



AmInvestment Bank

Company report

AmInvestment Bank
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EONMETALL GROUP

(EONM MK EQUITY, EONM.KL)

MANUFACTURING

26 May 2017

A strong start to FY17

BUY

(Maintained)

Rationale for report: Company results

Table with 2 columns: Metric (Price, Fair Value, 52-week High/Low) and Value (RM0.68, RM0.78, RM0.96/RM0.51)

Key Changes

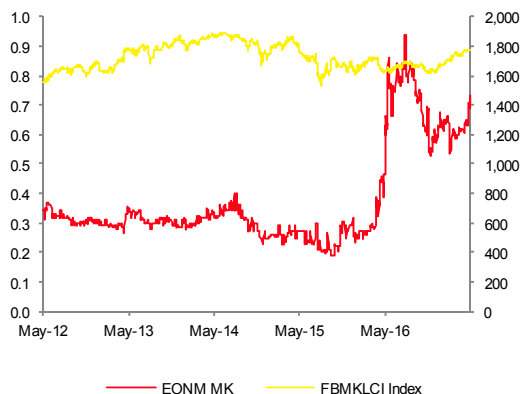
Table with 2 columns: Metric (Fair value, EPS) and Change (up/down arrows)

Table with 5 columns: Metric, FY16, FY17F, FY18F, FY19F. Rows include Revenue, Core net profit, FD Core EPS, etc.

Stock and Financial Data

Table with 2 columns: Metric (Shares Outstanding, Market Cap, etc.) and Value (171.2, 116.4, etc.)

Table with 4 columns: Metric, 3mth, 6mth, 12mth. Rows include Absolute (%) and Relative (%) performance.



Investment Highlights

- We maintain our BUY call, forecasts and FV of RM0.78 based on 8x FY17F EPS of 9.7 sen...
EG's 1QFY17 net profit came in at 38% of our and consensus full-year forecasts respectively...
EG reported net profit of RM6.3mil in 1QFY17 as compared to RM11.4mil for 1QFY16...
Machinery & Equipment division (including PFOE plant project) - This segment recorded revenue of RM13.8mil...
Steel Product & Trading division - Revenue rose by 56% YoY...
We believe earnings will continue to improve further in the coming quarters of FY17...
We like EG for the growing acceptance by palm oil millers in Malaysia and Indonesia...

## EXHIBIT 1: RESULT SUMMARY

YE Dec (RMmil)	FY16 4Q	FY17 1Q	QoQ Chg	FY16 3M	FY17 3M	YoY Chg
<b>Net Revenue</b>	<b>29.0</b>	<b>33.0</b>	<b>14%</b>	<b>32.9</b>	<b>33.0</b>	<b>0%</b>
Machinery & Equipment	9.4	13.8	46%	20.5	13.8	(33%)
Steel Product & Trading	19.6	19.3	(2%)	12.4	19.3	56%
Property Investment Holding & Others	0.0	0.0	NIL	0.0	0.0	NIL
<b>Interest Income/ (Expense)</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(248%)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>66%</b>
<b>PBT</b>	<b>(3.3)</b>	<b>6.5</b>	<b>296%</b>	<b>11.5</b>	<b>6.5</b>	<b>(44%)</b>
Machinery & Equipment	0.6	4.2	579%	9.4	4.2	(55%)
Steel Product & Trading	(3.1)	2.9	191%	2.9	2.9	(0%)
Property Investment Holding & Others	(0.8)	(0.6)	23%	(0.7)	(0.6)	18%
<b>Taxation</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(248%)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(66%)</b>
<b>Non-controlling interest</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(100%)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(100%)</b>
<b>Net profit</b>	<b>(3.2)</b>	<b>6.3</b>	<b>297%</b>	<b>11.4</b>	<b>6.3</b>	<b>(45%)</b>
<b>Basic/Diluted EPS (sen)</b>	<b>(1.9)</b>	<b>3.7</b>	<b>298%</b>	<b>6.8</b>	<b>3.7</b>	<b>(45%)</b>
<b>Pretax margin</b>	<b>(11%)</b>	<b>20%</b>	<b>272%</b>	<b>35%</b>	<b>20%</b>	<b>(44%)</b>
<b>Effective tax rate</b>	<b>NIL</b>	<b>3%</b>	<b>NIL</b>	<b>1%</b>	<b>3%</b>	<b>196%</b>

