UOBKayHian

Malaysia Daily

Wednesday, 31 May 2017

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KEY HIGHLIGHTS

Company Update

WCT Holdings (WCTHG MK/HOLD/RM2.14/Target: RM2.03) Page 2
Construction margins recovering; asset monetisation strategy intact but now via its own REIT.

Small-Mid Cap Highlights

Ekovest (EKO MK/BUY/RM1.23/Target: RM1.55) Page 5
3QFY17: Excluding One-Off ESOS Expense, Core Earnings Are Within Expectations.

UOBKH Highlights

Barakah Offshore Petroleum (BARAKAH MK/HOLD/RM0.70/Target: RM0.65) Page 8
1Q17: Below Expectations On Zero Utilisation Of KL101.

My E.G. Services (MYEG MK/HOLD/RM2.19/Target: RM2.29) Page 9
3QFY17: Results In Line With Expectations.

AT A GLANCE

Corporate Page 10

Alam Maritim: MARC places RM500m sukuk rating on negative watchlist on increased risk.

Axiata: Celcom sets aside RM1.5b as capex to expand network.

Bumi Armada: Appoints Uthaya Kumar as audit committee chairman.

CB Industrial: Bidding for RM2b worth of jobs abroad for special purpose vehicles division.

Damansara Realty: Doubt over DRealty's ability to remain a going concern.

Orion IXL: Expects to return to profitability by 2018.

Stone Master: MD insists he still has executive power.

TNB: Appoints former Petronas VP as director.

TRC Synergy: To tender for MRT, LRT projects this year.

Tropicana Corp: Rastam Isa retires as chairman.

1MDB: UOB, Credit Suisse fined S$1.6m for 1MDB-linked transactions; former Falcon, BSI employees issued prohibition orders.

Sector Page 11

EPF: 1Q17 investment income jumps 74% to RM11.8b.

Results Flash Page 11

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,765.34	0.4	0.0
Bursa Emas	12,570.90	(25.3)	(0.2)
Industrial	3,260.36	13.7	0.4
Ind Product	153.57	(0.1)	(0.1)
Finance	16,382.68	(53.5)	(0.3)
Trading Services	234.87	0.0	0.0
Consumer	620.92	(3.7)	(0.6)
Construction	337.47	(0.8)	(0.2)
Properties	1,299.12	(5.7)	(0.4)
Plantations	8,010.20	(40.0)	(0.5)

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	30-May-17	% chg
Volume (m units)	2,615	12.9
Value (RMm)	2,158	15.5

By Investor type	(%)	ppt chg
Foreign investors	17.7	(0.6)
Local retail	24.8	(0.2)
Local institution	57.5	0.8

TOP VOLUME / GAINERS / LOSERS

	Price (RM)	Chg (%)	Volume ('000)
Top Volume			
AirAsia X	0.40	(2.5)	77,852
CIMB Group	6.26	(1.3)	21,350
Genting Malaysia	5.76	(5.7)	17,482
AirAsia	2.94	(3.0)	14,045
DRB-Hicom	1.54	(3.1)	11,970
Top Gainers			
IHH Healthcare	5.87	4.4	11,031
Westports Holdings	3.88	4.3	2,656
Genting	9.90	1.7	3,241
Lafarge	5.57	1.6	1,463
SP Setia	3.85	1.6	11,104
Top Losers			
Genting Malaysia	5.76	(5.7)	17,482
Media Prima	1.06	(4.5)	3,081
UMW Oil & Gas	0.52	(3.7)	3,460
QL Resources	4.80	(3.2)	1,096
DRB-Hicom	1.54	(3.1)	11,970

OTHER STATISTICS

	30-May-17	chg	% chg
RM/US$	4.28	0.00	0.1
CPO Aug 17 (RM/mt)	2,505	(11.0)	(0.4)

Top volume, gainers and losers are based on FBM100 component stocks

COMPANY UPDATE

WCT Holdings (WCTHG MK)

Turnaround In Sight

WCT's post-results briefing centred on changes to its de-gearing initiatives, future new-contract targets and updates on its property developments. WCT has abandoned plans for an outright sale of its properties and will instead create a WCT REIT. The group has also recently signed an MOU with a Chinese contractor for a potential collaboration and brushed off rumours of it taking part in Bandar Malaysia. Maintain HOLD and target price of RM2.03. Entry price: RM1.80.

WHAT'S NEW

- **Post 1Q17 results briefing.** WCT Holdings (WCT) hosted a post 1Q17 results briefing. Key topics discussed were upcoming construction contracts, key focus of its property development arm, updates on its investment properties and asset monetisation plans.
- **Another u-turn in asset monetisation strategy.** The group has bailed out on its plans to sell its investment properties to a listed arm. Instead, the group is going back to its original plan to set up its own WCT REIT. The WCT REIT would take on RM1.1b worth of assets, which include the Paradigm Mall Petaling Jaya, AEON Mall (BBT Mall, Klang) and the Premiere Hotel. Securitising the assets at their combined market value of RM1.1b would see WCT receiving up to RM400m cash.
- **Signs MOU with a Chinese contractor.** The group shared that it is working towards forming strategic alliances with established Chinese construction companies. It recently signed an MoU with one of China's largest contractors to enable it to increase its construction capacity and capability. However, the name of the Chinese contractor was not disclosed.
- **Not keen on Bandar Malaysia master developer role.** Management brushed off rumours of the company bidding for or taking on the role of the master developer for the 486-acre Bandar Malaysia township.

