23 June 2020

Energy & Utilities | EPCC Services

Kumpulan Powernet (KPB MK)

Buy

This Is Just The Beginning

Target Price (Return):	MYR3.46 (44.2%)
Price:	MYR2.40
Market Cap:	USD47.1m
Avg Daily Turnover (MYR/USD)	3.27m/0.75m

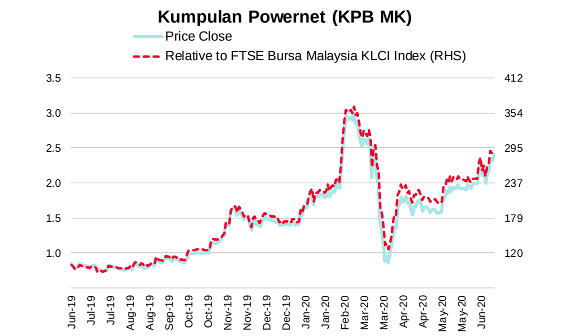
- **Initiate coverage with a BUY of TP MYR3.46, 44% upside,** pegged to 14x FY21 (Jun) P/E. Kumpulan Powernet Berhad (KPOWER) is poised to transform into an energy and utilities services player following the new shareholders and management team on board since Jun-19. We favour the stock for its i) exponential earnings CAGR of 149%, ii) potential doubling of orderbook by end-FY21, iii) superior ROEs and iv) undemanding valuation of 9.7x.
- **New board members and management team to drive new ventures.** Following Dato' Dr. Ir. Ts. Mohd Abdul Karim Abdullah, founder of Serba Dinamik (SDH MK, Buy, TP: MYR2.55) and Grand Deal Vision SB (a private company owned by Mustakim Mat Nun (49%) and Sarah Azreen Abdul Samat (51%))'s acquisition in KPOWER in Jun-19, new board members and management team were introduced. As such, KPOWER is re-positioned to be an end-to-end provider of concession-based renewable energy infrastructure, focusing on hydro, solar, waste-to-energy and biomass.
- **Orderbook targeted to hit MYR2bn by end-FY21.** KPOWER has demonstrated its ability to win big contracts by securing c.MYR1bn new jobs with over the past one year. The company is looking to achieve MYR2bn orderbook by end of FY21, implying orderbook replenishment of >MYR1bn. Current bid value stands at MYR3.0bn, whereby 65% of it is attributable to the energy segment, followed by the infrastructure and utilities sectors at 34% and 1%. We would believe that these job opportunities especially in the Middle East leverage on the connections of Dato' Karim –who also has a strong presence in the region.
- **Turnaround and streamlining of existing business.** KPOWER's textile manufacturing factory underwent review and refurbishment in Oct 2019. Despite the disruption caused by MCO, management is still looking to turnaround the plant by FY21. On the other hand, following the estimated completion of its only commercial property development project in Sentul by 1HFY21, KPOWER will continue to explore any potential deal cautiously.
- **Exponential earnings growth.** We forecast a 3-year earnings CAGR (FY19-22F) of 149% driven by annual contract replenishment of MYR1bn. The recently announced 35% private placement will allow KPOWER to execute projects secured as well as strengthen its balance sheet for future growth. A dividend pay-out policy of at least 20% potentially translates to FY20-22 DPS of 1.8-6.9 sen, implying a yield of 0.7-2.9%.
- **Key risks** include change in government policies towards renewable energy, competition risks, and weaker than expected margins.

Analyst

Sean Lim
+603 9280 8867
sean.lim@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	66.7	25.0	151.3	69.0	171.2
Relative	71.8	20.1	135.6	75.4	181.6
52-wk Price low/high (MYR)					0.75 – 2.99



Source: Bloomberg

Forecasts and Valuation	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Total turnover (MYRm)	6	13	92	291	397
Recurring net profit (MYRm)	(5)	3	9	28	39
Recurring net profit growth (%)	-	-	276.7	196.7	38.4
Recurring P/E (x)	na	108.52	28.80	9.71	7.02
P/B (x)	11.3	11.1	5.3	2.1	1.7
P/CF (x)	na	na	na	26.84	8.48
Dividend Yield (%)	na	na	0.7	2.1	2.9
EV/EBITDA (x)	na	63.12	15.31	4.84	3.50
Return on average equity (%)	(21.1)	2.0	24.9	31.1	26.9
Net debt to equity (%)	net cash	7.5	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia
Malaysia
Utilities
Kumpulan Powernet
KPB MK
Buy

Valuation basis

P/E

Key drivers

i. Higher contract win
ii. Better than expected margins

Key risks

i. Lower than expected orderbook replenishment
ii. Project cost overrun

Company Profile

Started as a manufacturer, KPOWER is also involved in property development and real estate investment. The company is now positioned to venture into energy, utilities, infrastructure and logistics segments.

