

AmInvestment Bank

Company report

AmInvestment Bank

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03-2036 2250

RM0.69 RM0.92 RM0.87/RM0.58

Key Changes

52-week High/Low

Price

Fair Value

Fair value	⇔					
EPS	÷					
YE to Dec	FY17	FY18F	FY19F	FY20F		
	404.0	400.0	040.0	040 5		
Revenue (RM mil)	131.9	139.8	210.2	216.5		
Core net profit (RM mil)	16.2	21.7	31.2	31.4		
FD Core EPS (sen)	8.6	11.5	16.6	16.7		
FD Core EPS growth (%)	18.4	33.6	43.8	0.8		
Consensus Net Profit (RM mil)	-	21.7	31.2	31.4		
DPS (sen)	2.3	2.3	2.3	2.3		
PE (x)	7.9	5.9	4.1	4.1		
EV/EBITDA (x)	4.6	5.9	4.3	4.1		
Div yield (%)	2.9	2.9	2.9	2.9		
ROE (%)	21.9	20.2	14.6	13.0		
Net Gearing (%)	66.8	30.1	25.5	21.7		
Stock and Financial Data						
Shares Outstanding (million)	171.2					
Market Cap (RMmil)	117.3					
Book Value (RM/share)	0.08					
P/BV (x)	9.0					
ROE (%)	9.0 21.9					
	66.8					
Net Gearing (%)	00.0					
Major Shareholders	Dato' (Dato' Goh Cheng Huat (66.7%)				
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Free Float	33.1					
Avg Daily Value (RMmil)	0.4					
	0.4					
Price performance		3mth	6mth	12mth		

 Price performance
 3mth
 6mth
 12mth

 Absolute (%)
 (7.4)
 (11.6)
 13.2

 Relative (%)
 (13.0)
 (15.0)
 6.9



MANUFACTURING

EONMETALL GROUP

(EONM MK EQUITY, EONM.KL)

Gets steel racking OEM rights

BUY

(Maintained)

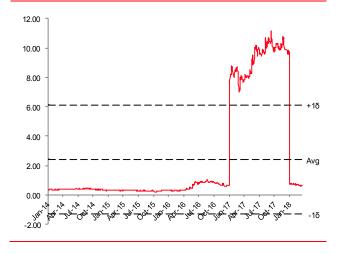
Rationale for report: Company update

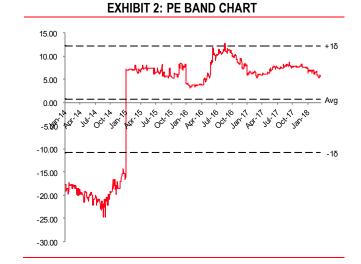
Investment Highlights

- We maintain our BUY call, forecasts and FV of RM0.92 based on 8x FY18F EPS of 11.5 sen, at a discount to the manufacturing sector's average 1-year forward PE of 10-11x to reflect Eonmetall's relatively small market capitalisation of less than RM150mil.
- Eonmetall has recently entered into a strategic partnership with Gonvarri Material Handling AS (Gonvarri), whereby Eonmetall has obtained the licensing rights to manufacture and distribute steel racking solutions under the product flagship of Constructor from Europe for an initial term of 5 years with the option to renew for a further 5 years. The strategic partnership allows both Gonvarri and Eonmetall to expand on their mutual plans to manufacture and distribute Constructor steel racking solutions across Asia-Pacific on the basis of equal profit sharing.
- Eonmetall will also be able to expand its products range and market presence in Asia-Pacific leveraging the Constructor brand name through Eonmetall's newly formed subsidiary Constructor Asia Sdn Bhd (CASB) which was incorporated in 4Q17. CASB is expected to begin its operation by 2H18 with an estimated annual revenue of RM40-60million in FY18-20F and a healthy midto-high teens EBITDA margins.
- Meanwhile, Eonmetall will bear the full cost to set up the production facilities based on Gonvarri design and technology requirements, as well as technical expertise by Gonvarri for the steel racking production in accordance to Constructor's quality standards prior to commencement of the production. The estimated capex cost in <RM2mil and will be funded internally by cash.
- Based on the stipulated partnership agreement, Eonmetall will be granted three types of sales rights under the Constructor brand name which are: 1) 5-year irrevocable exclusive sales to the Asean region, Bangladesh and China, 2) 3-year conditional exclusive sales to all other Asian countries excluding the Asian part of Russia; and 3) 3-year non-exclusive sales to other parts of Asia (i.e. including Asia-Pacific).
- We are positive on the recent development but maintain our numbers as we have already imputed this into our forecasts previously.