KEY FINANCIALS

Year to 31 Dec (RMm)	2015	2016	2017F	2018F	2019F
Net turnover	1,668	1,934	2,445	2,833	2,781
EBITDA	223	152	281	298	310
Operating profit	231	167	290	311	326
Net profit (rep./act.)	209	68	155	172	183
Net profit (adj.)	99	68	155	172	183
EPS (sen)	8.8	5.2	10.6	11.8	12.5
PE (x)	24.2	41.2	20.2	18.2	17.2
P/B (x)	1.0	1.2	1.2	1.1	1.0
EV/EBITDA (x)	24.9	36.5	19.8	18.6	17.9
Dividend yield (%)	0.9	0.4	0.9	1.0	1.1
Net margin (%)	12.6	3.5	6.3	6.1	6.6
Net debt/(cash) to equity (%)	79.3	91.4	88.0	85.5	81.4
Interest cover (x)	3.9	3.3	2.9	3.0	3.1
ROE (%)	8.7	2.5	5.5	5.8	5.9
Consensus net profit	-	-	148	170	191
UOBKH/Consensus (x)	-	-	1.05	1.01	0.96

Source: WCT, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM2.14
Target Price	RM2.03
Upside	-5.1%
(Previous TP	*RM1.83)*

COMPANY DESCRIPTION

Construction company with a growing focus on property development.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	WCTHG MK
Shares issued (m):	1,391.3
Market cap (RMm):	2,977.3
Market cap (US$m):	696.9
3-mth avg daily t'over (US$m):	2.6

Price Performance (%)

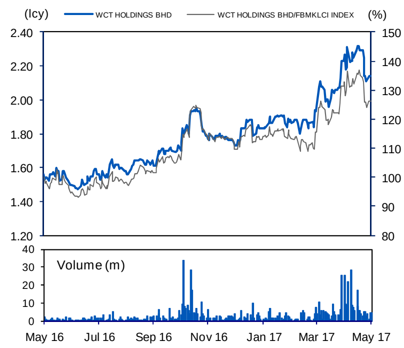
52-week high/low RM2.32/RM1.47

1mth	3mth	6mth	1yr	YTD
(4.0)	13.2	19.6	47.6	23.7

Major Shareholders	%
Dominion Nexus Sdn	19.7
Lembaga Tabung Haji	9.9
Employees Provident Fund	7.8

FY17 NAV/Share (RM)	1.86
FY17 Net Debt/Share (RM)	1.63

PRICE CHART



Source: Bloomberg

ANALYST

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STOCK IMPACT

- **Aiming for RM2b-3b worth of new construction jobs this year.** WCT is still targeting to win RM2b-3b worth of new construction jobs in 2017. Presently, its tenderbook stands at above RM10b, comprising: a) local civil and infrastructure jobs (RM5b), b) local building jobs (RM3.5b), and c) overseas building jobs (RM1.8b). Key local infrastructure jobs in focus include the LRT Line 3 (which WCT is prequalified for), stations in the MRT Line 2 and the KL-Klang Bus Rapid Transit (BRT).

- **Property development to focus on clearing inventories.** WCT's property division secured about RM49m worth of property sales in 1Q17. However, for the last two months, the group's bookings have soared to RM170m, driven by its ongoing developments which include landed properties in Klang and high-rise properties in the Klang Valley. For the rest of the year, the main focus would be clearing inventories worth some RM500m by year-end as project handovers take place. Presently, its unbilled property sales stand at RM487m, or 1.6x its property development revenue in 2016.

- **Building up an investment property management team.** Since the strategy for retail malls has changed, the group has also moved to strengthen its mall management and leasing teams, and is hiring key operational personnel with a track record in managing malls. As a result of this, the malls would undergo asset enhancement initiatives to improve its yields, thereby improving its market value once the properties are REITed.

- **Outstanding construction orderbook of about RM4.8b.** WCT's external orderbook stood at about RM4.7b as at Mar 17, implying 3.0x its 2016 construction revenue. Ytd, the group has secured about RM206m worth of new jobs. It expects job awards to accelerate in 2H17 once the tender results for several infrastructure jobs are announced.

EARNINGS REVISION/RISK

- We raise our 2018-19 net profit forecasts by about 7% each as we assume better construction margins going forward. This is in line with management's expectations that 1Q17 construction EBIT margin of 7.8% would be sustainable at least in the near term, given that most of the projects which are set to be recognised this year are infrastructure related, which carry higher margins.

- Major risks include execution risk, weaker property sales due to recent regulatory changes, and rising raw material prices.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher SOTP-based target price of RM2.03** (from RM1.83), in tandem with our earnings upgrade. The company's fundamentals remain intact and re-rating catalysts would include more contract wins and higher property sales to further enhance earnings visibility. Receiving the Dubai arbitration settlement sum will also be a key catalyst despite the uncertain timeline. Our target price is based on a 10% discount to our SOTP valuation of RM2.26/share and implies 18x 2018F PE. Our suggested entry price is RM1.80.

SHARE PRICE CATALYST

- Securing more contracts.

- Positive newsflow on its asset monetisation strategy.

SOTP VALUATION

	(RMm)
Property development	1,245.3
Construction	2,679.7
Investment property	1,673.6
Less: Net debt	(2,541.0)
Proceeds from warrants (WD)	225.7
Proceeds From Private Placement	228.0
Total SOP value	3,511.3
Existing Sharebase	1,399.0
Warrant D	132.0
Private Placement	25.0
Enlarged Sharebase	1,556.0
SOP/share (RM)	2.26
Target price (RM) - 10% discount to SOP	2.03

Source: UOB Kay Hian

OUTSTANDING CONSTRUCTION ORDERBOOK

	(RMm)
Gulf States	545
Lusails Development Project, Qatar	545
Malaysia – Infrastructure	3,584
TRX (Infrastructure & Roadways)	656
Pan Borneo Highway	928
RAPID (Package 14-0401)	577
West Coast Expressway	242
MRT 2	888
LRT3 depot	186
Others	107
Malaysia – Building	499
RAPID	254
Putrajaya Commercial Centre	26
Police quarters at Taman Keramat, Gombak	117
Others	52
Internal Jobs	199
TOTAL	4,777

Source: WCT Holdings, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2016	2017F	2018F	2019F
Net turnover	1,934	2,445	2,833	2,781
EBITDA	152	281	298	310
Deprec. & amort.	(15)	(9)	(13)	(16)
EBIT	167	290	311	326
Associate contributions	1	8	8	8
Net interest income/(expense)	(46)	(96)	(99)	(100)
Pre-tax profit	122	202	220	234
Tax	(57)	(51)	(51)	(54)
Minorities	3	3	3	3
Net profit	68	155	172	183
Net profit (adj.)	68	155	172	183

