

# Evergreen Fibreboard (EVF MK)

Agriculture - Timber

Market Cap: USD104m

**Buy**

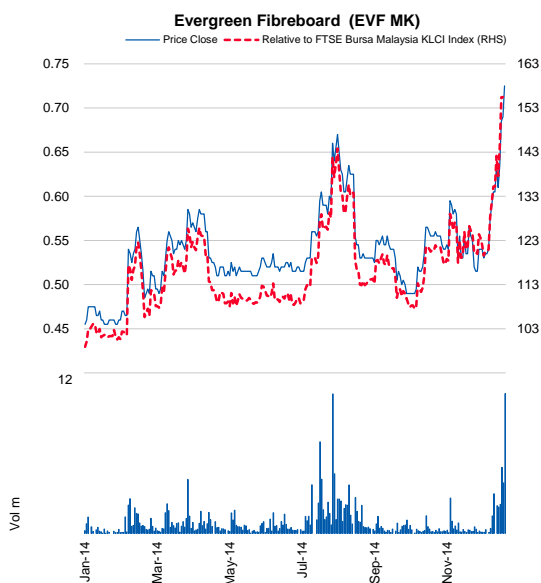
Target Price:

**MYR1.11**

Price:

**MYR0.73**

## Set To Resume Its Glory Days

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (MYR/USD)	0.46m/0.13m
Cons. Upside (%)	52.1
Upside (%)	52.1
52-wk Price low/high (MYR)	0.46 - 0.73
Free float (%)	41
Share outstanding (m)	513
<b>Shareholders (%)</b>	
Kuo Jen Chang	18.5
UBS AG Hong Kong	14.2
Lembaga Tabung Haji	7.6

<b>Share Performance (%)</b>					
	YTD	1m	3m	6m	12m
Absolute	19.8	35.5	40.8	40.8	59.3
Relative	21.7	36.1	46.4	49.4	64.8

**Shariah compliant**

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We initiate coverage on EFB with a BUY recommendation and a TP of MYR1.11 (52% upside). We are valuing the stock based on P/BV by applying 0.7x P/BV to its BV of MYR1.59. We expect EFB to turn around in FY15, propelled by operational efficiency, better selling prices, favourable forex and lower raw material prices. Currently, the company is still trading below its BV/share of MYR1.56 as at end-Sep 2014.

- ◆ **A leading MDF player.** Evergreen Fibreboard Bhd (EFB) is a prominent manufacturer of medium density fibreboard (MDF), particleboard, furniture, value-added wood-based products and resin. It has 10 plants located in Malaysia, Thailand and Indonesia with a combined annual production exceeding 1.3m m<sup>3</sup>.
- ◆ **A painful lesson.** EFB reported its first loss in FY13 with a net loss of MYR42.8m, attributed to weak demand from its major market, new supply from other regional producers, an increase in logistic cost and a drop in ASP.
- ◆ **Internal restructuring.** Currently, the company is embarking on a series of restructuring exercises in FY14-FY16 periods: i) shifting one of the Malaysian production lines to its Indonesian plant to achieve economies of scale and greater cost savings; ii) upgrade its machine and equipment in Segamat plant, with more automation processes to improve efficiency; and iii) streamlining its Batu Pahat plants' operations for better cost savings and smoother production flows.
- ◆ **Favourable external factors.** With >70% of export sales, EFB is benefiting from a stronger USD. In addition, the company is also enjoying lower raw material costs, thanks to lower rubber wood logs and crude oil prices (both constituting 60% of its total cost).
- ◆ **Initiate BUY with a MYR1.11 TP.** We believe that the company would turnaround in FY15, premised on improved efficiency internally, favourable forex and relatively stable raw material costs. Our TP is derived by applying 0.7x P/BV to its FY15F BV of MYR1.59. EFB currently trades at FY15F P/B of 0.46 and FY15F P/E of 10.4
- ◆ **Key Risks.** i) fluctuation in the prices of raw materials; ii) unfavourable forex movements; iii) execution risk – restructuring is underway.

