

Jakel emerges as Cypark's largest shareholder via RM67.1mil investment

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KUALA LUMPUR: Jakel Group has emerged as the single largest shareholder of Cypark Resources Bhd with a 27.33 per cent direct and indirect stake.

This follows a private placement of 176.65 million new shares by Cypark for RM67.1 million in November last year.

The strategic investment was undertaken through its investment arm Jakel Capital Sdn Bhd, the group said in a statement today.

"This strategic investment marks an important milestone in the enterprising journey of Jakel Group to strategically rebalance its investment exposure in existing textile trading and wholesale and property development businesses with the incorporation of environmental, social and governance (ESG) investing into its portfolio.

Jake Capital chief executive officer Muhammad Ashraf said investing in Cypark had provided the group with a timely opportunity to play an active role in shaping the ESG issues in the country.

"For Jakel Group to remain competitive in future, we are obliged to embrace and prioritise the ESG principles in everything that we do, towards providing greener practices, products and services.

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"Through Cypark, we now have a platform and a role to play to advance Malaysia's climate and sustainability agenda in achieving environmental sustainability by 2030," he added.

Relative to its peers that are currently trading at more than 20 times price to earnings (PE) ratio, Cypark is currently traded at an attractive valuation of 8.5x supported by its ongoing concession assets that provide certainty to its revenue generations for the years to come.

The company currently owns and/or operates close to 150 megawatts (MW) of renewable energy assets, and with multiple construction of new power plants due for completion and approval.

The capacity will increase to more than 400MW by mid-2023.

As at Oct 31 last year, Cypark's net assets attributable to owners of company stood at RM2.14 per share.

"Cypark remains fundamentally strong and the recent private placement exercise provides itself with an opportunity to improve its gearing and optimise its capital structure. We believe its current market capitalisation provides us with comfortable margin of safety to cushion any potential downside risks identified, yet mindful of cash flows requirements as an infrastructure/utility company.

"Furthermore, the technical expertise of Cypark's construction and engineering arm and its past involvement in landmark projects are worth leveraging for upcoming infrastructure jobs in the country.

"Moving forward, as Cypark is now an associate company of Jakel Capital, we are committed to investing in the company for the long haul and we remain bullish on the growth of its clean energy industry," Muhammad Ashraf said.

The acquisition of shares by Jakel Capital into Cypark through the private placement exercise would provide the latter with infusion of a fresh capital.

A total of RM50 million has been earmarked for the 98MW solar photovoltaic projects in Kelantan, which is slated for completion in May 2023, and the remaining RM17.1 million for working capital requirements of the 20MW integrated waste-to-energy plant in Negri Sembilan as well as addressing earlier concerns on project cash flows and delays.

Throughout 2022, Jakel said it had deployed about RM100 million towards investing in the local equity markets, both private and public.

Stepping into 2023, it remains positive towards domestic markets by allocating additional RM150 million of internally-generated funds to Jakel Capital to invest in target sectors namely healthcare, food security, technology and smart manufacturing as well as green and sustainable industries.

Muhammad Ashraf said Jakel was bullish about the Malaysian economy.

"Despite the economic headwinds and challenging outlook that economists and research houses suggest, we believe year 2023 would still present us with attractive investment opportunities,

particularly in recession-proof industries with stable returns.

"As part of our social responsibility to encourage entrepreneurship among local talents, Jakel Capital dedicates RM10 million out of the 2023 investment allocation to invest in high potential start-ups and SMEs as enablers for these enterprises to reach the desired growth potentials and optimised capital structure," he added.