BALANCE SHEET

Year to 31 Dec (RMm)	2016	2017F	2018F	2019F
Fixed assets	328	463	604	741
Other LT assets	4,380	4,385	4,390	4,395
Cash/ST investment	455	441	397	400
Other current assets	2,185	2,176	2,328	2,307
Total assets	7,348	7,465	7,719	7,843
ST debt	823	823	823	823
Other current liabilities	990	983	1,099	1,076
LT debt	2,159	2,159	2,159	2,159
Other LT liabilities	579	579	579	579
Shareholders' equity	2,763	2,887	3,025	3,172
Minority interest	34	34	34	34
Total liabilities & equity	7,348	7,465	7,719	7,843

CASH FLOW

Year to 31 Dec (RMm)	2016	2017F	2018F	2019F
Operating	(164)	294	140	190
Pre-tax profit	122	202	220	234
Tax	(57)	(51)	(51)	(54)
Deprec. & amort.	15	9	13	16
Associates	(3)	0	0	0
Working capital changes	(274)	133	(42)	(6)
Other operating cashflows	33	0	0	0
Investing	(239)	(150)	(150)	(150)
Capex (growth)	(55)	(150)	(150)	(150)
Investments	(3)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(180)	0	0	0
Financing	321	(31)	(34)	(37)
Dividend payments	(25)	(31)	(34)	(37)
Issue of shares	93	0	0	0
Proceeds from borrowings	381	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(127)	0	0	0
Net cash inflow (outflow)	(81)	113	(44)	3
Beginning cash & cash equivalent	392	328	441	397
Changes due to forex impact	145	0	0	0
Ending cash & cash equivalent	455	441	397	400

KEY METRICS

Year to 31 Dec (%)	2016	2017F	2018F	2019F
Profitability				
EBITDA margin	7.9	11.5	10.5	11.1
Pre-tax margin	6.3	8.3	7.8	8.4
Net margin	3.5	6.3	6.1	6.6
ROA	1.0	2.1	2.3	2.4
ROE	2.5	5.5	5.8	5.9
Growth				
Turnover	15.9	26.4	15.9	(1.8)
EBITDA	(31.8)	84.3	6.2	3.9
Pre-tax profit	(53.4)	65.7	8.7	6.4
Net profit	(67.3)	126.5	11.3	6.3
Net profit (adj.)	(31.2)	126.5	11.3	6.3
EPS	(41.1)	103.4	11.4	5.9
Leverage				
Debt to total capital	51.6	50.5	49.4	48.2
Debt to equity	107.9	103.3	98.6	94.0
Net debt/(cash) to equity	91.4	88.0	85.5	81.4
Interest cover (x)	3.3	2.9	3.0	3.1

SMALL/MID CAP HIGHLIGHTS

Ekovest (EKO MK)

3QFY17: Within Expectations

Results came in within expectations with 3QFY17 core net profit surging 2x yoy to RM33.7m, driven by a strong construction division. 9MFY17 core net profit of RM115m represents 71% of our full-year forecast. The stock is backed by a solid outstanding orderbook of RM13.2b that could sustain earnings momentum for the next 5-6 years. Key catalysts in the near term include new contract wins and potential IPO of its highways. Maintain BUY. Target price: RM1.55.

3QFY17 RESULTS

Year to 31 Dec (RMm)	3QFY17	2QFY17	qoq % chg	yoy % chg	9MFY17	yoy % chg
Turnover	291.8	275.0	6.1	57.9	770.3	53.3
Construction	230.0	213.5	7.7	51.3	598.8	38.5
Property	32.6	23.6	38.4	241.2	74.7	259.1
Toll	28.9	37.6	(23.2)	(28.1)	96.1	3.0
Cost of Sales	(201.7)	(170.4)	18.4	55.0	(480.5)	32.2
EBIT	73.6	91.0	(19.2)	74.1	247.1	137.1
Construction	43.0	56.3	(23.6)	200.1	156.8	249.5
Property	9.0	6.3	42.4	3,056.8	20.9	2,573.5
Toll	21.6	28.4	(24.1)	(37.9)	69.3	(7.3)
PBT	21.3	55.4	(61.7)	28.5	130.9	311.6
Tax Expense	(9.9)	(14.4)	(31.5)	99.7	(38.4)	259.7
Net Profit	11.1	41.0	(73.1)	(0.2)	92.2	354.9
Core Net Profit	33.7	41.0	(17.9)	203.9	114.8	466.5
Margins	%	%	+-ppt	+-ppt	%	+-ppt
EBIT - Construction	18.7	26.3	-7.7	9.3	26.2	15.8
EBIT - Property	27.6	26.8	0.8	24.6	28.0	24.2
PBT	7.3	20.2	(12.9)	(1.7)	17.0	10.7
Core Net Profit	11.5	14.9	(3.4)	5.5	14.9	10.9

Source: Ekovest, UOB Kay Hian

RESULTS

- **3QFY17 core earnings within expectations.** Ekovest reported 3QFY17 net profit of RM11.4m (-17.9% qoq, -0.9% yoy) and revenue of RM291.8m (+6.1% qoq, +57.9% yoy). Excluding a one-off expense of RM22.6m for the ESOS issuance, 3QFY17 net profit was RM33.7m (-17.9% qoq, +203.9% yoy), lifting 9MFY17 net profit to RM114.8m (+>100% yoy) which represents 71% of our full-year estimate. We expect Ekovest to report a stronger 4QFY17 performance. Earnings growth in 3QFY17 was driven by the construction division, which saw revenue and EBIT grow 51% yoy and 200% yoy respectively.