Forecasts and Valuations	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover (MYRm)	1,032	939	940	982	1,031
Reported net profit (MYRm)	32.2	(42.8)	(4.7)	35.6	45.1
Recurring net profit (MYRm)	33.0	(42.8)	(4.7)	35.6	45.1
Recurring net profit growth (%)	(47.5)	(229.7)	(89.1)	na	26.6
Recurring EPS (MYR)	0.06	(0.08)	(0.01)	0.07	0.09
DPS (MYR)	0.02	0.00	0.00	0.00	0.02
Recurring P/E (x)	11.3	na	na	10.4	8.2
P/B (x)	0.45	0.47	0.48	0.46	0.44
P/CF (x)	na	8.07	5.52	4.34	3.63
Dividend Yield (%)	2.1	0.0	0.0	0.0	2.8
EV/EBITDA (x)	6.1	19.4	8.2	4.6	4.3
Return on average equity (%)	3.9	(5.3)	(0.6)	4.5	5.4
Net debt to equity (%)	33.7	34.8	30.6	22.8	25.1
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

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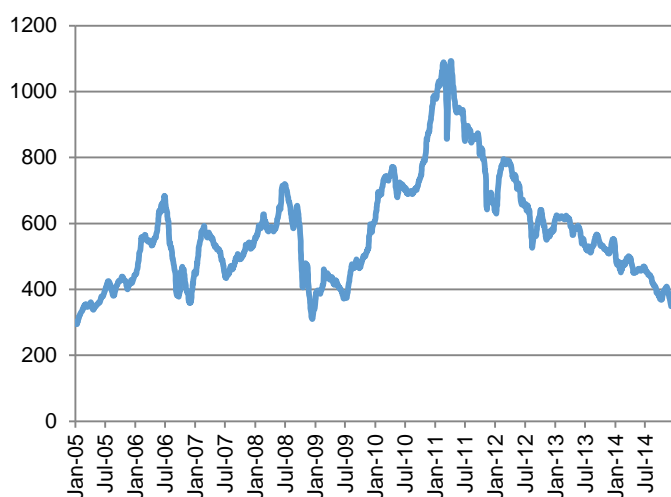
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## Investment Thesis

**Internal restructuring.** EFB experienced deteriorating margins in FY11-12 periods, with net margin dropping to 3.1% in FY12 from a high of 11.3% in FY10, and eventually posting a net loss of MYR42.8m in FY13, due to higher industry supplies, lower ASP and higher raw material costs. In the aftermath of a painful FY12-13, the management is taking bold steps to diagnose its operations and long-term future plans. Currently, the management is embarking on a series of restructuring exercises, with three core steps to be taken during the FY14-FY16F period: i) shifting one of the Malaysia production lines to its Indonesian plant in Palembang to achieve economies of scale and greater cost savings, ii) upgrading its machine and equipment in the Segamat plant for more automation processes to improve efficiency, and iii) streamlining its Batu Pahat plants' operations for better cost savings and smoother production flows.

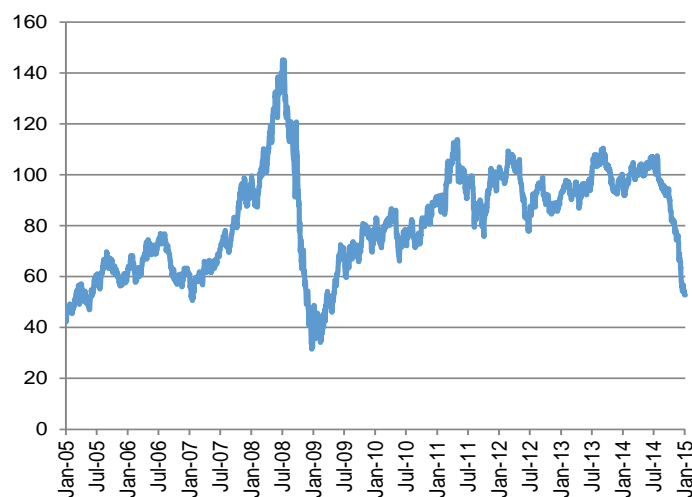
**Lower raw material costs.** Wood (mainly rubber wood) and glue are its core cost components, accounting for about 60% of its total cost as shown in Figure 9 in the Appendix. The rubber plantation sector is facing declining selling prices of latex. According to the Malaysian Rubber Board, the ASP of latex was at 362.23 sen/kg in Dec 2014, compared with 541.24 sen/kg in Dec 2013, down 67% YoY. Management guided that there is no obvious correlation between latex price and rubber wood log supply, but under such circumstance, rubber plantation owners are more willing to sell their rubber plantation concession for logging purposes. At the same time, low crude oil prices also bode well for its adhesive production. We foresee relatively stable raw material costs going forward.

