

Ann Joo Resources Berhad

Venturing Into New Space

TP: RM1.64 (+27.1%)

Last Traded: RM1.29

Buy (ESG: ★★★★★)

Raymond Ng Ing Yeow

Tel: +603-2167 9601

raymondng@ta.com.my

www.taonline.com.my

Bags Design-and-Build Project Worth RM297.9mn

ANNJOO and its consortium partner, PT Lumintu Insan Mandiri (PT LUMINTU), have secured a contract worth RM297.9mn on 14 June 2024 from Tenaga Switchgear Sdn Bhd, a subsidiary of Tenaga Berhad (TENAGA). This contract involves the design and build for the electrification of the East Coast Rail Link (ECRL) feeder stations, including a 132kV switching station, overhead transmission lines, underground cable installation, and associated works.

The Indonesia-based company, PT LUMINTU primarily specialises in engineering services, procurement, and project management services provider in construction space, which includes civil, mechanical, and electrical works.

Notably, the feeder stations are namely: (a) FS03-Sg Tong, Terengganu, (b) FS04-Merchang, Terengganu, (c) FS05-Kemasek, Terengganu, (d) FS07-Gambang, Pahang, (e) FS08-Maran, Pahang.

This project is expected to be completed by 31 May 2026.

Our View

We are positive about this new job win, as it marks ANNJOO's first move towards vertical expansion, which will complement its existing core operations. ANNJOO is on the verge of entering the utility infrastructure sector to capitalise on the increasing demand for electricity, driven by robust population growth and rising foreign direct investment (FDI) in the data centre industry.

Notably, TNB's indicative CAPEX is approximately RM15bn per annum for upgrading the power grid, aligning with the goals established by the New Energy Transition Roadmap (NETR). This development will stimulate demand for steel products, as more steel-based wiring and cabling will be required to support the grid upgrades. Partnering with PT LUMINTU allows ANNJOO to expedite the diversification process and better secure domestic utility infrastructure projects, leveraging PT LUMINTU's construction expertise and internalising the steel supply chain.

Impact

We maintain our FY25/26/27F earnings forecasts unchanged as we await additional information on the consortium's shareholding structure.

Valuation

Following the new job secured, we are revising our target PER from 11x to 12x, resulting in a new TP of **RM1.64**. We believe this valuation is fair, considering the following factors: (i) ANNJOO stands to be the biggest beneficiary as the key supplier of steel materials for the Penang LRT project, supported by its cost competitiveness from its steel-making plant in Prai, Penang, (ii) increasing construction activities from the revitalization of the

Share Information

Bloomberg Code	AJR MK
Bursa	ANNJOO
Stock Code	6556
Listing	Main Market
Share Cap (mn)	561.4
Market Cap (RMmn)	724.2
52-wk Hi/Lo (RM)	1.36/1.01
12-mth Avg Daily Vol ('000 shrs)	1337.4
Estimated Free Float (%)	28.4
Beta	1.4

Major Shareholders (%)

AnnJoo Corp Sdn Bhd	- 35.5
Lim Seng Chee & Sons Sdn-	13.5
LSQ & Sons Sdn Bhd	- 11.6

Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	20.8	76.8
Consensus	(44.5)	47.9
TA's / Consensus (%)	(46.8)	160.4
Previous Rating	Buy (Maintained)	
Consensus Target Price	1.41	

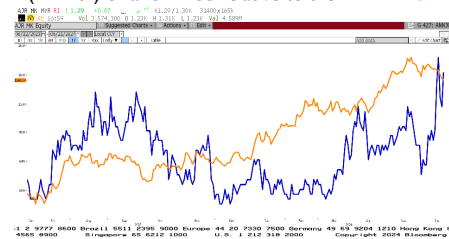
Financial Indicators

	FY24	FY25
Net Debt / Equity (%)	114.0	106.5
CFPS (sen)	15.6	(2.7)
Price / CFPS (x)	8.3	(48.3)
ROA (%)	0.7	2.4
NTA/Share (sen)	2.2	2.3
Price/NTA (x)	0.6	0.6

Share Performance (%)

Price Change	ANNJOO	FBM KLCI
1 mth	7.5	(2.0)
3 mth	19.4	3.2
6 mth	21.7	9.3
12 mth	24.0	14.1

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

property sector are driving higher demand for steel products, and (iii) the upgrading of the power grid, in line with TNB's NETR goals, further boosts demand for steel products. Maintain **Buy** call on the stock.