KEY FINANCIALS

Year to 30 Jun (RMm)	2015	2016	2017F	2018F	2019F
Net turnover	439	794	1,246	1,800	2,304
EBITDA	124	297	385	446	618
Operating profit	118	282	369	414	565
Net profit (rep./act.)	18	156	162	185	272
Net profit (adj.)	18	43	162	185	272
EPS (sen)	2.1	5.1	7.6	8.7	12.7
PE (x)	67.5	27.7	18.6	16.2	11.1
P/B (x)	1.0	0.9	1.7	1.6	1.4
Dividend yield (%)	1.6	2.4	9.1	1.6	1.6
Net margin (%)	4.1	5.5	13.0	10.3	11.8
Net debt/(cash) to equity (%)	166.7	150.8	131.3	146.4	159.2
ROE (%)	1.5	3.3	9.0	9.6	12.6
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Ekovest, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.23
Target Price	RM1.55
Upside	+26.0%

COMPANY DESCRIPTION

A construction company which owns the highly coveted Duta-Ulu Kelang Expressways. It also has exposure to construction and property development.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	EKO MK
Shares issued (m):	2,139
Market cap (RMm):	2,631
Market cap (US$m):	615
3-mth avg daily t'over (US$m):	6.5

Price Performance (%)

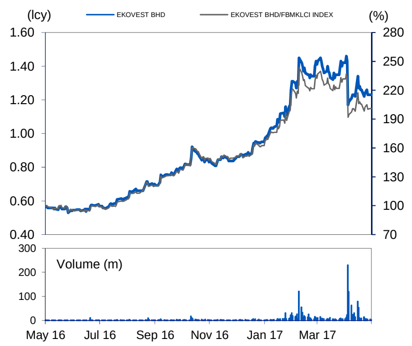
52-week high/low RM1.52/RM0.52

1mth	3mth	6mth	1yr	YTD
(13.4)	5.13	46.3	116.6	42.0

Major Shareholders	%
Tan Sri Lim Kang Hoo	20.2
Ekovest Holdings Sdn bhd	12.2
Lim Seong Hai Holdings	9.5

FY17 NAV/Share (RM)	0.73
FY17 Net Debt/Share (RM)	0.96

PRICE CHART



Source: Bloomberg

ANALYST

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- **Construction.** The division reported revenue of RM230m (+7.7% qoq, +51.3% yoy) and EBIT of RM43.0m (-23.6% qoq, +>200% yoy). EBIT margin of 18.7% (-7.7ppt qoq, +9.3ppt yoy) was within our expectations. The group's construction margins have normalised and we expect this trend to persist in the following quarters. Revenue and EBIT for the division came mainly from construction works for the Setiawangsa-Pantai Expressway (formerly DUKE 3).
- **Property development.** The division reported revenue of RM32.6m (+38.4% qoq, +>100% yoy) and EBIT of RM9.0m (+42.4% qoq, +>100% yoy). EBIT margin of 27.6% (+0.8ppt qoq, +24.6ppt yoy) was above our full-year expectation of 23.8%. Revenue came mainly from the EkoCheras development which is expected to grow exponentially from 4QFY17 as the residential towers begin its billing cycle. Presently, the division has unbilled sales of RM510m, which represent 3.5x our FY17 property revenue estimate.
- **Toll operations.** Toll revenue for the quarter stood at RM28.9m (-23.2% qoq, 28.1% yoy) with EBIT of RM21.6m (-24.1% qoq, -37.9% yoy). The volatile yoy and qoq changes in revenue and EBIT were due to one-offs (government compensation) recognised in the respective quarters. We estimate the normalised EBIT for the division to hover at RM20m-23m/quarter for this year. Nevertheless, We expect revenue from this division to pick up in 4QFY17 as traffic numbers rise, given that the Duta-Ulu Kelang Expressway 2 (DUKE2) has partially opened to traffic recently. For FY17, we expect revenue for this division at RM168m (FY16: RM123m).

STOCK IMPACT

- **All-time-high orderbook would sustain earnings momentum for the next 5-6 years.** The group has secured about RM1.15b worth of new contracts ytd, excluding the new DUKE2A highway's potential construction jobs worth RM6.32b. With the new wins, its external outstanding construction orderbook has risen to over RM13.2b, representing an orderbook cover of a whopping 13x (one of the highest in the industry). While orderbook is near its all-time high, we expect it to further grow in the near term as the group is eyeing to secure several other large construction jobs within the Klang Valley, which may include the RM1b KL River City job.
- **Next major asset monetisation would be the potential listing of its highway concessions.** We believe the next major catalyst for the stock would be the potential listing of DUKE 1 and DUKE 2 expressways, targeted to start as soon as end-17. Presently, we value Ekovest's 60% stake in DUKE 1 & DUKE 2 at RM1.9b, which represents 38% of our SOTP valuation and 70% of WCT's current market capitalisation.

EARNINGS REVISION/RISK

- We make no changes to our earnings estimates.
- Key risks include: a) execution risk, b) fluctuation in raw material prices which will impact margins, and c) traffic flow at the expressways.

VALUATION/RECOMMENDATION

- **Maintain BUY and SOTP based target price of RM1.55.** Our target price is based on a 30% discount to our fully-diluted valuation of RM2.21/share, and implies 20.4x fully-diluted FY18F PE and a more palatable 13.9x FY19F PE. We forecast a strong 3-year (FY16-19) earnings CAGR of 84%. Our valuation has yet to impute the remaining 70% value of SPE (worth 74 sen/share) and the recently secured DUKE 2A (potentially worth RM1.23-1.64/share).

SOTP VALUATION

	(RMm)	Remarks
DUKE 1 & DUKE 2	1,897	NPV of DUKE 1 & 2 at 60% stake.
SPE	776	30% of the NPV worth RM2.5b
Construction	2,013	13x PE to FY17 construction PAT of RM155m
Property Development	736	30% discount to RNAV
Net Cash	-171	Excluding highway debts, including net receipts from DUKE 1 & 2 disposal
Warrants conversion proceeds	147	Conversion price at RM0.48
Total	5,398	
Existing share base (m)	2,139	
Warrants (m)	306	
Enlarged share base (m)	2,444	
SOTP/share (RM)	2.21	
Discount	30%	
Target Price (RM)	1.55	
Implied fully-diluted PE (x)		
FY17F	23.4	
FY18F	20.4	
FY19F	13.9	

Source: UOB Kay Hian

EARNINGS BY SEGMENT

	2017F	2018F	2019F
Operating Profit (EBIT)	368.7	413.7	564.5
Construction	203.8	196.1	284.9
Property	34.5	57.5	68.5
Toll	130.4	160.0	211.2