Financial summary (MYR)	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Recurring EPS	(0.04)	0.02	0.08	0.25	0.34
DPS	-	-	0.02	0.05	0.07
BVPS	0.21	0.22	0.45	1.14	1.41
Return on average equity (%)	(21.1)	2.0	24.9	31.1	26.9

Valuation metrics	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Recurring P/E (x)	na	108.52	28.80	9.71	7.02
P/B (x)	11.3	11.1	5.3	2.1	1.7
FCF Yield (%)	(3.3)	(0.7)	(2.1)	(7.3)	0.7
Dividend Yield (%)	-	-	0.7	2.1	2.9
EV/EBITDA (x)	na	63.12	15.31	4.84	3.50
EV/EBIT (x)	na	229.19	19.31	5.76	4.19

Income statement (MYRm)	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Total turnover	5.73	13.22	91.62	291.07	397.36
Gross profit	(1.22)	4.61	21.99	49.48	67.55
EBITDA	(3.82)	4.19	16.54	46.22	65.52
Depreciation and amortisation	(0.99)	(3.04)	(3.43)	(7.41)	(10.80)
Operating profit	(4.81)	1.16	13.11	38.81	54.72
Net interest	(0.19)	(0.22)	(0.71)	(2.02)	(3.81)
Pre-tax profit	(5.00)	0.94	12.40	36.78	50.90
Taxation	0.02	(0.46)	(2.98)	(8.83)	(12.22)
Reported net profit	(4.98)	0.49	9.42	27.95	38.69
Recurring net profit	(4.54)	2.50	9.42	27.95	38.69

Cash flow (MYRm)	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Change in w orking capital	0.0	(4.0)	(16.5)	(25.3)	(17.5)
Cash flow from operations	(9.0)	(1.6)	(3.7)	10.1	32.0
Capex	(0.0)	(0.3)	(2.0)	(30.0)	(30.0)
Cash flow from investing activities	0.2	(0.3)	(2.0)	(30.0)	(30.0)
Dividends paid	0.0	0.0	(1.9)	(5.6)	(7.7)
Cash flow from financing activities	12.6	(1.1)	28.1	75.7	28.0
Cash at beginning of period	0.7	4.5	1.5	24.0	79.8
Net change in cash	3.7	(3.0)	22.5	55.8	30.0
Ending balance cash	4.5	1.5	24.0	79.8	109.9

Balance sheet (MYRm)	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Total cash and equivalents	4.5	1.5	24.0	79.8	109.9
Tangible fixed assets	13.5	12.8	11.3	33.9	53.1
Total investments	8.3	8.1	8.1	8.1	8.1
Total assets	36.0	41.1	88.6	241.5	334.4
Short-term debt	1.3	1.0	2.9	8.1	15.3
Total long-term debt	2.9	2.3	11.4	32.4	61.0
Total liabilities	12.3	16.9	37.9	113.3	175.3
Total equity	23.6	24.1	50.7	128.2	159.1
Total liabilities & equity	36.0	41.1	88.6	241.5	334.4

Key metrics	Jun-18	Jun-19	Jun-20F	Jun-21F	Jun-22F
Revenue grow th (%)	0.0	130.9	593.2	217.7	36.5
Gross margin (%)	(21.3)	34.9	24.0	17.0	17.0
Operating EBITDA margin (%)	(66.7)	31.7	18.1	15.9	16.5
Net profit margin (%)	(87.0)	3.7	10.3	9.6	9.7
Dividend payout ratio (%)	0.0	0.0	20.0	20.0	20.0
Capex/sales (%)	0.4	2.1	2.2	10.3	7.5
Interest cover (x)	(24.9)	5.4	18.3	19.2	14.4

