a strong 4QFY24, we keep our FY25 forecasts unchanged as we want to see its earnings substantiality before we upgrade our forecasts. However, we raised our FY25 NDPS projection to 2.0 sen from 1.0 sen. We also introduce new FY26 earnings forecasts where we expect earnings to grow at 42% with NDPS assumption of 2.0 sen. Our new annual job win assumptions for FY25-FY26 are RM1.0b.

Valuations. We maintain our TP of RM1.36 based on unchanged 12x FY25F PER for its construction business, at a discount to the 22x we ascribed to mid-sized to large contractors given KIMLUN's much smaller size and poorer earnings quality. 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 RM3.11b which will keep it

OUTPERFORM ↑

Price: **RM0.935**
Target Price: **RM1.36** ↔

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-22.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KICB MK EQUITY
Market Cap (RM m)	330.4
Shares Outstanding	353.4
52-week range (H)	1.77
52-week range (L)	0.82
3-mth avg. daily vol.	329,787
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)	2024A	2025F	2026F
Turnover	1207.4	1186.4	1446.0
EBIT	92.9	61.4	85.7
PBT	67.5	35.6	57.3
Net profit	50.3	27.0	42.5
Core net profit	17.2	27.0	41.5
Consensus	15.0	41.4	80.9
Earnings Revision	-	-	NEW
Core EPS (sen)	4.9	7.7	11.8
Core EPS growth (%)	144.4	56.8	53.6
NDPS (sen)	2.0	2.0	2.0
NTA per Share (RM)	2.15	2.23	2.35
Price to NTA (x)	0.4	0.4	0.4
PER (x)	19.2	12.2	8.0
Net Gearing (x)	0.79	0.82	0.81
ROA (%)	0.8	1.2	1.8
ROE (%)	2.3	3.4	5.0
Net Div. Yield (%)	2.1	2.1	2.1

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busy for the next 2-3 years. Since our recommendation downgrade three months ago, the stock has fallen sharply by 26%. With improved earnings prospects backed by higher business activities and profit margin, we now see a buying opportunity. Thus, we upgrade the stock to **OUTPERFORM** from 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.

Income Statement								
FYE Dec (RM m)	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
	FY24	FY24		FY23		FY24	FY23	
Revenue	396.2	323.9	22%	263.9	50%	1,207.4	852.6	42%
COGS	-359.6	-296.4	21%	-244.1	47%	-1,108.9	-791.0	40%
GP	36.7	27.5	33%	19.8	85%	98.5	61.6	60%
Other Income	4.1	1.6	157%	5.4	-23%	51.2	8.4	512%
Selling and Admin Expenses	-14.2	-18.1	-22%	-10.5	35%	-57.1	-37.8	51%
Finance Costs	-7.8	-6.4	23%	-4.5	75%	-25.4	-15.9	60%
JV	0.3	0.1	192%	-1.3	124%	0.3	-3.1	110%
PBT	19.0	4.7	308%	8.9	114%	67.5	13.1	417%
Tax	-3.4	-2.0	74%	-2.3	50%	-17.6	-6.2	185%
PAT	15.6	2.7	477%	6.6	136%	49.9	6.9	625%
MI	-0.1	-0.1	18%	0.0	100%	-0.5	-0.2	162%
Net Profit	15.7	2.8	466%	6.7	136%	50.3	7.1	613%
Exceptional Items	0.0	0.0	N/A	0.0	N/A	33.1	0.0	N/A
Core Net Profit	15.7	2.8	466%	6.7	136%	17.2	7.1	144%
NDPS (sen)	2.0	0.0	N/A	1.0	100%	2.0	1.0	100%
EBIT Margin	9.3%	8.5%		7.5%		8.2%	7.2%	
PBT Margin	4.8%	1.4%		3.4%		5.6%	1.5%	
Net Margin	4.0%	0.9%		2.5%		4.2%	0.8%	
Core Profit Margin	4.0%	0.9%		2.5%		1.4%	0.8%	
Effective Tax	17.9%	42.0%		25.6%		26.1%	47.3%	

Source: Company, Kenanga Research

Segmental Breakdown								
FYE Dec (RM m)	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
	FY24	FY24		FY23		FY24	FY23	
Revenue								
Construction	321.2	276.7	16%	207.6	55%	998.8	638.5	56%
Manufacturing & Trading	70.3	46.8	50%	49.7	41%	200.1	190.2	5%
Property Development	4.7	0.4	1201%	6.6	-29%	8.6	23.8	-64%
Investment	0.0	0.0	167%	0.0	100%	0.0	0.0	36%
Total	396.2	323.9	22%	263.9	50%	1,207.4	852.6	42%
Gross Profit								
Construction	23.3	19.0	23%	10.8	116%	62.9	25.1	151%
Manufacturing & Trading	19.2	15.0	28%	10.5	82%	56.5	37.0	53%
Property Development	0.0	0.0	-43%	1.1	-98%	-0.1	4.0	-103%
Investment	1.5	5.5	-72%	1.5	2%	10.0	8.9	12%
Elimination	-7.4	-12.0	-38%	-4.1	79%	-30.8	-13.4	130%
Total	36.7	27.5	33%	19.8	85%	98.5	61.6	60%
Gross Margins								
Construction	7.3%	6.9%		5.2%		6.3%	3.9%	
Manufacturing & Trading	27.3%	32.0%		21.2%		28.3%	19.5%	
Property Development	0.4%	8.3%		16.7%		-1.4%	16.7%	
Total	9.3%	8.5%		7.5%		8.2%	7.2%	

Source: Company, Kenanga Research

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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.
Stocks Under Coverage																	
GAMUDA	OP	4.44	5.46	23.0%	25,324.5	Y	07/2025	23.8	29.6	47.0%	24.5%	18.7	15.0	2.0	11.4%	10.0	2.3%
IJM	OP	2.23	3.00	34.5%	7,818.8	Y	03/2025	11.7	13.6	-17.1%	17.0%	19.1	16.3	0.8	4.2%	8.0	3.6%
KERJAYA	MP	2.10	2.21	5.2%	2,648.2	Y	12/2024	14.2	17.5	33.3%	23.4%	14.8	12.0	1.8	13.0%	10.0	4.8%
KIMLUN	OP	0.935	1.36	45.5%	330.4	Y	12/2025	7.7	11.8	56.8%	53.6%	12.2	8.0	0.4	3.4%	2.0	2.1%
SUNCON	OP	4.43	4.52	2.0%	5,711.9	Y	12/2025	19.5	21.1	55.9%	7.8%	22.7	21.0	5.5	26.2%	8.5	1.9%
WCT	OP	0.795	1.29	62.3%	1,239.3	Y	12/2025	5.0	5.6	67.4%	12.7%	15.9	14.1	0.3	2.1%	0.5	0.6%
Sector Aggregate					43,073.1					35.3%	21.2%	18.8	15.5	1.5	7.9%		2.5%

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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