Figure 1: Latex prices (sen/kg)



Source: Malaysian Rubber Board, RHB

Figure 2: Crude oil prices (USD/barrel)

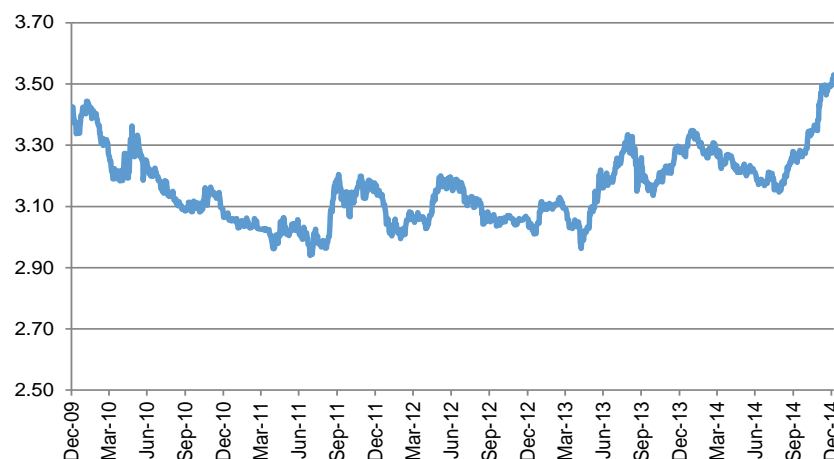


Source: Bloomberg, RHB

**Export-oriented.** EFB's products include MDF and particleboard, mainly catering to the furniture industry. Aside from supplying its products in Malaysia, EFB exports its products to ASEAN countries such as Thailand, Indonesia, Vietnam as well as Middle Eastern countries such as Saudi Arabia, United Arab Emirates (UAE), Jordan, Egypt, Syria, etc. In FY13, the company generated over MYR720m of export sales, about 77% of its total sales. Up to 3QFY14, the company recorded total export sales of MYR586m, which was 85% of total group sales. Figure 10 in the Appendix shows the revenue distribution per geographical area.

**Favourable forex.** EFB has a presence in Malaysia, Thailand and Indonesia, with about 70-85% of its total sales being export-based, mainly in USD term. EFB is going to benefit from a stronger USD. To recap, the company posted over MYR720m of export sales in FY13, which constituted 77% of its total sales. It recorded total export sales of MYR586m up to 3QFY14, representing 85% of total group sales. Meanwhile, MYR has continued to decline, depreciating by 6.4% against the USD during the Oct-Dec 2014 period. Our economist team believes that the MYR could stay weak at around MYR3.30-3.50/USD or even exceeding the level temporarily in the short term.

Figure 3: USD/MYR trend



Source: Bloomberg, RHB

**No customer concentration risk.** EFB has over 500 customers from local and overseas markets. None of its customers is contributing >10% of its total sales, hence mitigating customer concentration risk.