Source: Company data, RHB

Valuation and Recommendation

Peers Comparison. While bulk of the future earnings will be contributing from energy and utilities industries, we believe KPOWER should be comparable to the peers within this space rather than property developers or manufacturers. Apart from the utilities stocks under our coverage, one of the peers that we are comparing is Mega First Corporation (MFCB MK, Not Rated) as the company is also involving in construction of hydropower plant in Laos. However, KPOWER do not own any of these plants to generate recurring income. For the other renewable energy players, Solarvest is the sole pure-play solar EPCC firm while Cypark Resources produces electricity from renewable resources mainly from solar, biogas, biomass, municipal solid waste, and organic waste despite bulk of its earnings is derived from rehabilitation of landfill sites. Both are trading at huge P/E differential where Solarvest is at 23x FY21 P/E and the latter at only 5x FY21 P/E. Alternatively, as KPOWER's near term earnings is rather construction related in nature, some would argue that KPOWER can also be comparable to construction companies.

Initiating coverage with a BUY with MYR3.46 Target Price. We value KPOWER at MYR3.46 pegged to 14.0x FY21 P/E. We have factored in the recently proposed 35% placement shares to have a higher share base. Our valuation is in line utilities peers of 13.8x, slight discount to the FBMSC's 14.5x and c.10% premium to the KL Construction (KLCON) Index's valuation of 12.6x FY21 P/E. We reckon that our valuation is justified backed by its exponential three year CAGR growth of 149% even though KPOWER do not have any equity stake in power infrastructure or renewable energy assets to generate recurring income.

Figure 7 : Peer comparison

Company	FYE	Price	Mkt Cap (MYRm)	PER (x)			Div. Yld (%)	ROE (%)	PBV (x)	NP Growth (%)	
				Actual	1 Yr Fwd	2 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	2 Yr Fwd
KPOWER	JUN	2.40	201.04	108.5	28.8	9.7	1.7	18.4	5.3	276.7	196.7
Peers											
Malakoff	DEC	0.88	4301	13.4	14.4	13.5	6.7	4.5	0.7	5.4	2.0
YTL Power	JUN	0.69	5296	11.1	16.7	14.2	5.4	2.5	0.4	10.4	0.8
Petronas Gas	DEC	17.20	34034	17.6	18.4	18.4	4.2	13.6	2.5	9.6	107.7
Tenaga Nasional	DEC	11.78	67200	14.8	13.2	12.5	4.4	8.6	1.1	7.4	2.2
Cypark Resources	OCT	0.96	442	4.8	5.5	5.4	4.1	10.5	0.6	8.1	1.6
Solarvest	MAR	1.53	598	53.7	35.6	23.1	0.0	29.6	7.3	27.8	0.4
Mega First Corp	DEC	5.99	2726	17.7	9.6	9.2	5.0	17.1	1.4	6.9	2.6
Average				**19.0**	**16.2**	**13.8**	**4.2**	**12.3**	**2.0**	**10.8**	**16.7**

Source: Company data, RHB, Bloomberg

Investment Thesis

New board members and management team to drive new ventures.

New board members and management team to drive new ventures. Following Dato' Dr. Ir. Ts. Mohd Abdul Karim Abdullah, founder of Serba Dinamik (SDH MK, Buy, TP: MYR2.55) Grand Deal Vision SB (a private company owned by Mustakim Mat Nun (49%) and Sarah Azreen Abdul Samat (51%))'s acquisition in KPOWER in Jun-19, new board members and management team were introduced including Mustakim Mat Nun (Group Managing Director), Sarah Azreen (Non Independent-Non Executive Director), Amirul Afif (Chief Financial Officer). They are professionals and have equipped with in project management and implementation, construction and investment activities especially in utilities and renewable energy. As such, KPOWER is re-positioned to be an end-to-end provider of concession-based renewable energy infrastructure, focusing on hydro, solar, waste-to-energy and biomass.

