

KKB Engineering Berhad

(1651 | KKB MK) Main | Construction

Maintain BUY

Maiden Jobs Awarded in 2020

Unchanged Target Price: RM1.52

KEY INVESTMENT HIGHLIGHTS


- **Two contracts awarded to KKB Engineering from Petronas Carigali Sdn Bhd and PTTEP Sarawak Oil Limited**
- **Contracts duration are 19 months and 11 months respectively**
- **Expected to generate positive impacts on earnings**
- **Maintain BUY with unchanged TP of RM1.52**

Two contracts clinched by KKB Engineering's subsidiary, OceanMight Sdn Bhd. The first contract awarded was from Petronas Carigali Sdn Bhd for the Provision of Engineering, Procurement, Construction, Commissioning (EPCC) & Installation of Wellhead Platform for BKD-A and Host Tie-In Modification at BNCPP-B Topsides - Bakau Non-Associated Gas Development Project. The second contract was from PTTEP Sarawak Oil Limited for the Provision of Engineering, Procurement, Construction and Commissioning (EPCC) of Pemanis Satellite (PESA) Topside for PTTEP's Sarawak SK309 Development.

Duration of contracts. The project execution period is 19 months for the contract from Carigali Sdn Bhd. Meanwhile, for PTTEP Sarawak Oil Limited contract the scheduled completion is within 11 months.

Impacts on earning. These contracts provide earnings visibility until FY21. Moving forward, this project is expected to contribute positively towards the earnings and net assets of the Group for the duration of the contract.

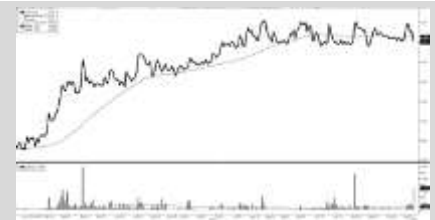
Changes to estimates. We make no changes to our estimates as the total value of new jobs secured is within our contract replenishment expectation.

Maintain BUY. We maintain our BUY recommendation on KKB with an unchanged TP of RM 1.52. This implies PER of 21x of FY20 EPS. The TP accorded is pegged to a higher PBV of 1.2x (+1 SD of 1-year average) that is reflective of (1) the group's growth prospect in the Oil & Gas Engineering segment, and (2) recovery in earnings margin. 

RETURN STATISTICS

Price @ 6 Jan 2020 (RM)	RM1.40
Expected share price return (%)	+8.6
Expected dividend yield (%)	+1.4
Expected total return (%)	+10.0

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.78	-4.56
3 months	-6.04	-5.87
12 months	61.85	69.15

KEY STATISTICS

FBM KLCI	1,597.76
Syariah compliant	Yes
Issue shares (m)	257.79
Estimated free float (%)	19.17
Market Capitalisation (RM'm)	360.91
52-wk price range	0.85 - 1.58
Beta vs FBM KLCI (x)	1.00
Monthly velocity (%)	11.02
Monthly volatility (%)	20.85
3-mth average daily volume (m)	0.23
3-mth average daily value (RM'm)	0.33
Top Shareholders (%)	
Kho Kak Beng Holding Co Sdn Bhd	42.97
Kumpulan Wang Persaraan Diperbadan	6.96
Sultan Azlan Shah Eleena Binti	4.69

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INVESTMENT STATISTICS

FYE Dec	FY2016	FY2017	FY2018	FY2019F	FY2020F
Revenue (RMm)	103.1	209.3	412.5	521.6	590.9
Pretax Profit (RMm)	(9.1)	6.4	29.5	52.2	41.4
Profit After Tax (RMm)	(5.7)	3.3	23.0	43.3	26.6
Normalized PATANCI (RMm)	(5.8)	1.6	17.6	25.1	18.6
PATANCI margin (%)	(5.6)	0.8	4.3	4.8	3.2
EPS (sen)	(2.2)	0.6	6.8	9.7	7.2
EPS Growth (%)	n.a.	n.a.	>100	42.4	(25.9)
PER (x)	(64.7)	218.8	20.5	14.4	19.4
Net Dividend (sen)	0.0	2.0	4.0	2.0	2.0
Dividend yield (%)	0.0	1.4	2.9	1.4	1.4

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.