- The company's earnings remain upbeat in FY18 due to: 1) additional earnings from the newly formed subsidiary, CASB, which is expected to commence its operation as early as 2H18 with an estimated annual revenue of RM40mil; and 2) the company is currently in the final stage of negotiation with a public listed company for the construction of several solvent oil extraction plants on a build-operate-transfer (BOT) basis and expects to deliver the plants as early as 1HFY18. In addition, Eonmetall may secure additional two plants on an outright purchase basis which are expected to be delivered as early as 1HFY18.
- We like Eonmetall for the growing acceptance by palm oil millers in Malaysia and Indonesia for its solvent oil
 extraction plants. Eonmetall enjoys good margins for these plants in the absence of competition, coupled with
 the in-sourcing of inputs (steel products and metalwork machinery) used in the fabrication of these plants.

EXHIBIT 1: PB BAND CHART





Revenue 105.6 131.9 139.8 210.2 2 BETTDA 20.8 27.5 30.0 40.4 2 Depreciation/Amortisation (5.0) (5.9) (5.2) (5.5) (1.0) Other income & associates - (0.1) - - - Pretax profit 12.7 19.9 23.6 33.7 33.7 Traation (0.2) (1.2) (2.0) (2.5) (1.6) Pretax profit 12.5 18.7 21.7 31.2 : Tradition (0.2) (1.2) (2.0) (2.5) (1.7) Prita profit 12.5 18.7 21.7 31.2 : : Balance Sheet (RMmil, YE 31 Dec) FY16 FY17 FY18F FY19F FY Fixed assets 2.6 - 2.6 (2.5) : : : : Total corrent assets 12.2 2.4 166.0 19.2 : : :					
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Cash Flow (RMmil, YE 31 Dec) FY16 FY17 FY18F FY19F FY Pretax profit 12.7 19.9 23.6 33.7 3 Depreciation/Amortisation 5.0 5.9 5.2 5.5 Vet change in working capital (23.4) - - - Others 6.2 2.8 (0.8) (1.4) (0 Cash flow from operations 0.5 28.6 28.0 37.8 3 Cash flow from operations 0.5 28.6 28.0 37.8 3 Cash flow from operations 0.5 28.6 28.0 37.8 3 Cash flow from investing 1.3 (30.0) </td <td></td> <td>-</td> <td>0.3</td> <td></td> <td>0</td>		-	0.3		0
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Capital expenditure (4.4) (30.0) (40.0) (40.0) (0.5	28.6	28.0	37.8	37
Net investments & sale of fixed assets - - - - Others 5.8 - - - - Cash flow from investing 1.3 (30.0) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.3) (4.5) (6.0) (5.3) 3.5 (4.5) (6.0) (5.1) (5.0) (5.1) (5.1) (5.1) ((4.4)	(30.0)	(30.0)	(30.0)	(30.
Cash flow from investing 1.3 (30.0) (4.3) (4.5) (6.0) (5.0) (5.6) (5.1) (5.0) (5.1) <t< td=""><td>-</td><td>-</td><td>-</td><td>-</td><td>,</td></t<>	-	-	-	-	,
Cash flow from investing 1.3 (30.0) (4.3) (4.5) (5.0) (5.1) (5.6) (5.1) <th< td=""><td>5.8</td><td>-</td><td>-</td><td>-</td><td></td></th<>	5.8	-	-	-	
Debt raised/(repaid) 4.0 - - - Equity raised/(repaid) - - - - Dividends paid (4.2) (4.3) (4.3) (4.3) (4.3) Dividends paid (3.2) - - - - Cash flow from financing (3.5) (4.3) (4.3) (4.3) (4.3) Vet cash flow (1.7) (5.6) (6.3) 3.5 (6.3) 3.5 Vet cash /(debt) b/f (3.1) - 2.9 (4.5) (7.52) (5.6) (3.4) (0.9) Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 50.3 BITDA growth (%) 32.6 24.9 6.0 50.3 50.4.8 Oretax margin (%) 12.0 15.1 16.9 16.0 60.5.3 Vet profit margin (%) 11.8 14.2 15.5 14.8 50.5.3 21.9 29.5 50.5.3 21.9 29.5 50.5.3 21.9 29.5 50.		(30.0)	(30.0)	(30.0)	(30.