Figure 1 : Board of Directors

Source: Company

Figure 2 : Key Management Team

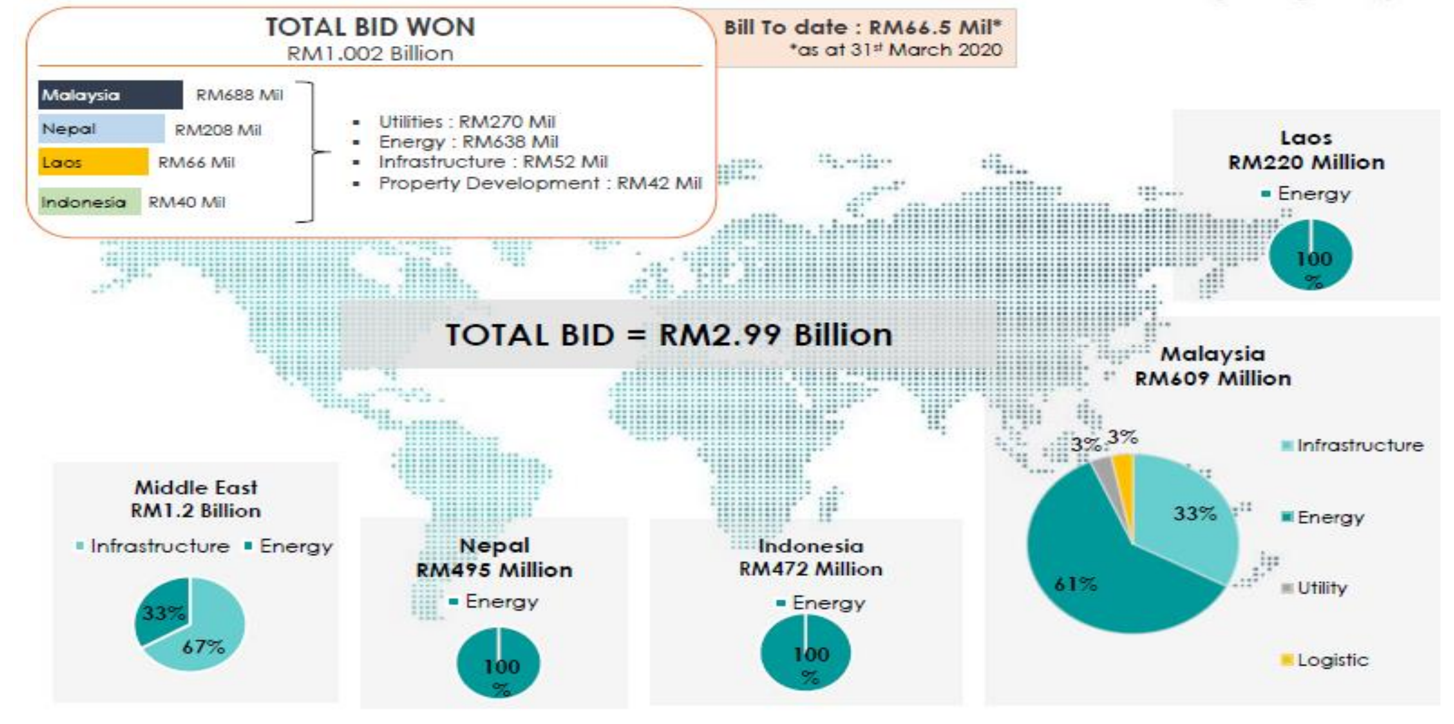
Source: Company

Strong contract flow amidst aggressive bidding.

Strong contract flow in the past one year. KPOWER has demonstrated its ability to win big contracts over the past one year. The company has secured c.MYR1bn new contracts in FY20 (Jun) including MYR354m EPCC of five mini hydropower plants with total capacity of 32.47MW, MYR254m sewerage facilities and green building construction project, USD48m EPCC of 23MW mini hydro power plant at Nepal, USD16m EPCC of 8MW small hydropower plant at Laos, among others. We gather that the management team has the relevant experiences and they have worked together in previous jobs. Thus, they are capable of executing these jobs by teaming up with their respective partners, consultants, suppliers and contractors.

Orderbook targeted to hit MYR2bn by end-FYE(Jun)21. Moving forward, KPOWER is looking to achieve MYR2bn orderbook by end of FY21, implying orderbook replenishment of >MYR1bn. Current bid value stands at MYR3.0bn, whereby 65% of it is attributable to the energy segment, followed by the infrastructure and utilities sectors at 34% and 1%. Interestingly, 40% of the tenders were secured from the Middle East, while the remaining are from Malaysia (20%), Nepal (17%), Indonesia (16%) and Laos (7%). While some are being carried out via open tenders, we are guided that a portion of the bids could be achieved via partnership and direct negotiations. Besides the abovementioned countries, KPOWER have also received queries to undertake projects in Philippines. We would believe that these job opportunities especially in the Middle East leverage on the connections of Dato' Karim –who also has a strong presence in the region.