Earnings Summary

Profit & Loss (RMmn)

YE Dec 31 (RMmn)	2022	2023	2024F	2025F	2026F
Revenue	3035.0	2508.1	2461.0	2609.1	2719.5
EBITDA	(133.2)	28.4	101.4	172.9	182.5
Dep. & amortisation	(37.7)	(37.2)	(51.7)	(50.4)	(48.1)
Net finance cost	(37.3)	(62.6)	(25.0)	(25.0)	(25.0)
PBT	(203.3)	(63.4)	27.0	99.8	111.7
Taxation	70.1	56.3	(6.2)	(22.9)	(25.7)
Net profit	(133.1)	(7.1)	20.8	76.8	86.0
Core profit	(83.8)	(136.4)	20.8	76.8	86.0
GDPS (sen)	0.0	0.0	0.0	4.5	4.5
Div Yield (%)	0.0	0.0	0.0	3.5	3.5

Cash Flow (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
PBT	(203.3)	(63.4)	27.0	99.8	111.7
Non cash expenses	138.3	(30.0)	74.1	72.8	70.5
Non Operating expenses	(53.0)	(60.9)	(28.9)	(45.6)	(48.4)
Changes in WC	64.4	40.1	(132.1)	(72.2)	(53.8)
Operational cash flow	(53.5)	(114.2)	(59.9)	54.7	80.1
Capex	(52.6)	(40.6)	(20.0)	(20.0)	(20.0)
Others	(17.2)	(10.5)	5.0	5.0	5.0
Investment cash flow	(69.8)	(51.1)	(15.0)	(15.0)	(15.0)
Debt raised/(repaid)	190.6	156.7	150.2	(50.0)	(50.0)
Dividend	(33.5)	0.0	(6.2)	(23.0)	(25.8)
Others	16.6	(8.6)	18.3	18.3	18.3
Financial cash flow	173.8	148.1	162.3	(54.7)	(57.5)
Forex effect	5.5	3.8	0.0	0.0	0.0
Net cash flow	55.9	(13.4)	87.4	(15.0)	7.6
Beginning cash	65.1	121.0	107.6	195.0	180.0
Ending cash	121.0	107.6	195.0	180.0	187.5

Balance Sheet (RMmn)

YE Dec 31	2022	2023	2024F	2025F	2026F
Fixed assets	861.1	1189.6	1160.3	1106.9	1055.7
Others	249.8	349.9	349.9	349.9	349.9
NCA	1110.9	1539.5	1510.1	1456.7	1405.6
Cash	133.4	118.7	195.0	180.0	187.5
Others	1477.0	1516.4	1425.0	1510.2	1573.7
CA	1610.4	1635.0	1620.0	1690.2	1761.2
Asset Held for Sale	4.9	0.0	0.0	0.0	0.0
Total assets	2726.2	3174.5	3130.2	3146.9	3166.8
ST borrowings	1208.3	1293.9	1444.2	1394.2	1344.2
Other liabilities	246.4	477.3	226.6	239.6	249.3
CL	1454.8	1771.2	1670.8	1633.8	1593.5
Shareholders' funds	1192.8	1198.9	1238.5	1292.2	1352.5
LT borrowings	21.1	162.2	162.2	162.2	162.2
Other LT liabilities	57.5	42.2	58.7	58.7	58.7
NCL	78.6	204.4	220.9	220.9	220.9
Total capital	2726.2	3174.5	3130.2	3146.9	3166.8

Ratio

YE Dec 31	2022	2023	2024F	2025F	2026F
EBITDA Margins (%)	(4.4)	1.1	4.1	6.6	6.7
Core EPS (sen)	(15.0)	(24.3)	3.7	13.7	15.3
EPS Growth (%)	(123.5)	62.0	(115.3)	269.2	12.0
PER (x)	(8.6)	(5.3)	34.8	9.4	8.4
GDPS (sen)	0.0	0.0	0.0	4.5	4.5
Div Yield (%)	0.0	0.0	0.0	3.5	3.5
Net cash (RMmn)	(1096.0)	(1337.5)	(1411.4)	(1376.4)	(1318.9)
Net gearing (%)	91.9	111.6	114.0	106.5	97.5
ROE (%)	(6.7)	(11.4)	1.7	6.1	6.5
ROA (%)	(3.1)	(4.3)	0.7	2.4	2.7
NTA (RM)	2.1	2.1	2.2	2.3	2.4
P/NTA(x)	0.6	0.6	0.6	0.6	0.5

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★	★★★	★★★
Remark	Noted effort in waste, energy and water management. Steel products are being recycled as scrap and reused as raw materials. The off-gas is being used substantially to replace natural gas requirements.	The group has set up Yayasan Jasa Ann Joo, a charitable arm that mainly focuses on corporate social responsibilities.	The board is represented by 33.3% independent directors. Further improvement is needed in term of female participation in the board level (11.1% female board representation).	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

Disclaimer

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As of Monday, June 24, 2024, the analyst, Raymond Ng Ing Yeow, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22, Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048
www.ta.com.my