Source: AmlInvestment Bank Bhd, Company

## EXHIBIT 2: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	79.7	105.6	120.9	129.3	137.9
EBITDA	12.9	20.8	24.1	25.8	27.5
Depreciation/Amortisation	(4.0)	(5.0)	(5.0)	(5.0)	(5.0)
Operating income (EBIT)	8.9	15.9	19.1	20.8	22.5
Other income & associates	-	-	-	-	-
Net interest	(3.3)	(3.2)	(1.2)	(0.9)	(0.6)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>5.6</b>	<b>12.7</b>	<b>17.9</b>	<b>19.9</b>	<b>21.9</b>
Taxation	0.6	(0.2)	(1.3)	(1.6)	(1.6)
Minorities/pref dividends	-	-	-	-	-
<b>Net profit</b>	<b>6.2</b>	<b>12.5</b>	<b>16.6</b>	<b>18.3</b>	<b>20.3</b>
Core net profit	6.2	12.5	16.6	18.3	20.3
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	102.2	95.6	95.6	95.6	95.7
Intangible assets	-	-	-	-	-
Other long-term assets	32.9	32.6	32.6	32.6	32.6
<b>Total non-current assets</b>	<b>135.0</b>	<b>128.2</b>	<b>128.2</b>	<b>128.2</b>	<b>128.3</b>
Cash & equivalent	2.1	2.6	14.9	28.9	45.0
Stock	51.4	61.5	61.5	61.5	61.5
Trade debtors	38.6	44.9	44.9	44.9	44.9
Other current assets	0.3	0.2	0.2	0.2	0.2
<b>Total current assets</b>	<b>92.4</b>	<b>109.2</b>	<b>121.5</b>	<b>135.5</b>	<b>151.6</b>
Trade creditors	18.8	11.6	11.6	11.6	11.6
Short-term borrowings	46.4	56.5	56.5	56.5	56.5
Other current liabilities	0.1	0.7	0.7	0.7	0.7
<b>Total current liabilities</b>	<b>65.3</b>	<b>68.9</b>	<b>68.9</b>	<b>68.9</b>	<b>68.9</b>
Long-term borrowings	10.7	10.3	10.3	10.3	10.3
Other long-term liabilities	2.4	1.4	1.4	1.4	1.4
<b>Total long-term liabilities</b>	<b>13.1</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>
<b>Shareholders' funds</b>	<b>148.7</b>	<b>156.5</b>	<b>168.9</b>	<b>182.9</b>	<b>199.0</b>
Minority interests	0.3	0.3	0.3	0.3	-
BV/share (RM)	0.87	0.91	0.99	1.07	1.16
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	5.6	12.7	17.9	19.9	21.9
Depreciation/Amortisation	4.0	5.0	5.0	5.0	5.0
Net change in working capital	7.9	(23.4)	-	-	-
Others	(13.5)	6.2	(0.1)	(0.7)	(1.0)
<b>Cash flow from operations</b>	<b>3.9</b>	<b>0.5</b>	<b>22.8</b>	<b>24.2</b>	<b>25.9</b>
Capital expenditure	(5.2)	(4.4)	(5.0)	(5.0)	(5.0)
Net investments & sale of fixed assets	2.7	-	-	-	-
Others	(0.1)	5.8	-	-	-
<b>Cash flow from investing</b>	<b>(2.5)</b>	<b>1.3</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(5.0)</b>
Debt raised/(repaid)	4.6	4.0	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	(4.2)	(4.3)	(4.3)	(4.3)
Others	(3.8)	(3.2)	-	-	-
<b>Cash flow from financing</b>	<b>0.8</b>	<b>(3.5)</b>	<b>(4.3)</b>	<b>(4.3)</b>	<b>(4.3)</b>
<b>Net cash flow</b>	<b>2.2</b>	<b>(1.7)</b>	<b>13.5</b>	<b>14.9</b>	<b>16.6</b>
<b>Net cash/(debt) b/f</b>	<b>(4.3)</b>	<b>(3.1)</b>	<b>(8.4)</b>	<b>3.9</b>	<b>17.9</b>
<b>Net cash/(debt) c/f</b>	<b>(3.1)</b>	<b>(5.2)</b>	<b>5.1</b>	<b>18.8</b>	<b>34.6</b>
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	23.7	32.6	14.4	7.0	6.6
EBITDA growth (%)	143.0	62.1	15.4	7.2	6.8
Pretax margin (%)	7.0	12.0	14.8	15.4	15.9
Net profit margin (%)	7.8	11.8	13.7	14.2	14.8
Interest cover (x)	2.7	5.0	16.4	23.2	37.8
Effective tax rate (%)	11.0	1.7	7.3	8.0	7.3
Dividend payout (%)	-	33.8	25.8	23.4	21.0
Debtors turnover (days)	147	144	136	127	119
Stock turnover (days)	219	195	186	174	163
Creditors turnover (days)	60	53	35	33	31

Source: Company, AmlInvestment Bank Bhd estimates

EXHIBIT 3: PB BAND CHART

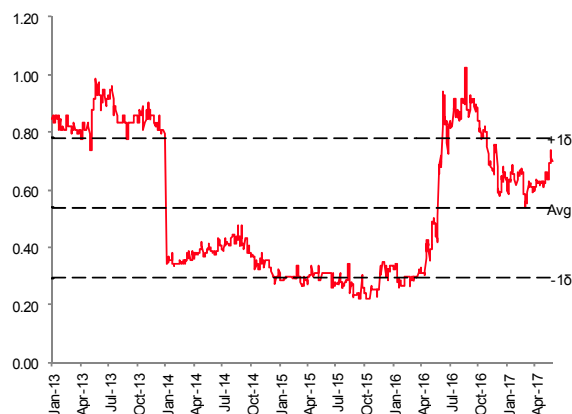
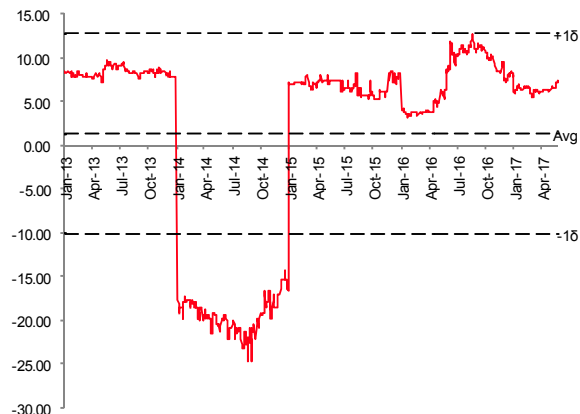


EXHIBIT 4: PE BAND CHART



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