Figure 3 : Current Tender Activities



Source: Company

Potential expansion into logistic segment. One of the new segment that KPOWER intends to venture into is the logistic segment. We notice that only 3% or the Malaysia tender or MYR18m is attributed to the logistic segment. Management explained that these are some potential long term contracts to deliver products in the oil and gas sector. They see opportunities to provide logistic solutions to complement various activities within the networks of shareholders. Thus, we do not discount the possibility of KPOWER being the potential sub-contractor for Serba Dinamik for this matter but the amount of contract may not be very sizeable in the near term. Moving forward, KPOWER is also looking to strengthen this division via mergers and acquisitions (M&A). Management have identified potential candidates and are in the midst of due diligence. We may expect this to happen soonest by 2QFY21.

Turnaround and streamlining of existing business

Textile manufacturing division. The manufacturing division has been incurring losses no thanks to higher raw material costs, operational inefficiencies and increasing competition from both local and overseas manufacturing. The textile manufacturing factory has undergone review and refurbishment in Oct-19 and resumed production subsequently. In order to achieve better process improvement and clientele portfolio expansion, management is currently working with the government agencies, i.e. MITI and other SMIs. However, we understand that plant was shut down during the first two phases of MCO and subsequently resumed operations upon Ministry of International Trade and Industry (MITI)'s approval. Management is eyeing to turnaround this segment in FY21 and to generate revenue of MYR5-6m/annum.

For the property development segment, the only commercial project in Sentul, Kuala Lumpur with GDV of MYR41m on a parcel of commercial development land owned by Yayasan Bekas Wakil Rakyat (Mubarak) Malaysia have been fully sold. The project is 58% completed as of Mar-19 and construction activities have been suspended during MCO period. As the construction works have just resumed recently, we estimate the project to progress by another 5% in 4QFY20 and the completion has been delayed from June 2020 to October 2020. Hence, the unbilled sales of MYR16m will be recognised in 1HFY21.

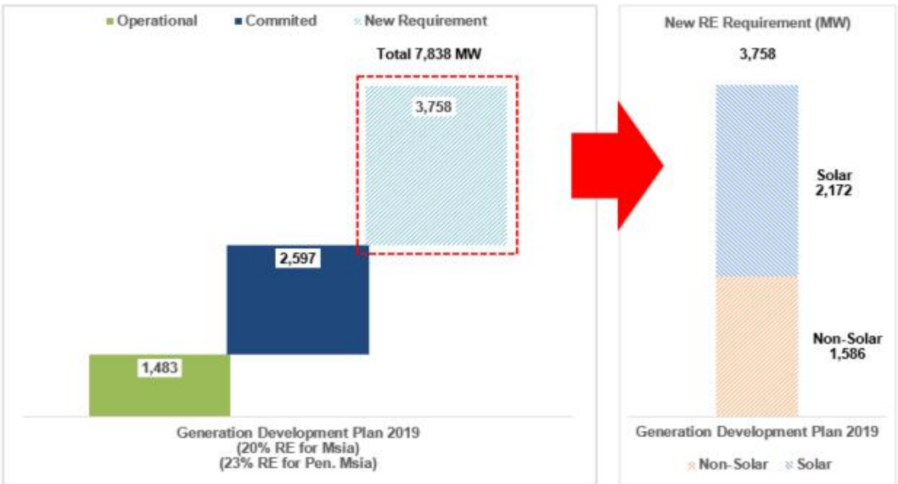
Note that the Government has recently announced several relief measures including stamp duty exemptions, real property gains tax waivers for disposal of up to three residential units until end-2021, as well as the uplifting of the 70% loan-to-value cap for the third housing loan taken. While we reckon that these measures will help to create some new demand for properties, it may not benefit KPOWER much given that the company does not have any on-going development projects to be launched. Management guided that they will continue to explore any potential deal cautiously.

