

Evergreen Fibreboard Berhad (EVF MK)

Buy RM1.68

Price Target : RM 3.20

Within expectations

Reporting Period	Performance	Mkt Cap	FY	EPS (sen)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
3Q 2007	Within	RM806m	2007	20.8	-	8.1	1.9	5.1
		US\$240m	2008	26.2	-	6.4	1.6	6.3

Result Summary

FY Dec (RM m)	3Q2006	2Q2007	y-o-y chg
P&L Items			
Sales	137.9	202.4	46.7
Gross Profit	42.3	69.3	63.7
EBIT	20.9	37.7	80.1
Pretax Profit	21.0	36.9	75.3
Net Profit	18.3	31.6	72.6
EPS (sen)	3.8	6.6	72.6
Gross Margin (%)	30.7	34.2	11.6
BS & CF Items			
Capex	9.9	101.7	
Net Cash/(Debt)	85.1	(49.2)	

Comment on Results

3Q07 net profit came in at RM31.6m (-2% q-o-q, +73% y-o-y). YTD net profit of RM92.1m (+113% y-o-y) was within our expectations and consensus estimates.

The higher y-o-y in earnings was largely attributed to continued strong MDF prices. YTD average MDF price is c. 20% higher than 2006. Additional contribution from newly acquired Takeuchi MDF Sdn Bhd in Oct 06 also boosted earnings.

However, earnings contracted marginally q-o-q due to higher wood log prices, freight costs, and losses incurred due to the recent fire incident at one of the Group's production lines. Gross margin declined by 4.2ppts q-o-q to 34.2%.

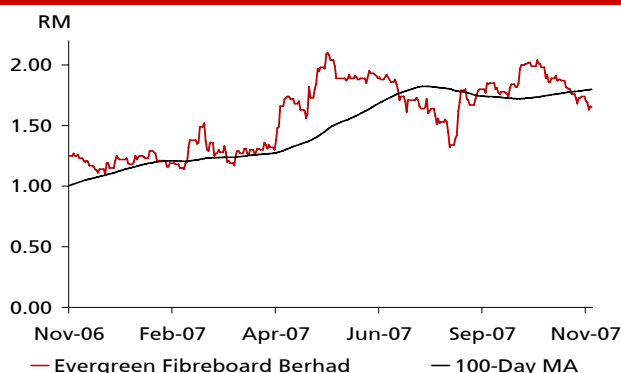
Recommendation

Though 9MFY07 net profit accounts for 93% of our FY07 earnings forecast, we expect 4Q07 to be weaker due to expected lower production and potential higher costs following the fire incident which occurred at one of EVF's production lines in Johor (Sept 07). The accident affected 10% of the Group's production. Therefore, we maintain our earnings forecasts for now. The line is expected to be fixed by end -07.

Maintain Buy with RM3.20 price target based on 12x FY08 EPS. We like EFB for its attractive valuation at 6.4x FY08 EPS, bright prospects in the global MDF market, and it being the second largest MDF manufacturer in Malaysia.

ANALYST: Juliana Ramli +603 2711 2222 juliana@hwangdbsvickers.com.my

Share Price Chart



Source: DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (0-15% total return over the next 12 months for small caps, 0-10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

* *Share price appreciation + dividends*

DBS Vickers Research is available on the following electronic platforms: DBS Vickers (www.dbsvresearch.com); Thomson (www.thomson.com/financial); Factset (www.factset.com); Reuters (www.rbr.reuters.com); Capital IQ (www.capitaliq.com) and Bloomberg (DBSR GO). For access, please contact your DBSV salesperson.

In Singapore, this research report may only be distributed to Institutional Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

ANALYST CERTIFICATION

The research analyst primarily responsible for the content of this research report, in part or in whole certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This document is published by DBS Vickers Research (Singapore) Pte Ltd ("DBSVR"), a direct wholly-owned subsidiary of DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") and an indirect wholly-owned subsidiary of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). The research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. DBSVR accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. DBS Vickers Securities Holdings Pte Ltd is a wholly-owned subsidiary of DBS Bank Ltd. DBS Bank Ltd along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and their associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, may beneficially own a total of 1% or more of any class of common equity securities of the subject company mentioned in this document. DBSVR, DBSVS, DBS Bank Ltd and/or other affiliates of DBSVUSA may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company. DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively. DBS Vickers Securities (UK) Ltd is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Services Authority. Research distributed in the UK is intended only for institutional clients.