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1QFY10 Results Review

Evergreen Fibreboard

A Stellar First Quarter

Despite our upwards earnings revision by more than 30% last month, Evergreen's (EFB) results beat our and consensus expectations when annualised. Riding on a global recovery in MDF average selling prices and increasing orders from customers in South-East Asia and Middle East, we see EFB doing well this year. We make no adjustments to our earnings estimates and thus maintain our target price intact at RM2.08. BUY recommendation maintained.

A kickstart. Just as we envisaged, EFB's first quarter earnings were stronger y-o-y, chalking up growth of above 50% at all levels. Although q-o-q revenue was up by a slight 6.5%, EFB would have done better if not for the strengthening ringgit at the start of the year. A 20.4% slump in net profit was seen q-o-q, largely attributed to the group incurring a tax write-back in the last quarter instead of a tax provision.

Prospects looking good. In our 12 April 2010 report entitled "Stepping Up to Higher Demand", we saw better prospects for EFB this year on the back of higher average selling prices and volume orders. We expect EFB to meet the growing orders by ramping up its utilization rate to 80%-85% this year (excluding Indonesian plant), subsequently rising to 90% next year in tandem with surging demand for MDF in the ASEAN region.

Conservative stance. Although average selling prices for EFB's MDF are rising by c.4% YTD, EFB said the strengthening ringgit had somewhat offset the gains from price increases. Nevertheless, premised on increasing orders, we expect EFB to achieve growth that is close to our estimates. We see EFB posting bottom line earnings growth of more than 30% y-o-y.

Staying on track. We maintain our BUY recommendation for EFB with a target price of RM2.08, by ascribing a high tier-end building material sector PE of 9 times to its FY10 EPS of 23.1 sen. We note that EFB has declared an interim tax-exempt dividend of 2 sen (RM10.26m) per share for its first quarter. This represents 36.8% of our full-year payout assumption of 23.5% of net profits.

BUY

Target
Previous
Price

RM2.08
RM2.08
RM1.42

BUILDING MATERIALS

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

Stock Statistics

	EVF MK
Bloomberg Ticker	EVF MK
Share Capital (m)	513.0
Market Cap (RMm)	764.4
52 week H L Price (RM)	1.80 0.60
3mth Avg Vol ('000)	888.8
YTD Returns	6.4
Beta (x)	1.64

Major Shareholders (%)

LTH	6.1
HIMB Trading	5.4
Hume Fibreboard	5.1

Share Performance (%)

Month	Absolute	Relative
1m	-8.0	-8.1
3m	4.2	-4.4
6m	4.9	2.4
12m	140.3	88.4

6-month Share Price Performance



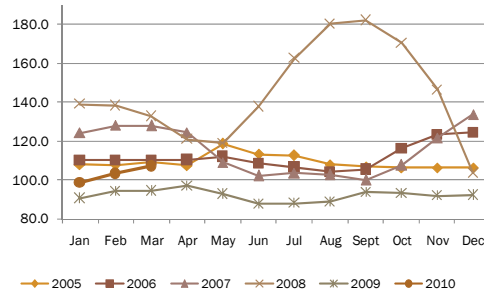
FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Revenue	731.6	730.5	771.5	874.5	967.7
Net Profit	118.5	76.7	87.4	118.7	135.6
% chg y-o-y	98.4	-35.3	13.9	35.8	14.3
Consensus	-	-	-	95.1	106.3
EPS (sen)	24.7	15.0	17.0	23.1	26.4
DPS (sen)	7.0	0.0	5.3	7.2	8.3
Dividend yield (%)	4.1	0.0	3.1	4.3	4.9
ROE (%)	24.7	13.4	13.3	15.8	16.0
ROA (%)	13.0	6.2	7.0	8.4	8.9
PER (x)	6.9	11.4	10.0	7.3	6.4
BV/share (RM)	1.04	1.19	1.38	1.55	1.76
P/BV (x)	1.7	1.5	1.3	1.1	1.0
EV/ EBITDA (x)	5.2	10.7	8.4	6.4	6.3

Results Table (RMm)

FYE Dec	1Q10	4Q09	Q-o-Q chg	YTD FY10	YTD FY09	Y-o-Y chg	Comments
Revenue	238.7	224.1	6.5%	238.7	154.9	54.1%	Higher y-o-y on better ASP and volume
EBIT	39.0	35.2	10.6%	39.0	9.7	302.1%	
Net interest expense	-3.4	-4.1	-15.1%	-3.4	-4.7	-26.8%	
Associates	0.9	0.9	-8.0%	0.9	0.1	1566.7%	
PBT	37.0	34.2	-8.1%	37.0	2.7	1258.2%	
Tax	-4.7	6.2	-175.5%	-4.7	-1.2	278.4%	
MI	0.8	1.2	-29.4%	0.8	3.1	-74.0%	
Net profit	33.1	41.6	-20.4%	33.1	4.6	614.6%	
EPS (sen)	6.4	8.1		6.4	0.9		
DPS (sen)	2.0	4.0		2.0	0.0		
EBIT margin	16.3%	15.7%		16.3%	6.3%		Higher margins on improved efficiency and lower operation cost
NTA/share (RM)	1.36	1.34		1.36	1.22		