Property Investment marked for disposal. KPOWER owns a 36-room Victorian-style building in Liverpool, UK. The four-floor property with a built-up area of c.1,450 sq metres is rented out as a student accommodation, located strategically within the city centre. The property investment has generated operating profit of MYR1.7m in FY19 and operating losses of MYR0.2m in FY18. In order to better prioritise their new ventures and existing businesses, KPOWER intends to dispose this asset and currently in the midst of identifying potential buyers. The net book value of this asset is MYR8m as of 3QFY20.

Ride on renewable energy growth.

Winning EPCC of mini hydropower plants. In Dec 2019, the Sustainable Energy Development Authority (SEDA) has allocated 176.79 MW to 15 companies that have participated the competitive bidding for small hydropower where each application will be capped at 30 MW per location. Kangsar Hidro Sdn Bhd, one of the awardees has awarded the construction of the five mini hydropower plants with total capacity of 32.47MW to KPOWER. Additionally, KPOWER also secured several EPCC of small and mini hydro pants in Laos and Nepal. This is mainly leverage on the management team which have relevant experiences, expertise and connection.

Figure 4 : New RE requirement to meet the 20% RE capacity mix by 2025



Source: Energy Commission

Aspired to be regional green energy player. Should KPOWER is able to deliver their existing jobs and establish a strong track record, the company is set to ride on the wave of this megatrend. According to *The Renewable Energy Outlook for ASEAN* published by International Renewable Energy Agency, the ASEAN countries collectively have set a regional target of 23% of their primary energy generation derived from renewable energy sources by 2025, of which hydropower will contribute a significant portion in the renewable energy share of power growth. Malaysia targeted to achieve a 20% total renewable energy installed capacity mix by 2025, of which 3758MW of new capacities to be developed in Peninsular Malaysia starting 2020. We understand that about 58% of these capacities is likely to be filled up by solar and the remaining 1586MW to be catered for non-solar. Post 2025, the renewable energy capacity mix will be maintained at 20% for Malaysia.

Eyeing the Large Scale Solar 4 (LSS4) pie. The Ministry of Energy and Natural Resources, via Energy Commission (EC) has offered solar quota of 1,000MW via competitive bidding process under the Large Scale Solar (LSS) programme starting May 31. Applications are open to 100% locally owned companies incorporated or registered in Malaysia and any local Malaysia-listed companies must have at least 75% local shareholding to participate. The maximum bidding capacity of each developer is kept lower at 50MW compared to 100MW in the LSS3 to allow more local solar industry players to participate in the bid. We believe this will provide more investment opportunities to players that are interested in pursuing renewable energy ventures. The management has expressed their interests to bid for the EPCC portion but we believe they will face strong competition from existing players Solarvest (SOLAR MK; Not Rated) and Cypark Resources (CYP MK; Not Rated). KPOWER has not decided to bid as an asset owner and they are still evaluating the opportunities.

Financial Analysis

Turnaround in FY19. KPOWER has been suffering in the red in the past few years, recording net loss of MYR4.0-8.5m in FY14-18. The company managed to turnaround in FY19, returning to the black with a core net profit of MYR2.5m (after stripping off property, plant and equipment impairment) from MYR5.0m in FY18. This is largely underpinned by strong performance of MYR2.3m in 4QFY20 on the back of higher project billings from its property development segment.

9MFY20 Earnings Review. KPOWER recorded net earnings of MYR5.5m in 9MFY20, returning from the red of MYR1.8m in 9MFY19. The better performance is largely underpinned by higher project billings for its property development segment as well as maiden contribution from its newly secured contracts which has been classified under “Construction related activities” division. We expect 4QFY20 earnings to be stronger QoQ on the back of higher billings from the existing contracts in hand despite having some disruption in the property development project due to MCO.