## Valuation & Key Risks

**BUY, TP MYR1.11.** We initiate coverage on EFB with a BUY recommendation and a TP of MYR1.11, which represents a 52% upside return. We are valuing the stock based on P/BV by applying 0.7x P/BV to its FY15F BV of MYR1.59. Historically, the company has been trading at a low average P/BV of 0.3x in FY13 to a high average P/BV of 1.5x in FY07. We believe that the company should be re-rated in view of the business recovery. On top of that, our P/BV valuation is still at a 53% discount to its peak average P/BV of 1.5x, which we think is prudent. Currently, the company is still trading below its BV/share of MYR1.56 as at end-Sep 2014.

After a painful lesson in FY12-13, management strives to improve its efficiency by restructuring and streamlining its operations. We forecast a milder net loss of MYR4.7m for FY14 (from net loss of MYR42.8m in FY13), before turning around in FY15 with a forecast net profit of MYR35.6m as shown in Figure 12 in the Appendix. Our forecasts are premised on an improvement in overall operations arising from better efficiency, lower log and glue costs, better selling prices and favorable foreign exchange rate. The industry sentiment has improved, with market players no longer slashing prices for greater market share.

**Peer comparison.** The closest peer of EFB is a Thailand-listed company, Vanachai Group PLC (Vanachai), which mainly produces MDF and particleboard. In terms of P/BV valuation, EFB is trading at a lower multiple compared with Vanachai. Overall, we like EFB as the company is set to turnaround in FY15. In addition, management displays determination and commitment in streamlining its operation, on top of favourable external factors that would likely benefit the industry as a whole.

Figure 4: USD/MYR trend

	Bloomberg ticker	Last price	Market cap	P/BV* (x)	Debt to equity* (%)
EFB	EVF MK	MYR 0.73	MYR 328.3m	0.5	39.4
Vanachai	VNG TB	THB 8.20	THB 12,849.5m	1.8	84.4

Source: Bloomberg, RHB

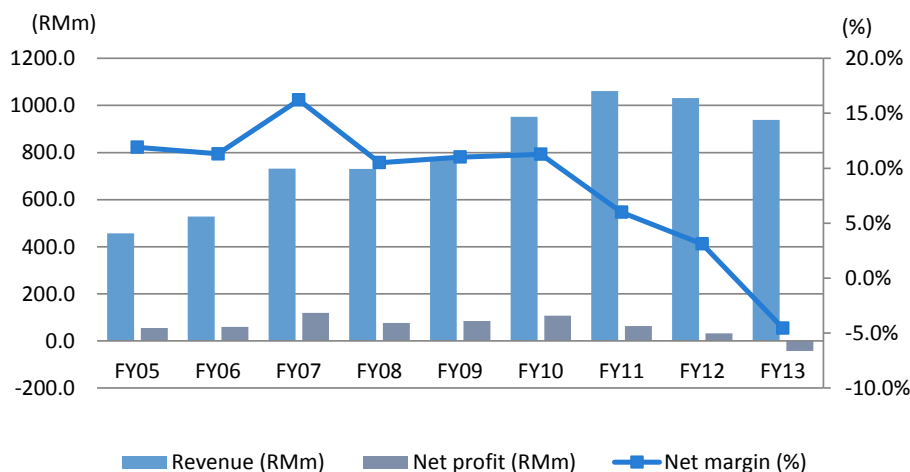
\*Data as at end-Sep 2014

**Key risks.** i) fluctuation in the prices of raw materials, which are linked to rubber industries and oil price movements; ii) unfavourable forex movements; iii) execution risk – management is determined to restructure and streamline its operation for better cost control and improved efficiency.

## Financial Overviews

**Experienced a challenging period.** Since its listing in 2005, EFB reported its first loss in FY13 with a net loss of MYR42.8m. Weak demand from the major market especially the Middle Eastern market arising from prolonged civil unrest, new supply from other regional producers in Indonesia, Thailand, and Vietnam, an increase in logistics cost and a drop in ASP have severely impacted its profit in FY13.

