



Vincent Lim Vi Ming
+60 (3) 9207 7663
lim.viming@osk.com.my

9MFY09 Results Review

Evergreen Fibreboard

A Strong Second Half

Evergreen Fibreboard's (EFB) posted a strong set of 3Q results which boosted its 9MFY09 YTD net profits to be equal to our full year expectations although revenue only accounted for 79% of our full year forecast. The better bottom-line was achieved on the back of higher average selling prices and lower raw material prices, which boosted operating margins. The strong 3QFY09 performance prompted us to revise upwards our FY09 and FY10 net earnings estimates by 69.4% and 48.2% respectively. Subsequently, we derive a higher target price for EFB of RM1.62 from RM1.05 previously. Our BUY recommendation is maintained.

Cumulative results dragged down by 1H. EFB's 9MFY09 performance was still lackluster as revenue was flat, dipping slightly by 2% due to the poor 1H results. Together with the low average selling prices for its MDF products during the first half of this year, its earnings were weaker as net profits declined by 36.6%.

Strong quarterly rebound. Fundamentals, however, are improving as EFB saw a huge expansion in q-o-q earnings at all levels. On the back of higher sales stemming from the acquisition of Hume Fibreboard, the commencement of a third manufacturing line in Thailand and an increase in average selling prices by approximately 5% q-o-q, group revenue surged 17.3%. Net profits also expanded by 200% as a combination of lower raw material prices - namely glue and rubber wood - led to an expansion in EBITDA margins from 13.6% to 21%. On its website, the company said as at the month of August this year, y-o-y prices for glue and rubber wood (for the processing of MDF) declined by some 50% and 31.5% respectively.

A turnaround in sight. Although EFB's YTD earnings are still weaker y-o-y, with the 3 fold increase in profits q-o-q, we reckon a potentially strong 4Q will strengthen earnings to help the group finish with a flat y-o-y performance. On the improvement in the global economy, which will in turn spur sales, we are revising upwards our revenue estimates for EFB by 17.1% and 18.2% for FY09 and FY10 respectively. Factoring in the cost cutting measures and higher selling prices, our net earnings are also revised upwards by 69.4% and 48.2% for the respective years. An upward earnings revision bumps up our target price for EFB to RM1.62 from RM1.05 previously. On grounds of more robust sentiment, EFB may also declare a final dividend in the next quarter. We see EFB potentially paying dividends amounting to 4.2 sen p/s in 4Q, compared with our expectation of no dividend previously. BUY recommendation maintained.



BUY

Target **RM1.62**
Previous **RM1.05**
Price **RM1.50**

BUILDING MATERIALS

Evergreen Fibreboard is involved in the manufacture of medium density fibreboards (MDF), particle boards, value-added fibreboard and furniture.

Stock Statistics

Bloomberg Ticker	EVF MK
Share Capital (m)	513.00
Market Cap (RMm)	769.50
52 week H L Price (RM)	1.62 0.44
3mth Avg Vol ('000)	876.3
YTD Returns	177.8
Beta (x)	1.34

Major Shareholders (%)

LTH	9.4
HIMB Trading	6.4
Hume Fibreboard	5.1

Share Performance (%)

Month	Absolute	Relative
1m	41.5	37.8
3m	57.9	50.0
6m	120.6	92.0
12m	111.3	43.7

6-month Share Price Performance



FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Revenue	528.1	731.6	730.5	811.9	866.5
Net Profit	59.7	118.5	76.7	75.9	80.6
% chg y-o-y	9.6	98.4	-35.3	-1.1	6.2
Consensus				52.3	66.8
EPS (sen)	12.4	24.7	15.0	15.8	16.8
DPS (sen)	5.0	7.0	0.0	4.2	4.8
Dividend yield (%)	3.3	4.7	0.0	2.8	3.2
ROE (%)	14.9	24.7	13.4	11.9	11.6
ROA (%)	8.9	13.0	6.2	6.5	6.5
PER (x)	12.1	6.1	10.0	9.5	8.9
BV/share (RM)	0.83	1.04	1.19	1.29	1.42
P/BV (x)	1.9	1.5	1.3	1.2	1.1
EV/ EBITDA (x)	6.4	5.2	10.7	7.3	7.4