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2016	2017F	2018F	2019F
Net turnover	794	1,246	1,800	2,304
EBITDA	297	385	446	618
Deprec. & amort.	(15)	(16)	(32)	(53)
EBIT	282	369	414	565
Associate contributions	-	(0)	-	-
Net interest income/(expense)	(92)	(157)	(170)	(207)
Pre-tax profit	191	211	244	357
Tax	(34)	(50)	(59)	(86)
Minorities	0	-	-	-
Net profit	156	162	185	272
Net profit (adj.)	43	162	185	272

BALANCE SHEET

Year to 30 Jun (RMm)	2016	2017F	2018F	2019F
Fixed assets	67	424	1,051	1,976
Other LT assets	2,858	3,120	3,109	3,096
Cash/ST investment	190	3,466	2,986	2,376
Other current assets	873	2,269	2,497	2,704
Total assets	3,989	9,279	9,643	10,152
ST debt	289	289	289	289
Other current liabilities	277	787	1,008	1,288
LT debt	1,739	5,379	5,379	5,379
Other LT liabilities	365	677	677	677
Shareholders' equity	1,318	1,790	1,933	2,162
Minority interest	0	357	357	357
Total liabilities & equity	3,989	9,279	9,644	10,152

CASH FLOW

Year to 30 Jun (RMm)	2016	2017F	2018F	2019F
Operating	72	319	211	398
Pre-tax profit	191	211	244	357
Tax	(15)	(50)	(59)	(86)
Deprec. & amort.	15	16	32	53
Working capital changes	(46)	141	(6)	73
Other operating cashflows	(72)	0	0	0
Investing	25	(85)	(648)	(966)
Capex (growth)	(595)	(365)	(648)	(966)
Investments	0	0	1	2
Proceeds from sale of assets	1	1,130	0	0
Others	619	(850)	(1)	(2)
Financing	(25)	3,000	(43)	(43)
Dividend payments	(17)	(240)	(43)	(43)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	3,640	0	0
Loan repayment	(1)	(400)	0	0
Others/interest paid	(7)	0	0	0
Net cash inflow (outflow)	72	3,234	(480)	(611)
Beginning cash & cash equivalent	160	232	3,466	2,986
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	190	3,466	2,986	2,376

KEY METRICS

Year to 30 Jun (%)	2016	2017F	2018F	2019F
Profitability				
EBITDA margin	37.4	30.9	24.8	26.8
Pre-tax margin	24.0	17.0	13.6	15.5
Net margin	5.5	13.0	10.3	11.8
ROA	1.1	1.7	1.9	2.7
ROE	3.3	9.0	9.6	12.6
Growth				
Turnover	80.9	56.9	44.5	28.0
EBITDA	140.6	29.6	15.7	38.6
Pre-tax profit	497.9	10.9	15.5	46.5
Net profit	778.5	3.4	14.7	46.5
Net profit (adj.)	778.5	3.4	14.7	46.5
EPS	143.9	48.9	14.7	46.5
Leverage				
Debt to total capital	54.6	62.7	60.3	57.3
Debt to equity	165.1	325.0	301.0	269.1
Net debt/(cash) to equity	150.8	131.3	146.4	159.2
Interest cover (x)	3	1	2	2

UOBKH HIGHLIGHTS

Barakah Offshore Petroleum (BARAKAH MK/HOLD/RM0.70/Target: RM0.65)

1Q17: Below Expectations On Zero Utilisation Of KL101

Year to 31 Dec	1Q17 (RMm)	qoq (% chg)	yoy (% chg)	Year	EPS (sen)	Revision (%)	PE (x)
Revenue	76.8	(64.3)	(25.6)	2017F	3.4	-	19.0
- Pipeline and Commissioning Services (PCS)	31.1	(20.6)	47.1	2018F	4.2	-	15.2
- Installation and Construction (ICS)	45.8	(74.0)	(44.3)	2019F	5.1	-	12.6
EBIT	14.7	157.9	187.4				
Operating Margin (%)	*19.1%*	*16.4ppt*	*n.a.*				
Impairment Loss	0.0	n.a.	n.a.				
Net Finance Cost	(3.5)	(15.7)	(3.6)				
PBT	(3.1)	(216.5)	(289.7)				
Tax	(1.5)	(212.8)	268.3				
Net Profit	(4.6)	(212.1)	(461.2)				
Core Profit	(4.4)	(289.2)	(151.1)				
EPS (sen)	n.a.						
DPS (sen)	n.a.						

Source: Barakah, UOB Kay Hian

RESULTS

- **1Q17: Core losses.** Barakah reported a core loss which is below our and consensus estimates. Group revenue declined significantly, not only due to the monsoon season, but also because of lesser work orders being carried out from large projects like Pan Malaysia T&I (vs the case in 1H16). Nevertheless the group recognised RM18m (24% of total revenue) from completed jobs executed in 2016 mainly for T&I works. We understand that despite stable oil prices, there has been no momentum of new work orders from Petronas ytd.
- **KL101 barge was at 0% utilisation.** Due to the lack of new work orders, the group's KL101 (its only major fixed asset) has not been utilised ytd. On a per-annum basis, KL101 is the largest cost component at RM40m (>53% of total cost structure). Despite ongoing cost savings efforts, the group is also facing risks of higher depreciation (KL101 asset value was rebased in US$) and bunker costs. Compared with 2016 when KL101 was utilised for 7 months, the breakeven profit utilisation required at current industry rates may be higher (possibly at 70-80%) vs 50% in the past. We understand that management is restructuring the financing facility and may consider shifting the asset into private ownership. The outstanding loan is US$40m (main banker is EXIM) and the carrying value (ex-financing) is US$42m.
- **Orderbook and outlook.** Its orderbook is at RM0.9b, which is unchanged qoq. While Barakah is also bidding for jobs including the MCM tenders and T&I works in Indonesia, management is guiding for a weak 2Q17 given that work orders were still dry and lesser revenue from completed jobs from 2016. The group guided RM100-120m of Inspection, Repair & Maintenance (IRM) contract is expected to start from 3Q17 on the "inspection" scope of works, and due to its employment of a specialised vessel, margins are targeted to be as high as 20%. The IRM job will also more than offset the tail-end of its other projects in the orderbook.