Equity raised/(repaid) - - - - Dividends paid (4.2) (4.3) (4.3) (4.3) (4.3) Dividends paid (3.2) - - - - Cash flow from financing (3.5) (4.3) (4.3) (4.3) (4.3) (4.3) Cash flow from financing (3.5) (4.3) <td></td> <td>(</td> <td>-</td> <td>-</td> <td>(***</td>		(-	-	(***
Dividends paid (4.2) (4.3) (4.3) (4.3) (4.3) Others (3.2) - - - - Cash flow from financing (3.5) (4.3) (4.3) (4.3) (4.3) Let cash flow (1.7) (5.6) (6.3) 3.5 - Let cash flow (1.7) (5.6) (6.3) 3.5 - Let cash /(debt) b/f (3.1) - 2.9 (4.5) (0.9) Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 - EBITDA growth (%) 32.6 24.9 6.0 50.3 - Yetax margin (%) 12.0 15.1 16.9 16.0 - Vet profit margin (%) 11.8 14.2 15.5 14.8 - Atterest cover (x) 5.0 5.3 21.9 29.5 - Effective tax rate (%) 1.7 6.1 8.3 7.5 - Dividend payout (%) 33.8 22.9	-	-	_	_	
Others (3.2) - - - Cash flow from financing (3.5) (4.3) (4.3) (4.3) (4.3) Let cash flow (1.7) (5.6) (6.3) 3.5 (4.5) (6.2) Let cash /(debt) b/f (3.1) - 2.9 (4.5) (6.2) (1.7) Let cash/(debt) c/f (5.2) (5.6) (3.4) (0.9) (0.9) (0.9) Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 EBITDA growth (%) 32.6 24.9 6.0 50.3 Pretax margin (%) 12.0 15.1 16.9 16.0 Let profit margin (%) 11.8 14.2 15.5 14.8 Interest cover (x) 5.0 5.3 21.9 29.5 Effective tax rate (%) 1.7 6.1 8.3 7.5 Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78 </td <td>(4.2)</td> <td>(4.3)</td> <td>(4.3)</td> <td>(4.3)</td> <td>(4.</td>	(4.2)	(4.3)	(4.3)	(4.3)	(4.
Cash flow from financing (3.5) (4.3) (4.3) (4.3) (4.3) Net cash flow (1.7) (5.6) (6.3) 3.5 Net cash flow (3.1) - 2.9 (4.5) (0.9) Net cash/(debt) b/f (3.1) - 2.9 (4.5) (0.9) Net cash/(debt) c/f (5.2) (5.6) (3.4) (0.9) Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 50.3 50.4.6 50.3 50.4.6 50.4.		(4.0)	(4.0)	(4.0)	(4.
Net cash flow (1.7) (5.6) (6.3) 3.5 Net cash/(debt) b/f (3.1) - 2.9 (4.5) (Net cash/(debt) c/f (5.2) (5.6) (3.4) (0.9) (Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 50.3 EBITDA growth (%) 62.1 32.0 8.9 34.6 50.4		(4.2)	(4.2)	(4.2)	(4
Net cash/(debt) b/f (3.1) - 2.9 (4.5) (1.5) Net cash/(debt) c/f (5.2) (5.6) (3.4) (0.9) (0.9) Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 50.3 EBITDA growth (%) 62.1 32.0 8.9 34.6 9 Pretax margin (%) 12.0 15.1 16.9 16.0 16.0 16.0 Net profit margin (%) 11.8 14.2 15.5 14.8 14.8 15.5 14.8 Interest cover (x) 5.0 5.3 21.9 29.5 17 6.1 8.3 7.5 10 13.7 10 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 144 62 59 78 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 13.7 <td></td> <td></td> <td></td> <td></td> <td>(4.</td>					(4.
Net cash/(debt) c/f (5.2) (5.6) (3.4) (0.9) Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3 <td< td=""><td></td><td>(5.6)</td><td></td><td></td><td>3</td></td<>		(5.6)			3
Key Ratios (YE 31 Dec) FY16 FY17 FY18F FY19F FY Revenue growth (%) 32.6 24.9 6.0 50.3		-			(2.