**Figure 5: Historical performances**



Source: Bursa Malaysia, RHB

**Eroding margin.** According to Figure 5, the company had been facing deteriorating margin since FY10, with net margin dropping to 3.1% in FY12 from 11.3% in FY10, before experiencing a net loss of MYR42.9m in FY13. The eroding margin was mainly due to overcapacity in the MDF industry regionally, which has resulted in lower ASP.

**The worst could be over.** Overall, 9MFY14 revenue was flat at MYR689.8m while net loss narrowed to MYR14.2m from MYR36.0m in 9MFY13. The 0.5% YoY increase in topline was supported by higher ASP despite a drop in sales volume of particle board in Malaysia as its production line is under major upgrade. Management guided that the ASP increased by 2-3% YoY in 9MFY14. We believe that the worst for EFB could be over. The company reported a milder pre-tax loss of MYR12.5m in 9MFY14 compared with a pre-tax loss of MYR40.9m in 9MFY13. Its Malaysia operations recorded a pre-tax loss of MYR16.2m in 9MFY14, including a MYR15m provision for log cost derived from uncompleted log concession projects. We do not foresee further provision on its unused concession.

The company has reported a net profit of MYR10.1m in 3QFY14. We have seen turnarounds in its Malaysia, Thailand, and Indonesia operations, with reported segmental pre-tax profit of MYR2.9m, MYR6.6m and MYR2.4m in 3QFY14, compared with pre-tax loss of MYR4.8m, MYR0.6m, and MYR4.9m respectively in 3QFY13. The turnarounds were supported by higher sales volume in Thailand, higher ASP in Indonesia as well as overall lower log and glue costs. We expect the company to experience minor loss in FY14 before turning around in FY15.