EARNINGS REVISION

- **Maintain 2017-19 earnings forecasts of** RM29m/RM36m/RM44m respectively. Although 2Q17 may potentially be another quarter of core losses, 2H17 is expected to be stronger on the ramp-up of the large RM0.5b IRM contract. We opt to retain our earnings forecast given the ongoing progress of the delivery of the large IRM job, the group's strategies on KL101 and its cost impact on the group's financials, and potential contract wins.

RECOMMENDATION

- **Maintain HOLD and target price at RM0.65.** Our TP is pegged to 1.3x P/B, at implied 15x 2018F PE. This valuation is in line with other small cap asset-light O&G service players such as Uzma and Deleum.

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UOBKH HIGHLIGHTS

My E.G. Services (MYEG MK/HOLD/RM2.19/Target: RM2.29)

3QFY17: Results In Line With Expectations

Year to 30 Jun	3QFY17 (RMm)	qoq % chg	yoy % chg	9MFY17 (RMm)	yoy % chg
Revenue	99.2	11.9	41.5	266.5	37.1
EBITDA	60.1	15.1	54.9	157.7	48.3
EBIT	55.2	16.2	61.0	143.2	53.5
Interest Expense	(1.2)	(4.2)	6.0	(4.0)	75.7
Pre-tax Profit	54.5	15.5	63.1	142.1	53.9
Tax	(0.4)	166.7	72.8	(0.7)	(4.7)
Net Profit	54.0	15.0	63.0	141.3	54.3
		+/- ppt	+/- ppt		+/- ppt
EBIT Margin (%)	55.6	2.1	6.7	53.7	5.7
PBT Margin (%)	54.9	1.7	7.3	53.3	5.8
Net Profit Margin (%)	54.3	0.6	7.1	53.3	6.0

Year	EPS (sen)	Revision (%)	PE (x)
2017F	5.6	-	39.3
2018F	7.2	-	30.6
2019F	9.0	-	24.3

Source: MYEG, UOB Kay Hian

RESULTS

- **My E.G. Services (MYEG) reported a 3QFY17 core net profit of RM54.0m** (+15.0% qoq, +63.0% yoy) on revenue of RM99.2m (+11.9% qoq, +41.5% yoy), bringing 9MFY17 core net profit to RM141.3m (+54.3% yoy). This accounts for 71% and 72% of our and consensus full-year net profit estimates respectively. We deem the results to be in line as we expect a stronger quarter ahead.
- **3QFY17 top-line surged 41.5% yoy…** on the back of: a) higher contribution from the immigration segment amid improved transaction volumes and insurance take-up rates from both the foreign worker renewal and amnesty programmes, and b) increase in revenue contribution from its motor vehicle trading services.
- **… leading to a 7.1ppt expansion in net profit margin.** This was partly mitigated by: a) higher operating costs incurred to support the growth of foreign worker renewal and amnesty programme, b) higher interest cost arising from the RM120m term loan to fund the acquisition of a new office building, and c) higher effective tax rate of 0.79% (3QFY16: 0.75%), 3QFY17 net profit came in at RM54.0m (+63.0% yoy). Consequently, net profit margin grew 7.1ppt to 54.3%.
- **Expect a record FY17 year.** While 9MFY17 net profit came in at 71% of our full-year net profit estimate, we expect FY17 bottom-line to improve 40.6% to RM200.7m against a backdrop of: a) growing immigration segment supported by higher foreign worker transaction volumes and insurance take-up rate, and b) stable road transport contribution amid the nascent motor vehicle trading services.

EARNINGS REVISION

- **No change to FY17 net profit forecast.**

RECOMMENDATION

- **Maintain HOLD and target price of RM2.29,** which implies 0.9x PEG and 30.6x FY18F PE. We think MYEG deserves a higher PE than its mean PE of 26.4x given: a) its sheer size and high liquidity compared with its peers, b) its majority market share in the electronic government (E-Government) space (which has only two players - MYEG and Rilek), c) that it is a Shariah-compliant stock, d) strong earnings prospects with 3-year earnings CAGR of 31.5% in FY17-19, and e) potential earnings base of RM1b if all the new growth strategies fully kick in. The share price could stretch to RM2.55 assuming a 1.0x PEG. Entry price: RM2.06.

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CORPORATE

Alam Maritim: MARC places RM500m sukuk rating on negative watchlist on increased risk. Malaysian Rating Corp Bhd (MARC) said it has placed its BBB+ rating on Alam Maritim Bhd's RM500m Sukuk Ijarah Medium-Term Note Programme on its negative watchlist due to increased risk of missed payments or a distressed exchange. "The current outstanding amount under the rated programme is RM75m, of which RM30m is due in Jul 17," MARC said in a statement. Generally, a distressed exchange occurs when a financially-distressed company offers creditors new or restructured debt, or a new package of securities, cash or assets, that amounts to a diminished financial obligation relative to the original obligation. *(Source: The Edge Financial Daily)*

Axiata: Celcom sets aside RM1.5b as capex to expand network. Celcom Axiata Bhd has projected a guided capex of RM1.5b in 2017 to expand its network. CFO Jennifer Wong said as of the first quarter of this year, Celcom had spent close to RM167m and would ramp this up progressively from the third quarter onwards. The leading data network provider, which had braced for a challenging quarter, said an accelerated digitisation programme would play a key role to deliver an amazing customer experience. Speaking at a media briefing on Celcom's first quarter performance, Wong said the company embarked on cost transformation in Q4 of FY16. *(Source: The Star)*