Revenue growth (%) 32.6 24.9 6.0 50.3 EBITDA growth (%) 62.1 32.0 8.9 34.6 Pretax margin (%) 12.0 15.1 16.9 16.0 Net profit margin (%) 11.8 14.2 15.5 14.8 Interest cover (x) 5.0 5.3 21.9 29.5 16.0 Effective tax rate (%) 1.7 6.1 8.3 7.5 10.0 Dividend payout (%) 33.8 22.9 19.7 13.7 10.0 Debtors turnover (days) 144 62 59 78	(5.2)	(5.6)	(3.4)	(0.9)	1
BITDA growth (%) 62.1 32.0 8.9 34.6 Pretax margin (%) 12.0 15.1 16.9 16.0 let profit margin (%) 11.8 14.2 15.5 14.8 interest cover (x) 5.0 5.3 21.9 29.5 Effective tax rate (%) 1.7 6.1 8.3 7.5 Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78	FY16	FY17	FY18F	FY19F	FY20
Pretax margin (%) 12.0 15.1 16.9 16.0 Net profit margin (%) 11.8 14.2 15.5 14.8 Interest cover (x) 5.0 5.3 21.9 29.5 Effective tax rate (%) 1.7 6.1 8.3 7.5 Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78					3
Net profit margin (%) 11.8 14.2 15.5 14.8 Interest cover (x) 5.0 5.3 21.9 29.5 29.5 Effective tax rate (%) 1.7 6.1 8.3 7.5 20.5 Dividend payout (%) 33.8 22.9 19.7 13.7 20.5 Debtors turnover (days) 144 62 59 78					4
Interest cover (x) 5.0 5.3 21.9 29.5 Effective tax rate (%) 1.7 6.1 8.3 7.5 Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78		15.1	16.9	16.0	16
Interest cover (x) 5.0 5.3 21.9 29.5 Effective tax rate (%) 1.7 6.1 8.3 7.5 Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78	11.8		15.5	14.8	14
Effective tax rate (%) 1.7 6.1 8.3 7.5 Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78					74
Dividend payout (%) 33.8 22.9 19.7 13.7 Debtors turnover (days) 144 62 59 78					13
Debtors turnover (days) 144 62 59 78					13
					13
					1(2
Creditors turnover (days)		105.6 20.8 (5.0) 15.9 (3.2) 12.7 (0.2) 12.5 12.5 FY16 95.6 128.2 2.6 61.5 44.9 0.2 109.2 11.6 56.5 0.7 68.9 10.3 1.4 11.7 156.5 0.7 68.9 10.3 1.4 11.7 156.5 0.7 68.9 10.3 1.4 11.7 5.0 (23.4) 6.2 0.5 (4.4) 5.8 1.3 4.0 (2.2) (3.5) (1.7) (3.2) (3.2) (3.5) (1.7) (3.1) (5.2) FY16 32.6 62.1 12.0 11.8 5.0 1.7 33.8	105.6 131.9 20.8 27.5 (5.0) (5.9) 15.9 21.6 (0.1) (3.2) (4.1) - - 2.5 12.7 19.9 (0.2) (1.2) - - 12.5 18.7 12.5 16.2 FY16 FY17 95.6 24.1 - - 32.6 - 128.2 24.1 2.6 (9.6) 61.5 - 0.2 - 109.2 (9.6) 11.6 - 56.5 - 0.7 - 68.9 - 10.3 - 1.4 - 1.7 - 156.5 14.4 0.3 - 0.91 0.08 FY16 FY17 12.7 19.9 5.0 5.9 (23.4) -	105.6 131.9 139.8 20.8 27.5 30.0 (5.0) (5.9) (5.2) 15.9 21.6 24.8 (0.1) $-$ (3.2) (4.1) (1.1) $-$ 2.5 $-$ 12.7 19.9 23.6 (0.2) (1.2) (2.0) 12.5 18.7 21.7 12.5 18.7 21.7 12.5 16.2 21.7 FY16 FY17 FY18F 95.6 24.1 135.4 $ -$ 32.6 $-$ 32.6 12.5 16.2 21.7 FY16 FY17 FY18F 95.6 24.1 168.0 2.6 9.6 61.5 61.5 $-$ 61.5 61.5 $-$ 0.2 109.2 (9.6) 113.1 11.6 $-$ 11.6 56.5 $-$ 7.7 68.9 $-$ 0.7 <	105.6 131.9 139.8 210.2 20.8 27.5 30.0 40.4 (5.0) (5.9) (5.2) (5.5) 15.9 21.6 24.8 34.9 - (0.1) - - (3.2) (4.1) (1.1) (1.2) - 2.5 - - 12.7 19.9 23.6 33.7 (0.2) (1.2) (2.0) (2.5) - - - - 12.5 18.7 21.7 31.2 FY16 FY17 FY18F FY19F 95.6 24.1 135.4 159.9 - - - 32.6 32.6 - - 0.2 0.2 0.2 2.6 9.6) 65.5 8.9 61.5 - 61.5 61.5 13.3 10.3 10.3 10.3 14.4.9 - 0.2 0.2 0.2 19.2 (9.6) 113.1 115.5 11.6

Source: Company, AmInvestment Bank Bhd estimates

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