Results Table (RMm)

FYE Dec	3Q09	2Q08	Q-o-Q chg	YTD FY09	YTD FY08	Y-o-Y chg	Comments
Revenue	211.9	180.6	17.3%	547.4	558.7	-2.0%	Strong 3QFY09 supported YTD earnings to end flat. Higher selling price and lower operating cost lift EBITDA performance.
EBITDA	44.4	24.5	81.2%	91.2	86.7	5.1%	
Net interest expense	-4.3	-4.6	-6.5%	-13.7	-7.8	75.8%	
Associates	0.0	0.0	n.a.	0.0	0.0	n.a.	
PBT	31.4	12.1	-160.3%	46.2	67.9	-31.9%	
Tax	-1.2	-0.7	71.3%	-3.1	1.0	-402.7%	
MI	0.7	-1.1	-160.2%	2.7	3.3	-18.4%	
Net profit	30.9	10.3	200.9%	45.8	72.3	-36.6%	
EPS (sen)	6.0	2.0		8.9	14.1		
DPS (sen)	0.0	0.0		0.0	0.0		
EBITDA margin	21.0%	13.6%		16.7%	15.5%		
NTA/share (RM)	1.30	1.24		1.30	1.20		

EARNINGS FORECAST

FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Turnover	528.1	731.6	730.5	811.9	866.5
EBITDA	88.7	146.1	100.7	137.3	145.9
PBT	67.7	140.4	63.9	73.3	77.8
Net Profit	59.7	118.5	76.7	75.9	80.6
EPS (sen)	12.4	24.7	15.0	15.8	16.8
DPS (sen)	5.0	7.0	0.0	4.2	4.8
Margin					
EBITDA (%)	16.8	20.0	13.8	16.9	16.8
PBT (%)	12.8	19.2	8.7	9.0	9.0
Net Profit (%)	11.3	16.2	10.5	9.3	9.3
ROE (%)	14.9	24.7	13.4	11.9	11.6
ROA (%)	8.9	13.0	6.2	6.5	6.5
Balance Sheet					
Fixed Assets	361.4	517.7	902.9	902.8	900.6
Current Assets	267.2	347.8	289.4	209.6	293.6
Total Assets	667.5	912.6	1246.2	1166.1	1247.5
Current Liabilities	70.1	138.4	407.3	271.7	285.3
Net Current Assets	197.1	209.3	-117.9	-62.1	8.4
LT Liabilities	145.8	235.1	222.6	222.4	222.4
Shareholders Funds	426.0	532.5	610.7	662.9	727.1
Net Gearing (%)	12.9	19.7	64.5	56.9	43.8

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

All research is based on material compiled from data considered to be reliable at the time of writing. However, information and opinions expressed will be subject to change at short notice, and no part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. We do not accept any liability directly or indirectly that may arise from investment decision-making based on this report. The company, its directors, officers, employees and/or connected persons may periodically hold an interest and/or underwriting commitments in the securities mentioned.

This report has been prepared by OSK Research Sdn. Bhd. for purposes of CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia Berhad and has been compensated to undertake the scheme. OSK Research Sdn. Bhd. has produced this report independent of any influence from CBRS or the subject company. For more information about CBRS and other research reports, please visit Bursa Malaysia's website at: http://www.bursamalaysia.com/website/bm/listed_companies/cmdf_bursa_research_scheme/

Distribution in Singapore

This research report produced by OSK Research Sdn Bhd is distributed in Singapore only to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with, this research report, you are to contact our Singapore Office, DMG & Partners Pte Ltd ("DMG").

All Rights Reserved. No part of this publication may be used or re-produced without expressed permission from OSK Research.
Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)*(A wholly-owned subsidiary of OSK Investment Bank Berhad)*


Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Research Office OSK Research Sdn. Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd. 12 th Floor, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	Singapore Office DMG & Partners Securities Pte. Ltd. 20 Raffles Place #22-01 Ocean Towers Singapore 048620 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jln. Jend. Sudirman Kav 25, Jakarta 12920 Indonesia Tel : +(6221) 520 4599 Fax : +(6221) 520 4598	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No.1266, West Nan Jing Road 200040 Shanghai China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633