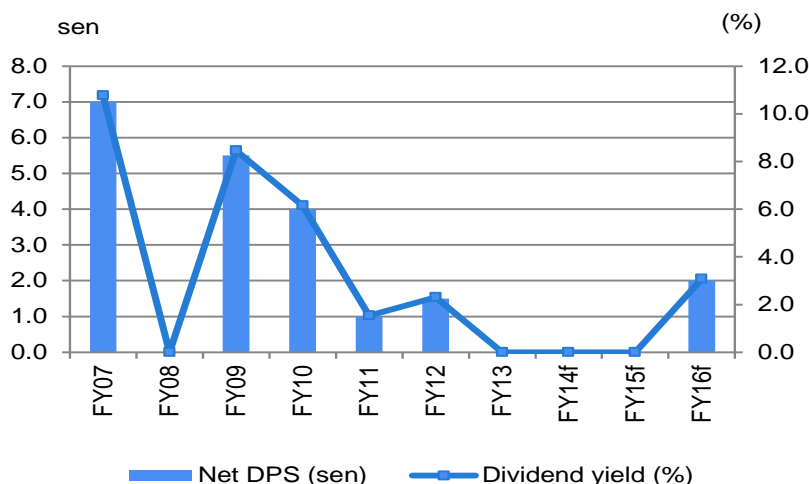
Figure 6: 9MFY14 performances

FYE Dec (MYRm)	3Q FY13	2Q FY14	3Q FY14	QoQ (%)	YoY (%)	YTD FY14	YTD FY13	YoY (%)
<b>Revenue</b>	<b>234</b>	<b>216</b>	<b>234</b>	<b>9%</b>	<b>0%</b>	<b>690</b>	<b>687</b>	<b>0%</b>
<b>EBITDA</b>	<b>11</b>	<b>-3</b>	<b>31</b>	<b>-997%</b>	<b>188%</b>	<b>45</b>	<b>23</b>	<b>98%</b>
<i>EBITDA Margin (%)</i>	5%	-2%	13%	-926%	188%	6%	3%	97%
Depreciation	-17	-15	-16	5%	-9%	-47	-52	-10%
<b>EBIT</b>	<b>-7</b>	<b>-19</b>	<b>15</b>	<b>-182%</b>	<b>-316%</b>	<b>-3</b>	<b>-30</b>	<b>-91%</b>
<i>EBIT Margin (%)</i>	-3%	-9%	7%	-176%	-315%	0%	-4%	-91%
Interest expense	-4	-3	-3	9%	-12%	-10	-11	-11%
Interest income	0	0	0	NA	NA	0	0	NA
Associates	0	0	0	NA	NA	0	0	NA
El/Others	0	0	0	NA	NA	0	0	NA
<b>Pretax profit</b>	<b>-10</b>	<b>-22</b>	<b>12</b>	<b>-155%</b>	<b>-216%</b>	<b>-12</b>	<b>-41</b>	<b>-69%</b>
<i>Pretax Margin (%)</i>	-4%	-10%	5%	-151%	-216%	-2%	-6%	-70%
Tax	-1	0	-1	250%	43%	-2	-1	102%
<i>Effective tax rate (%)</i>	-10%	-2%	12%	-730%	-223%	-17%	-3%	562%
Minority Interest	-3	0	0	NA	NA	0	-6	NA
<b>Net Profit</b>	<b>-8</b>	<b>-22</b>	<b>10</b>	<b>-146%</b>	<b>-224%</b>	<b>-14</b>	<b>-36</b>	<b>-61%</b>
<b>Core Profit</b>	<b>-8</b>	<b>-22</b>	<b>10</b>	<b>-146%</b>	<b>-224%</b>	<b>-14</b>	<b>-36</b>	<b>-61%</b>
<i>Core net margin (%)</i>	-3%	-10%	4%	-142%	-224%	-2%	-5%	-61%

Source: Bursa Malaysia, RHB

**No dividend until FY16.** We do not expect EFB to distribute dividends in FY14-15 as the company needs to reserve funds for its restructuring expenses. However, we believe the company would resume to reward its shareholders from FY16 onwards, with expected dividend payout ratio of >20%.

Figure 7: Dividend trend



Source: RHB

**Manageable gearing.** As at end-Sep 2014, the company has a manageable net gearing ratio of 32.5%. It has a total cash of MYR53.1m in hand, with total borrowings of MYR305.5m, of which 88% are short-term borrowings.

## Corporate Background

**Brief history.** EFB, which started as a timber trading and veneer manufacturer in 1972, is now a prominent manufacturer of MDF, particleboard, furniture, value-added wood-based products and resin. Figures 15-19 in the Appendix, show some of the company's products. MDF is an engineered wood product formed by breaking down hard- or soft-wood into wood fibers. It then combines with wax and resin, forming panels by applying high temperature and pressure.

**A leading MDF producer.** According to the Ministry of International Trade and Industry (MITI), the MDF industry in Malaysia currently has 15 plants with a combined annual installed capacity of 2.9m m<sup>3</sup>. In 2011, exports of MDF from Malaysia amounted to MYR1.1bn. MITI said Malaysia is the world's third-largest exporter of MDF after Germany and France. To date, EFB is one of the leading producers of MDF and particleboard with an annual production exceeding 1.3m m<sup>3</sup>.

**10 plants with a presence in Malaysia, Thailand & Indonesia.** EFB has six production plants located in Johor and Negeri Sembilan to produce various products including MDF, lamination of plywood, particle board, etc. In 2004, the company expanded its horizon to Thailand and subsequently entered the Indonesian market in 2007. The company has a plant in Hat Yai, Thailand and Palembang, Indonesia respectively. In addition, EFB also owns two resin/adhesive plants in Batu Pahat, Johor and Gurun, Kedah. Both plants are supplying adhesive for its own use in its Malaysia and Thailand plants.

