

Company Note

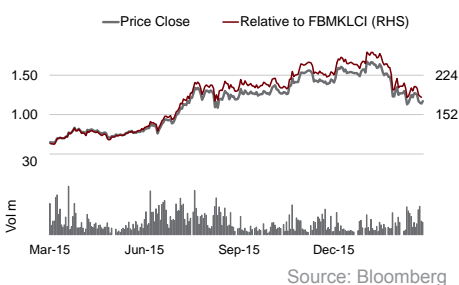
I Malaysia

ADD (no change)

Current price:	RM1.17
Target price:	RM2.02
Previous target:	RM2.06
Up/downside:	72.3%
Reuters:	EVGN.KL
Bloomberg:	EVF MK
Market cap:	US\$235.1m
	RM990.3m
Average daily turnover:	US\$1.19m
	RM5.08m
Current shares o/s	846.4m
Free float:	55.0%

Key changes in this note

- ▶ FY16F EPS cut by 2%
- ▶ FY17F EPS cut by 2%



Price performance	1M	3M	12M
Absolute (%)	-4.9	-16.0	67.1
Relative (%)	-4.6	-14.9	75.8

Analyst(s)



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Evergreen Fibreboard

Concerns over impairment losses overdone

- FY15 core net profit of RM96m was in line at 96% of our full-year estimate.
- Final DPS of 1 sen declared, as expected. It announced a dividend policy of at least 25% payout from FY16.
- Excellent buying opportunity, as concerns over impairment loss are overdone.
- Potential special dividend if the sale of non-core assets materialises this year.
- Maintain Add rating. A potential catalyst is continued ringgit weakness.

Operationally no surprises

Revenue and core net profit tracked expectations on a stronger dollar, and lower log and glue costs. In addition, the internal restructuring efforts also resulted in cost savings. This resulted in gross margin improving from 25% to 36% in FY15 vs. FY14. For 4Q, its power plant in Thailand was shut down for two months for refurbishment of the boilers, which resulted in RM2m in "loss profits" from the sale of steam and electricity to the Thailand MDF plant.

Exceptional items

An impairment loss of RM3m was taken against its Masai plant and PB plants. We deem this as non-core. Thus, FY15 core net profit to RM96m was in line at 96% of our full-year estimate.

Balance sheet and dividends

EVF's balance sheet remains healthy as net gearing fell from 26% to 8% after the private placement exercise. EVF has resumed its 25% dividend payout policy from FY16. Recall that it had suspended its dividend policy during the difficult years. The resumption of the dividend policy provides positive signal value to shareholders, in our view.

Concerns about impairment loss are overdone

EVF lost about RM170m in market capitalisation (c.20sen/share) in the few days before the results announcement on concerns about the size of the impairment losses. We view the market's reaction as overdone and unjustified. At only RM3m (multiplied by 12.5x P/E), these impairment loss should only have had a RM38m impact (c.4 sen/share).

EPS and target price tweaked

We cut our FY16-17F EPS by 2% for housekeeping and update of balance sheet. Our target is lowered accordingly, still based on FY17 P/E of 12.5x (sector average). We maintain Add rating.

Excellent buying opportunity

We believe that the recent share price weakness was driven by the strengthening of the ringgit and concerns about the impairment losses. The current weakness is an excellent buying opportunity as 1) our forecasts are based on RM/US\$ exchange rate of 4.00 vs. 4.20 currently. Every 1% depreciation increases FY16 EPS by 10%; and 2) the impairment loss was very small and we deem it non-core.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (RMm)	942	1,014	1,034	1,057	1,073
Operating EBITDA (RMm)	80.5	190.0	230.9	240.5	249.1
Net Profit (RMm)	0.2	92.6	127.5	136.5	141.8
Core EPS (RM)	0.00	0.11	0.15	0.16	0.17
Core EPS Growth	NA	54348%	38%	7%	4%
FD Core P/E (x)	5,825	11	8	7	7
DPS (RM)	-	0.010	0.050	0.050	0.060
Dividend Yield	0.00%	0.85%	4.27%	4.27%	5.13%
EV/EBITDA (x)	15.31	5.82	4.24	3.54	2.92
P/FCFE (x)	91.02	NA	6.56	5.92	5.55
Net Gearing	25.8%	7.7%	(3.9%)	(14.0%)	(22.4%)
P/BV (x)	1.24	0.95	0.88	0.81	0.75
ROE	0.0%	10.0%	11.7%	11.6%	11.2%
% Change In Core EPS Estimates			(2.08%)	(1.94%)	
CIMB/consensus EPS (x)			1.00	0.99	