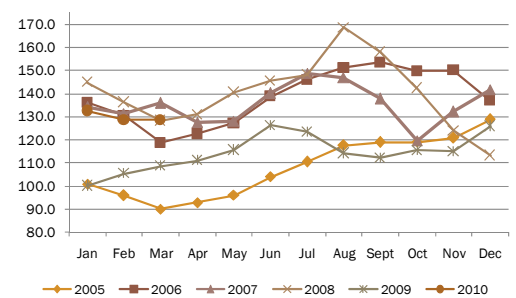
KEY HIGHLIGHTS

Figure 1: Glue price index 2005-2010



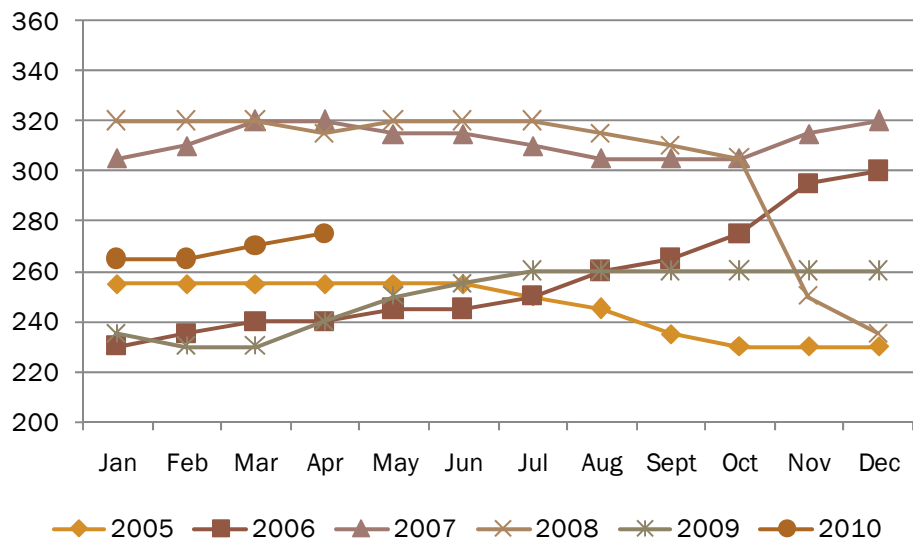
Source : evergreengroup.com.my, OSK

Figure 2: Rubber wood index 2005-2010



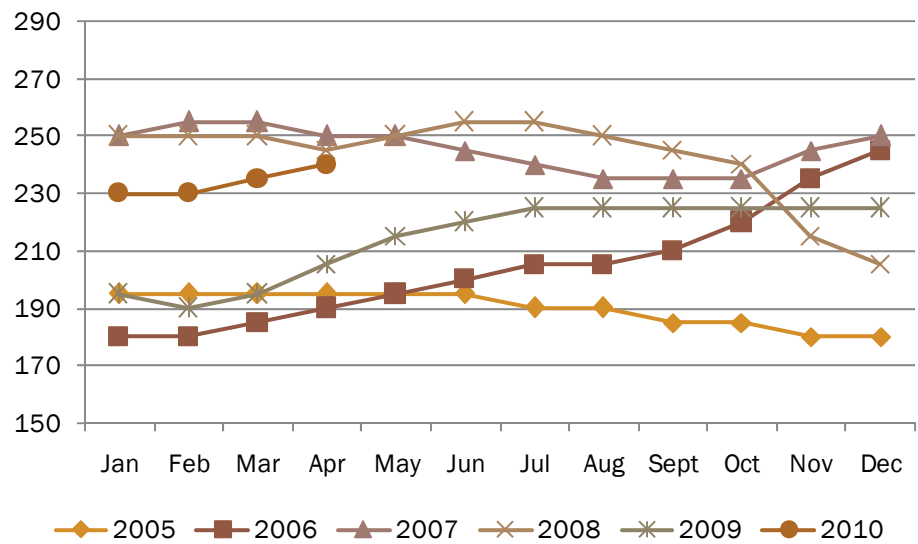
Source : evergreengroup.com.my, OSK

Figure 3: Evergreen's 2.5mm MDF Price from 2002-2010 (USD) Far East



Source: evergreengroup.com.my, OSK

Figure 4: Evergreen's 18mm MDF Price from 2002-2010 (USD) Far East



Source: evergreengroup.com.my, OSK

EARNINGS FORECAST

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Turnover	731.6	730.5	771.5	874.5	967.7
EBITDA	146.1	100.7	133.9	194.4	215.6
PBT	140.4	63.9	80.4	120.6	137.8
Net Profit	118.5	76.7	87.4	118.7	135.6
EPS (sen)	24.7	15.0	17.0	23.1	26.4
DPS (sen)	7.0	0.0	5.3	7.2	8.3
Margin					
EBITDA (%)	20.0	13.8	17.4	22.2	22.3
PBT (%)	19.2	8.7	10.4	13.8	14.2
Net Profit (%)	16.2	10.5	11.3	13.6	14.0
ROE (%)	24.7	13.4	13.3	15.8	16.0
ROA (%)	13.0	6.2	7.0	8.4	8.9
Balance Sheet					
Fixed Assets	517.7	902.9	885.0	873.3	830.1
Current Assets	347.8	289.4	308.8	476.3	637.4
Total Assets	912.6	1246.2	1249.4	1405.0	1522.6
Current Liabilities	138.4	407.3	227.9	289.0	298.2
Net Current Assets	209.3	-117.9	80.9	187.4	339.2
LT Liabilities	235.1	222.6	313.6	313.3	313.3
Shareholders Funds	532.5	610.7	706.2	796.9	900.5
Net Gearing (%)	19.7	64.5	42.8	28.0	13.2

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