Figure 5 : 9MFY20 results review

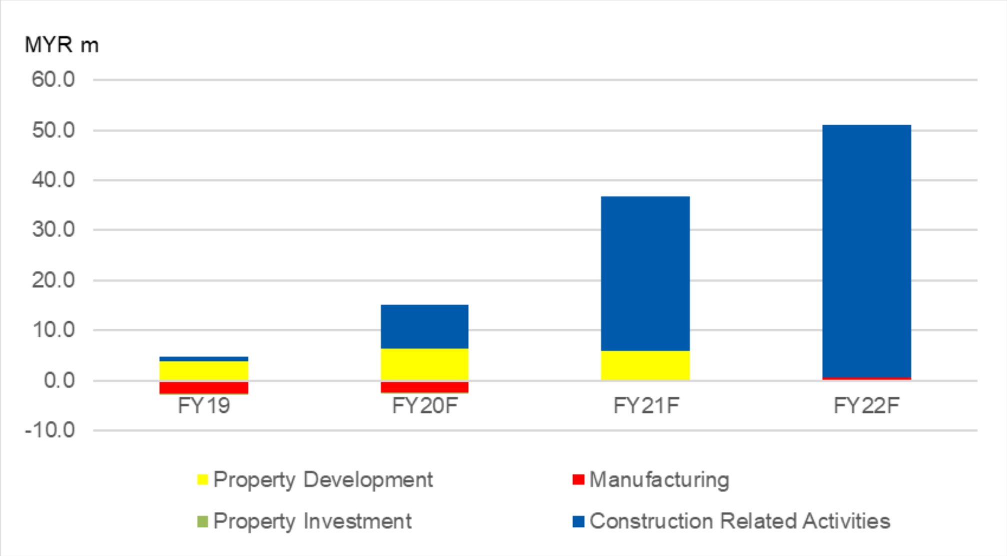
FYE Jun (MYRm)	3Q19	2Q20	3Q20	QoQ (%)	YoY (%)	9M19	9M20	YoY (%)
Revenue	**0.4**	**13.6**	**31.7**	***132.4***	***7355.1***	**1.3**	**56.5**	***4340.4***
EBITDA	**-0.6**	**2.7**	**4.3**	***59.7***	***-820.7***	**-1.5**	**8.7**	***-700.1***
EBITDA margin (%)	*-139.8*	*19.7*	*13.5*			*-114.3*	*15.4*	
Depreciation	-0.1	-0.2	-0.4	*75.8*	*273.8*	0.3	-0.8	*-362.5*
EBIT	**-0.7**	**2.5**	**3.9**	***58.3***	***-659.0***	**-1.8**	**7.9**	***-548.9***
EBIT margin (%)	*-164.0*	*18.0*	*12.3*			*-138.6*	*14.0*	
Interest expense	0.0	0.0	0.0	*40.0*	*4800.0*	-0.1	-0.1	*84.1*
EI/Others	0.0	0.0	0.0	*nm*	*nm*	0.0	0.0	*nm*
Pretax profit	**-0.7**	**2.4**	**3.8**	***58.6***	***-651.1***	**-1.8**	**7.8**	***-527.1***
Tax	0.0	-0.6	-1.2	*105.4*	*nm*	0.0	-2.3	*nm*
Effective tax rate (%)	*0.0*	*23.6*	*30.5*			*0.0*	*29.8*	
Minority interests	0.0	0.0	0.0	*-66.7*	*nm*	0.0	0.0	*Nm*
Net profit	**-0.7**	**1.9**	**2.7**	***43.8***	***-483.1***	**-1.8**	**5.5**	***-400.2***
Core profit	**-0.7**	**1.9**	**2.7**	***43.8***	***-483.1***	**-1.8**	**5.5**	***-400.2***
Net margin (%)	*-164.2*	*13.6*	*8.4*			*-143.6*	*9.7*	

Source: Company data, RHB

Estimated CAGR of 149%. We are forecasting FY20-22 earnings at MYR9.4m, MYR28.0m and MYR38.7m, implying a 3-year CAGR of 149%, coming from a low base of MYR2.5m profit in FY19. Note that we have assumed annual contract replenishment of MYR1.0bn in FY20-22F, 7-15% burn rate as well as average 17% gross margins on these projects. Despite current projects in hand have estimated project duration of 1.5-4 years, we are ascribing a lower orderbook burn rate as projects are still at initial stage and the progress could be affected due to the activities restrictions amidst the COVID-19 pandemic.

New segment anchoring the profit growth. Note that we have not factor any new property development after the completion of the commercial project in Sentul. Therefore, there is no contribution from this segment starting from FY22. On the other hand, we estimate the manufacturing division to breakeven in FY21 and contribute PBT of MYR0.5m in FY22. The new segment, “Construction related activities’ which encapsulates all the newly secured EPCC contracts will be the major earnings contribution.