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY15	4QFY14	yoy% chg	qoq % chg	4QFY15 Cum	4QFY14 Cum	yoy%	Prev.	FY15F Comments
Revenue	266.3	252.2	5.6	4.0	1,014.5	938.7	8.1	1,004.8	Est. avg USD rate realised in 4Q: 4.20
Operating costs	(212.9)	(214.7)	(0.8)	5.7	(823.2)	(836.4)	(1.6)	(810.0)	
EBITDA	53.4	37.5	42.4	(2.0)	191.3	102.3	87.0	194.8	
<i>EBITDA margin (%)</i>	20.1	14.9			18.9	10.9	73.0	19.4	
Depn & amort.	(15.7)	(16.8)	(6.5)	(7.1)	(64.8)	(64.1)	1.1	(64.2)	
EBIT	37.7	20.7	82.1	0.3	126.5	38.2	231.2	130.6	
Interest expense	(2.9)	(3.1)	(6.5)	3.6	(11.6)	(13.0)	(10.8)	(9.5)	
Pretax profit	34.8	17.6	97.7	0.0	114.9	25.2	356.0	121.1	
Tax	(4.6)	(0.7)	557.1	(28.1)	(19.3)	(2.9)	565.5	(20.6)	
Tax rate (%)	13.2	4.0			16.8	11.5	46.0	17.0	Effective tax rate from unutilised tax loss
MI	(1.7)	(2.0)			(3.0)	0.4		(1.0)	
Net profit	27.6	14.9	654.9	0.0	92.6	22.7	921.5	99.5	
Exceptional items	(3.1)	(0.6)			(3.1)	(20.6)			Impairment loss of Masai and PB plant (RM3m)
Core net profit	30.7	15.5	98.1	841.5	95.7	43.3	121.0	99.5	In line at 96% of full-year forecast
EPS (sen)	3.3	1.8	85.2	0.0	10.9	2.7	307.9	11.8	
Core EPS (sen)	3.6	1.8	98.1		11.3	5.1	121.0	11.8	

SOURCES: CIMB, COMPANY REPORTS

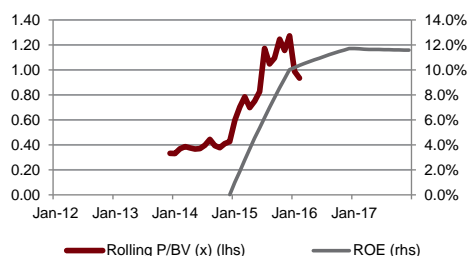
BY THE NUMBERS

Share price info

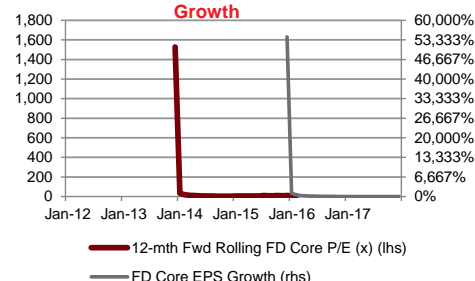
Share px perf. (%)	1M	3M	12M
Relative	-4.6	-14.9	75.8
Absolute	-4.9	-16.0	67.1

Major shareholders	% held
Kuo family	45.0

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	942	1,014	1,034	1,057	1,073
Gross Profit	231	361	396	410	421
Operating EBITDA	81	190	231	241	249
Depreciation And Amortisation	-64	-65	-65	-66	-67
Operating EBIT	16	125	166	174	182
Financial Income/(Expense)	-12	-10	-8	-6	-8
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	4	115	157	168	174
Exceptional Items					
Pre-tax Profit	4	115	157	168	174
Taxation	-3	-19	-27	-29	-30
Exceptional Income - post-tax					
Profit After Tax	2	96	131	140	145
Minority Interests	-1	-3	-3	-3	-3
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	0	93	128	137	142
Recurring Net Profit	0	93	128	137	142
Fully Diluted Recurring Net Profit	0	93	128	137	142

Cash Flow

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	80.5	190.0	230.9	240.5	249.1
Cash Flow from Inv. & Assoc.					
Change In Working Capital	16.4	(58.9)	34.9	(2.3)	(3.2)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(12.1)	(10.4)	(8.2)	(6.3)	(7.9)
Tax Paid	(2.7)	(19.3)	(26.7)	(28.6)	(29.7)
Cashflow From Operations	82.1	101.5	230.9	203.3	208.3
Capex	(12.0)	(97.0)	(60.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(12.0)	(97.0)	(60.0)	(30.0)	(30.0)
Debt Raised/(repaid)	(59.2)	(88.4)	(20.0)	(6.0)	0.0
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	0.0	(8.5)	(42.3)	(42.3)	(50.8)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(59.2)	(96.8)	(62.3)	(48.3)	(50.8)
Total Cash Generated	10.9	(92.4)	108.6	125.0	127.5
Free Cashflow To Equity	10.9	(83.9)	150.9	167.3	178.3
Free Cashflow To Firm	83.2	16.1	181.5	183.2	189.8

BY THE NUMBERS

Balance Sheet

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	74	117	225	350	478
Total Debtors	97	101	90	92	94
Inventories	215	227	213	218	221
Total Other Current Assets	29	60	60	60	60
Total Current Assets	415	504	588	720	852
Fixed Assets	777	846	840	804	767
Total Investments	0	0	0	0	0
Intangible Assets	20	20	20	20	20
Total Other Non-Current Assets	57	64	64	64	64
Total Non-current Assets	854	929	924	888	851
Short-term Debt	237	156	156	156	156
Current Portion of Long-Term Debt					
Total Creditors	135	123	134	138	139
Other Current Liabilities	0	8	8	8	8
Total Current Liabilities	372	287	298	302	304
Total Long-term Debt	51	43	23	17	17
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	51	43	23	17	17
Total Provisions	16	25	25	25	25
Total Liabilities	439	356	346	345	346
Shareholders' Equity	802	1,046	1,131	1,225	1,316
Minority Interests	29	32	35	38	41
Total Equity	830	1,078	1,166	1,263	1,357