Bumi Armada: Appoints Uthaya Kumar as audit committee chairman. Offshore oilfield services provider Bumi Armada Bhd today appointed Uthaya Kumar K Vivekananda as the new chairman of the group's audit committee. This comes after Uthaya Kumar, who has served with PriceWaterhouseCoopers for 35 years, was named as an independent and non-executive director of the group on 10 April. He was also appointed as a member of the audit committee, remuneration committee and nomination and corporate governance committee. Uthaya Kumar replaces Saiful Aznir Shahabudin, who is retiring as a director, and consequently as the audit committee chairman, Bumi Armada said in a statement. Saiful Aznir, who is a chartered accountant, was first appointed to Bumi Armada's board on 1 Dec 06. He is currently the CEO of Syarikat Permodalan Kebangsaan Bhd. *(Source: The Edge Financial Daily)*

CB Industrial: Bidding for RM2b worth of jobs abroad for special purpose vehicles division. CB Industrial Product Holding Bhd said its special purpose vehicles (SPV) division is seeking to expand its market beyond Malaysia by bidding for jobs in India and Sri Lanka. "We are currently bidding for contracts for our SPV division to an estimated value of about RM2b in both Sri Lanka and India," said its managing director Datuk Lim Chai Beng. The group, which mainly specialises in palm oil mill engineering and palm oil equipment, also provides retrofitting services in special vehicles such as trucks, firefighting vehicles and ambulances. The SPV division reported a 28.4% rise in revenue for the year ended 31 Dec 16 to RM158.4m from RM123.4m a year earlier. *(Source: The Edge Financial Daily)*

Damansara Realty: Doubt over DRealty's ability to remain a going concern. Damansara Realty Bhd's (DRealty) external auditors have warned of a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. Jamal, Amin & Partners issued a statement on the material uncertainty in respect of its financial statements for the financial year ended 31 Dec 16 (FY16), the construction, property development and facilities management group told Bursa Malaysia. The auditors noted that the group incurred a net loss of RM27m during the last financial year and, as of 31 Dec 16, its current liabilities exceeded its current assets by RM155m. This was "mainly arising from due and payable of developm,ent rights agreement payable to Johor City Development Sdn Bhd (JCDSB) on 31 Dec 16," the auditors' statement said. *(Source: The Star)*

Orion IXL: Expects to return to profitability by 2018. Orion IXL Bhd is optimistic of turning its fortunes around by 2018, banking on the successful completion of its acquisition of ASAP Bhd, whose niche is in the computerised maintenance management system. "The prospects look promising for Orion IXL," said its CEO and co-founder Abdul Rani Achmed Abdullah. "We are hoping that ASAP, soon to be part of our organisation, will drive the business forward." "We are targeting to turn the company around by FY18 (financial year ending 31 Dec 18), which will also improve our cash-flow position," he told reporters after the company's EGM yesterday. *(Source: The Edge Financial Daily)*

Stone Master: MD insists he still has executive power. Stone Master Corp Bhd's MD Datuk Koh Mui Tee said he still possesses executive power over the operation of the company, after the company renounced an EGM convened earlier yesterday to oust him from the board of directors. The meeting, called by the company's two largest shareholders Datuk Karen Lee Fong Yin and Datuk Eii Ching Siew, was declared invalid by Stone Master in a Bursa Malaysia filing. Koh attended the EGM but walked out after informing the same to some 30 individuals gathered for the meeting. Subsequently, he told reporters that he remains the MD and that it will be business as usual at Stone Master. *(Source: The Edge Financial Daily)*

TNB: Appoints former Petronas VP as director. Tenaga Nasional Bhd (TNB) has appointed as director Juniwati Rahmat Hussin, a 35-year Petronas veteran associated with Petronas' massive Pengerang Integrated Complex (PIC) project in Johor. From 2013 to last year, Juniwati, 58, was PIC vice-president and venture director and Petronas Refinery and Petrochemical Corp Sdn Bhd chief executive officer. In a filing with Bursa Malaysia, the utility firm said her appointment at TNB was effective 1 June. Juniwati, who has a bachelor's degree in chemistry from the University of Kent in the UK, started out at Petronas as a chemist in 1981. *(Source: The Star)*

TRC Synergy: To tender for MRT, LRT projects this year. TRC Synergy Bhd will tender for Mass Rapid Transit Corp (MRT) and Light Rail Transit (LRT) packages this year to boost contribution from its property segment, says MD Tan Sri Sufri Mohd Zin. TRC, which is mainly involved in the construction business, was gearing to improve the contribution ratio to 80:20 from 90:10 currently, of which 90% comes from its construction business. In an exclusive interview with Bernama, Sufri said the construction division managed to secure RM1.01b worth of new projects in 2016. TRC is currently involved in associated works between Pasar Seni LRT Station and Kuala Lumpur KTM Station, development and upgrading of the Pan Borneo highway in Sarawak and extension of the Sungai Buloh MRT depot. *(Source: The Star)*

Tropicana Corp: Rastam Isa retires as chairman. Tan Sri Rastam Isa has retired from his position as independent and non-executive chairman of property developer Tropicana Corp Bhd. He was appointed as chairman of Tropicana in April 14, according to a Bursa Malaysia filing today. Prior to that, he had spent over 36 years as a diplomat, starting as an officer attached to foreign ministry in Apr 74. In 2005, he served as the ministry's deputy secretary-general and was appointed secretary-general in 2006. He served in various capacities in the ministry and Malaysian diplomatic missions abroad until his retirement in 2010. Subsequently, he served as an adviser to the Chief Minister's Department, Sarawak, until 2013. *(Source: The Edge Financial Daily)*

1MDB: UOB, Credit Suisse fined S$1.6m for 1MDB-linked transactions; former Falcon, BSI employees issued prohibition orders. The Monetary Authority of Singapore (MAS) is imposing a total of S$1.6m in financial penalties on Credit Suisse and United Overseas Bank (UOB), having completed its two-year review of banks involved in the transactions related to 1Malaysia Development Bhd (1MDB). Credit Suisse faces financial penalties amounting to S$700,000, while S$900,000 of financial penalties have been imposed on UOB. In a Tuesday statement, MAS says its latest inspections of the two banks revealed several breaches of anti-money laundering (AML) requirements and control lapses, including weaknesses in conducting due diligence on customers and inadequate scrutiny of customers' transactions and activities. *(Source: The Edge Financial Daily)*