Figure 6 : Segmental PBT Breakdown FY19-FY22



Source: RHB, Company Data

Continuous fund raising to support growth. KPOWER had completed a 10% private placement in February this year, raising total gross proceeds of MYR13.3m to finance the construction of sewerage treatment facilities and upgrading works as well as the construction of a green building index (GBI) certified building in Kuala Lumpur. As of May, KPOWER had already utilised c. MYR2.1m and the remaining portion will be fully utilised b within the next few months. Last month, KPOWER announced another private placement up to 29.3m or 35% of total number of issued shares in which 17.7% is allocated to existing shareholders (Dato' Karim and Grand Deal), 0.7% to key personnel and the remaining 16.6% to third party investors. The proceed will be used for working capital for construction business and general working capital purposes. At the same time, KPOWER has also proposed to share split of 1 existing shares into 2.

Healthy balance sheet for future growth. Apart from working capital requirement to execute the projects secured, KPOWER will need additional funds for bid bond and performance bond amidst its aggressive bidding. Therefore, the management is in the midst of obtaining credit facilities from the financial institutions. We have forecasted additional debt drawdown or revolving credit of MYR11-36m in FY20-22 and KPOWER is still in net cash position in FY20-22. This provides further room for the company to leverage further for bigger contract win. Management have guided to keep its net gearing at below 1.0x.

Dividend. In Nov-19, KPOWER has adopted a dividend payout ratio of at least 20% of its consolidated profit after tax excluding any unrealised income from adjustments due to accounting policies that are non-cash in nature. At such minimum payout, this will translate to FY20-22 DPS of 1.8-6.9 sen, implying a yield of 0.7-2.9%.

Key Risks

i. **Dependent on government policies and initiatives on renewable energy.** KPOWER is subjected to various laws and policies set by government authorities relating to renewable energy. While there are currently policies and support mechanisms for the renewable energy, such policies may be modified unexpectedly. Demand for hydropower may be adversely affected by any unfavourable policies.

ii. **Competition risks.** KPOWER may face competition coming other similar service providers. Local and international competitors that are able to offer the same services may compete with KPOWER in terms of pricing and service quality.

iii. **Project cost overrun.** Contract value is priced based on estimates and project scheduling that is derived from assumptions such as prices of raw materials and manpower. Should there be any delay in project delivery or error in budgeting, KPOWER may face the risk of cost overrun and eventually erode the projects' profitability.

Business Overview

Company background

KPOWER started as a manufacturer of warp-knitted fabrics from synthetic yarns for the lingerie industry back in 20xx. Currently, the company is able to produce warp-knitted fabrics for the clothing, automotive, household, footwear and industrial segments. Besides manufacturing, KPOWER is also involved in property development and real estate investment and intends to venture into energy, utilities, infrastructure and logistics segments in the future.

Emergence of new substantial shareholders since Jun-19. Dato' Karim acquired 20.04% stake in KPOWER while another 10.18% stake was acquired by Grand Deal Vision Sdn Bhd, a private company owned by Mustakim Mat Nun (49%) and Sarah Azreen Abdul Samat (51%). A mandatory general offer (MGO) of MYR1 was given to the remaining shareholders after Dato' Karim raised his stakes by another 16.09% in Oct-19.

Figure 8: Property Investment in UK

Source: Company data

Figure 9: Construction site of commercial property project in Sentul

Source: Company data

Figure 10: Textile Manufacturing plant

Source: Company data

Source: Company data

Figure 11: Shareholders Breakdown and Effect of 35% Placement

Major Shareholders	Pre 35% Placement	Post 35% Placement
Dato' Dr. Ir. Ts. Mohd Abdul Karim Abdullah	34.69%	34.01%
Grand Deal	13.73%	14.94%
Mustakim Mat Nun	0.42%	0.31%
Amirul Afif Abd Aziz	0.07%	0.32%

Source :Company data

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-06-22			

Source: RHB, Bloomberg

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

HONG KONG

RHB Securities Hong Kong Ltd.
12th Floor, World-Wide House
19 Des Voeux Road
Central
Hong Kong
Tel : +852 2525 1118
Fax : +852 2810 0908

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RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

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RHB Securities Singapore Pte Ltd.
10 Collyer Quay
#09-08 Ocean Financial Centre
Singapore 049315
Tel : +65 6533 1818
Fax : +65 6532 6211