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	0.35%	7.69%	1.96%	2.19%	1.47%
Operating EBITDA Growth	143%	136%	22%	4%	4%
Operating EBITDA Margin	8.5%	18.7%	22.3%	22.8%	23.2%
Net Cash Per Share (RM)	-0.25	-0.10	0.05	0.21	0.36
BVPS (RM)	0.95	1.24	1.34	1.45	1.56
Gross Interest Cover	1.26	10.77	15.68	17.58	15.87
Effective Tax Rate	62.8%	16.8%	17.0%	17.0%	17.0%
Net Dividend Payout Ratio	NA	7.6%	27.4%	25.6%	29.6%
Accounts Receivables Days	36.20	35.70	33.83	31.49	31.60
Inventory Days	109.4	123.5	126.3	121.6	123.0
Accounts Payables Days	67.73	72.09	73.68	76.64	77.70
ROIC (%)	1.5%	11.8%	14.0%	15.2%	16.4%
ROCE (%)	1.5%	10.4%	12.6%	12.6%	12.3%
Return On Average Assets	1.3%	9.3%	11.2%	11.2%	11.0%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	0.0%	0.0%	1.0%	2.0%	2.0%
Util. rate (% , main prod./serv.)	83.0%	84.0%	85.0%	86.0%	86.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	-10.0%	-20.0%	0.0%	0.0%	0.0%
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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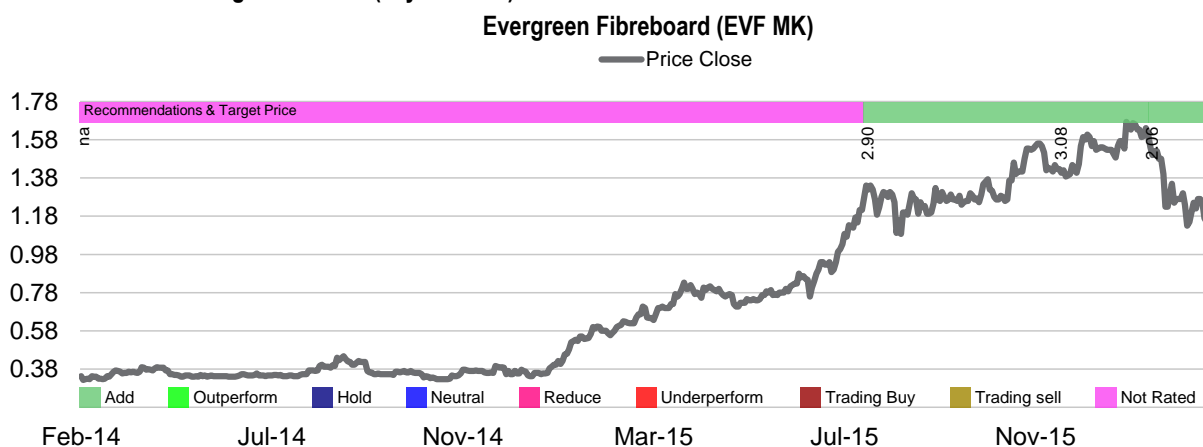
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2015		
1536 companies under coverage for quarter ended on 31 December 2015		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	9.3%
Hold	31.5%	4.0%
Reduce	8.5%	0.7%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP - Excellent, 5, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC - Good, 3B, BECL – Very Good, 3B, BH - Good, 2, BIGC - Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, BMCL - Very Good, 1, BTS - Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN - Excellent, 5, DELTA - Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO - Excellent, 4, EPG – not available, 3B, GFPT - Very Good, 3A, GLOBAL – Very Good, 2, GLOW - Good, 3A, GRAMMY - Excellent, 3B, GUNKUL – Very Good, 1, HANA - Excellent, 4, HEMRAJ – Very Good, 2, HMPRO - Excellent, 3A, ICHI – Very Good, 3A, INTUCH - Excellent, 4, ITD – Good, 1, IVL - Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK - Excellent, 4, KCE - Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB - Excellent, 4, KTC – Very Good, 3A, LH - Very Good, 3B, LPN – Excellent, 3A, M - Good, 2, MAJOR - Good, 1, MAKRO – Good, 3A, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT - Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL - Excellent, 4, PTT - Excellent, 5, PTTEP - Excellent, 4, PTTGC - Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SAMART - Excellent, 3B, SAPPE - Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB - Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC - Good, 3A, SIM - Excellent, 3B, SIRI - Good, 1, SPALI - Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO - Excellent, 4, TK – Very Good, 3B, TMB - Excellent, 4, TPCH – Good, 3B, TOP - Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

CIMB Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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