SECTOR

EPF: 1Q17 investment income jumps 74% to RM11.8b. The Employee Provident Fund (EPF)'s investment income jumped 73.9% to RM11.79b in its first quarter ended 31 Mar 17 (1Q17) from RM6.78b a year ago, thanks to significant improvements in the domestic and global markets. "The FBMKLCI grew by 6%, driven by the growth in the banking sector, while global indices improved by as much as 12%, a striking difference from the market environment last year. The positive market condition was conducive for profit taking activities leading to higher gross investment income in 1Q17 and also lower net impairment," said EPF chief executive Datuk Shahril Ridza Ridzuan in a statement today. Net impairments fell 52.7% to RM775.92m in the quarter compared with RM1.6b a year ago, following improvements in major markets. *(Source: The Edge Financial Daily)*

RESULTS FLASH

KSL Holdings

	1QY17 (RMm)	yoy % chg
Revenue	167.4	8.8
PBT	70.2	25.2
Net Profit	54.4	25.6
EPS (sen)	5.3	21.2
Div (sen)	0.0	n.a.

Latitude Tree Holdings

	3QFY17 (RMm)	yoy % chg	9MFY17 (RMm)	yoy % chg
Revenue	187.3	13.0	602.0	1.2
PBT	14.6	27.6	73.8	1.1
Net Profit	11.5	38.7	64.6	2.7
EPS (sen)	11.9	38.8	66.5	2.7
Div (sen)	0.0	n.a.	0.0	n.a.

WTK Holdings

	1QY17 (RMm)	yoy % chg
Revenue	221.7	19.8
PBT	2.1	n.a.
Net Profit	0.2	n.a.
EPS (sen)	0.0	n.a.
Div (sen)	0.0	n.a.

Karex

	3QFY17 (RMm)	yoy % chg	9MFY17 (RMm)	yoy % chg
Revenue	92.2	4.5	269.8	3.4
PBT	9.4	(19.6)	33.2	(49.1)
Net Profit	6.9	(28.3)	25.0	(54.1)
EPS (sen)	0.7	(28.1)	2.5	(54.0)
Div (sen)	0.0	n.a.	0.0	n.a.

Kawan Food

	1QY17 (RMm)	yoy % chg
Revenue	47.5	14.5
PBT	7.0	24.4
Net Profit	5.4	24.7
EPS (sen)	2.0	2.0
Div (sen)	0.3	n.a.

Allianz Malaysia

	1Q17 (RMm)	yoy % chg
Revenue	1,208.9	3.6
PBT	108.7	(5.5)
Net Profit	67.2	(8.2)
EPS (sen)	38.7	(10.5)
Div (sen)	0.0	n.a.

Thong Guan Industries

	1QY17 (RMm)	yoy % chg
Revenue	199.2	10.9
PBT	16.7	6.3
Net Profit	13.1	0.1
EPS (sen)	10.9	(12.2)
Div (sen)	0.0	n.a.

Malton

	3QFY17 (RMm)	yoy % chg	9MFY17 (RMm)	yoy % chg
Revenue	156.4	0.7	482.4	17.1
PBT	7.5	(41.0)	22.5	(7.6)
Net Profit	3.9	(39.7)	14.3	(5.3)
EPS (sen)	0.9	(40.0)	3.2	(5.3)
Div (sen)	0.0	n.a.	0.0	n.a.

IQ Group Holdings

	4QFY17 (RMm)	yoy % chg	FY17 (RMm)	yoy % chg
Revenue	47.4	(7.2)	198.8	4.6
PBT	5.1	(21.6)	32.7	17.4
Net Profit	6.2	31.5	28.2	35.0
EPS (sen)	7.0	31.3	32.0	34.9
Div (sen)	0.1	n.a.	0.1	n.a.

MK Land Holdings

	3QFY17 (RMm)	yoy % chg	9MFY17 (RMm)	yoy % chg
Revenue	23.8	(68.0)	138.6	(39.7)
PBT	7.2	(18.9)	24.5	9.5
Net Profit	4.0	(15.8)	12.5	3.1
EPS (sen)	0.3	(17.5)	1.0	3.0
Div (sen)	0.0	n.a.	0.0	n.a.

DRB-Hicom

	4QFY17 (RMm)	yoy % chg	FY17 (RMm)	yoy % chg
Revenue	3,481.6	32.2	12,058.3	(0.9)
PBT	(255.6)	(65.7)	(222.2)	(73.0)
Net Profit	(328.5)	(58.5)	(454.4)	(54.2)
EPS (sen)	(17.0)	(58.5)	(23.5)	(54.2)
Div (sen)	0.0	n.a.	0.0	n.a.

Kimlun Corporation

	1Q17 (RMm)	yoy % chg
Revenue	170.2	(27.5)
PBT	19.8	(12.6)
Net Profit	15.4	(10.1)
EPS (sen)	5.0	(12.8)
Div (sen)	0.0	n.a.

Wah Seong Corporation

	1QY17 (RMm)	yoy % chg
Revenue	316.8	(7.1)
PBT	4.6	94.9
Net Profit	9.5	301.4
EPS (sen)	1.2	296.8
Div (sen)	0.0	n.a.

Padini Holdings

	3QFY17 (RMm)	yoy % chg	9MFY17 (RMm)	yoy % chg
Revenue	373.7	9.2	1,110.4	16.6
PBT	46.4	0.3	158.8	17.5
Net Profit	34.8	(0.9)	117.9	17.9
EPS (sen)	5.3	(0.9)	17.9	17.9
Div (sen)	4.0	n.a.	9.0	n.a.

CB Industrial Product Holding

	1QY17 (RMm)	yoy % chg
Revenue	132.3	16.9
PBT	34.2	154.6
Net Profit	24.6	163.8
EPS (sen)	4.7	163.5
Div (sen)	3.0	n.a.

Guan Chong

	1QY17 (RMm)	yoy % chg
Revenue	631.3	6.8
PBT	6.8	(57.5)
Net Profit	5.8	(58.0)
EPS (sen)	1.2	(58.2)
Div (sen)	0.0	n.a.

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