



AmInvestment Bank

Company report

AmInvestment Bank Bhd
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EONMETALL GROUP

(EONM MK EQUITY, EONM.KL)

30 Aug 2016

Strong Earnings Recovery In 1HFY16

BUY

(Maintained)

Rationale for report: Company result

Table with 2 columns: Metric (Price, Fair Value, 52-week High/Low) and Value (RM0.81, RM1.05, RM0.96/RM0.19)

Key Changes

Table with 2 columns: Metric (Fair value, EPS) and Change (↕, ↕)

Table with 5 columns: YE to Dec, FY15, FY16F, FY17F, FY18F. 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, 137.8, etc.)

Major Shareholders: Dato' Goh Cheng Huat (67.9%)

Table with 4 columns: Price performance (Absolute, Relative), 3mth, 6mth, 12mth



Investment Highlights

- We maintain our BUY call, forecasts and FV of RM1.05 following Eonmetall's 1HFY16 results...
• Eonmetall's 1HFY16 performance was distorted by exceptionally high profits...
• The exceptionally good performance from the EPCC of PFOE plants...
• We continue to like Eonmetall as:
1. We believe Eonmetall has put itself back onto a growth path...
2. For its bread and butter businesses...
3. Eonmetall has cost advantages...
• We project Eonmetall's net profit to more than triple in FY16F...
• Our FV of RM1.05 is based on 8x FY17F EPS...

EXHIBIT 1: RESULTS SUMMARY

YE Dec (RMmil)	FY16 1Q	FY16 2Q	QoQ Chg	FY15 6M	FY16 6M	YoY Chg
Turnover	32.9	26.6	(19%)	32.9	59.5	81%
Machinery/Plants	20.5	9.4	(54%)	3.8	30.0	>100%
Steel Products	12.4	16.6	34%	28.1	29.0	3%
Others	0.0	0.5	nm	1.0	0.5	(48%)
EBIT	12.3	4.8	(61%)	2.0	17.1	>100%
Net inc/(exp)	(0.8)	(0.7)	(8%)	(1.7)	(1.5)	(6%)
Associates	0.0	0.0	nm	0.0	0.0	nm
Pretax profit	11.5	4.1	(65%)	0.3	15.6	>100%
Machinery/Plants	9.4	0.6	(93%)	(1.9)	10.0	nm
Steel Products	2.9	3.8	31%	3.0	6.6	>100%
Others	(0.7)	(0.3)	(58%)	(0.7)	(1.0)	42%
Taxation	(0.1)	(0.1)	(25%)	(0.2)	(0.2)	(23%)
Minority interest	0.0	(0.0)	nm	0.0	0.0	0%
Net profit	11.4	4.0	(65%)	0.1	15.4	>100%
EPS (sen)	6.8	2.4	(65%)	0.0	9.1	>100%
EBIT margin	37%	18%	(19%)	6%	29%	23%
Pretax margin	35%	15%	(20%)	1%	26%	25%
Effective tax rate	1%	2%	1%	76%	1%	(75%)

Source: Bursa Malaysia

EXHIBIT 2: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Revenue	64.4	79.7	117.6	125.9	134.3
EBITDA	5.3	12.9	28.0	28.4	30.4
Depreciation/Amortisation	(4.3)	(4.0)	(4.0)	(4.0)	(4.0)
Operating income (EBIT)	1.0	8.9	24.0	24.4	26.5
Other income & associates	-	-	-	-	-
Net interest	(3.3)	(3.3)	(2.4)	(0.6)	(0.3)
Exceptional items	-	-	-	-	-
Pretax profit	(2.3)	5.6	21.6	23.8	26.2
Taxation	(0.5)	0.6	(1.0)	(1.3)	(1.6)
Minorities/pref dividends	-	-	-	-	-
Net profit	(2.8)	6.2	20.6	22.5	24.6
Core net profit	(2.8)	6.2	20.6	22.5	24.6
Balance Sheet (RMmil, YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Fixed assets	103.2	102.2	103.2	104.3	105.3
Intangible assets	-	-	-	-	-
Other long-term assets	33.5	32.9	32.9	32.9	32.9
Total non-current assets	136.7	135.0	136.1	137.1	138.2
Cash & equivalent	1.6	2.1	17.4	34.6	53.9
Stock	44.2	51.4	51.4	51.4	51.4
Trade debtors	25.7	38.6	38.6	38.6	38.6
Other current assets	0.1	0.3	0.3	0.3	0.3
Total current assets	71.6	92.4	107.8	125.0	144.2
Trade creditors	7.5	18.8	18.8	18.8	18.8
Short-term borrowings	37.3	46.4	46.4	46.4	46.4
Other current liabilities	0.1	0.1	0.1	0.1	0.1
Total current liabilities	44.9	65.3	65.3	65.3	65.3
Long-term borrowings	16.3	10.7	10.7	10.7	10.7
Other long-term liabilities	3.3	2.4	2.4	2.4	2.4
Total long-term liabilities	19.6	13.1	13.1	13.1	13.1
Shareholders' funds	143.5	148.7	165.1	183.3	203.6
Minority interests	0.3	0.3	0.3	0.3	0.3
BV/share (RM)	0.84	0.87	0.96	1.07	1.19
Cash Flow (RMmil, YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Pretax profit	(2.3)	5.6	21.6	23.8	26.2
Depreciation/Amortisation	4.3	4.0	4.0	4.0	4.0
Net change in working capital	(3.8)	7.9	-	-	-
Others	2.5	(13.5)	1.4	(0.7)	(1.3)
Cash flow from operations	0.6	3.9	27.0	27.1	28.8
Capital expenditure	(4.5)	(5.2)	(5.0)	(5.0)	(5.0)
Net investments & sale of fixed assets	9.2	2.7	-	-	-
Others	(1.6)	(0.1)	-	-	-
Cash flow from investing	3.1	(2.5)	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	(3.7)	4.6	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	(4.3)	(4.3)	(4.3)
Others	(3.7)	(3.8)	-	-	-
Cash flow from financing	(7.4)	0.8	(4.3)	(4.3)	(4.3)
Net cash flow	(3.7)	2.2	17.7	17.8	19.5
Net cash/(debt) b/f	(0.4)	(4.3)	(3.1)	12.2	29.5
Net cash/(debt) c/f	(4.3)	(3.1)	14.6	30.1	49.0
Key Ratios (YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Revenue growth (%)	(15.5)	23.7	47.7	7.0	6.7
EBITDA growth (%)	(67.8)	143.0	117.3	1.6	7.1
Pretax margin (%)	(3.6)	7.0	18.4	18.9	19.5
Net profit margin (%)	(4.3)	7.8	17.5	17.9	18.3
Interest cover (x)	0.3	2.7	10.2	39.4	103.8
Effective tax rate (%)	20.4	11.0	4.6	5.5	6.1
Dividend payout (%)	nm	-	20.7	19.0	17.4
Debtors turnover (days)	433	147	120	112	105
Stock turnover (days)	125	219	160	149	140
Creditors turnover (days)	257	60	58	55	51

Source: Company, AmlInvestment Bank Bhd estimates

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