Figure 8: Plants information

Plant	Location	Activities	Land area (acres)	Commencement date	Estimated Capacity (m <sup>3</sup> or sq ft or MT/ annum)
Evergreen Fibreboard (HQ)	Batu Pahat	MDF, paper, veneer, coated/emboss, printed, board lamination & knock down wooden furniture	36	1992	250,000 m <sup>3</sup>
Allgreen Timber products	Segamat	Particle board	23	2002	120,000 m <sup>3</sup>
Evergreen Fibreboard (Pasir Gudang)	Pasir Gudang	Lamination of plywood & MDF with decorative faced veneer	5	1987	100,000,000 sq ft
Dawa Timber Industries	Pasir Gudang	Lamination of plywood & MDF with decorative faced veneer	2	1977	24,000,000 sq ft
Evergreen Fibreboard (JB)	Masai	MDF of tropical & acacia wood species	10	2006	120,000 m <sup>3</sup>
Evergreen Fibreboard (Nilai)	Negeri Sembilan	MDF & profile mouldings	38	2008	250,000 m <sup>3</sup>
Siam Fibreboard Co Ltd	Hat Yai, Thailand	MDF	45	2004	570,000 m <sup>3</sup>
Gre Energy Co Ltd	Hat Yai, Thailand	Biomass power generation plant	NA	2006	18 megawatt S/20 tons steam
PT Hijau Lestari Fibreboard	Palembang, Indonesia	MDF of rubber wood & adhesive	NA	2007	120,000 m <sup>3</sup>
Evergreen Hevea Resources	Malaysia	Harvesting of logs	NA	2008	NA
Craft Master Timber Products	Batu Pahat	Manufacture of sawn timber, klin dry products & finger jointing	3	2011	NA
Evergreen Adhesive & chemicals	Batu Pahat	Resin/ adhesive	3	2006	96,000 MT
Evergreen Adhesive & chemicals (Gurun)	Gurun, Kedah	Resin/ adhesive	17	2010	96,000 MT
Locomotion Services	Penang	Warehousing & logistics services	NA	2011	NA
Evergreen Plantation Resources	Kahang, Johor	Plantation management	NA	2010	NA
Evergreen Agro	NA	Plantation	NA	2011	NA
Asian Oak	Thailand	Sawn timber & klin dry products	NA	2012	NA
Jasa Wibawa	NA	Rubber plantation	4,410	2011	NA

Source: Company data, RHB

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>	<b>Dec-16F</b>
Total turnover	1,032	939	940	982	1,031
Cost of sales	(842)	(811)	(761)	(750)	(780)
<b>Gross profit</b>	<b>190</b>	<b>128</b>	<b>179</b>	<b>232</b>	<b>251</b>
Gen & admin expenses	(153)	(163)	(169)	(175)	(184)
Other operating costs	5	2	2	2	2
<b>Operating profit</b>	<b>42</b>	<b>(34)</b>	<b>12</b>	<b>59</b>	<b>70</b>
Operating EBITDA	110	34	77	126	140
Depreciation of fixed assets	(68)	(68)	(65)	(67)	(70)
Amortisation of intangible assets	(0)	(0)	-	-	-
<b>Operating EBIT</b>	<b>42</b>	<b>(34)</b>	<b>12</b>	<b>59</b>	<b>70</b>
Interest expense	(15)	(15)	(15)	(14)	(13)
Other non-recurring income	(1)	-	-	-	-
<b>Pre-tax profit</b>	<b>26</b>	<b>(49)</b>	<b>(4)</b>	<b>45</b>	<b>56</b>
Taxation	(0)	4	(1)	(11)	(14)
Minority interests	7	2	(0)	2	3
<b>Profit after tax &amp; minorities</b>	<b>32</b>	<b>(43)</b>	<b>(5)</b>	<b>36</b>	<b>45</b>
<b>Reported net profit</b>	<b>32</b>	<b>(43)</b>	<b>(5)</b>	<b>36</b>	<b>45</b>
<b>Recurring net profit</b>	<b>33</b>	<b>(43)</b>	<b>(5)</b>	<b>36</b>	<b>45</b>

Source: Company data, RHB

<b>Cash flow (MYRm)</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>	<b>Dec-16F</b>
<b>Operating profit</b>	<b>42</b>	<b>(34)</b>	<b>12</b>	<b>59</b>	<b>70</b>
<b>Depreciation &amp; amortisation</b>	<b>68</b>	<b>68</b>	<b>65</b>	<b>67</b>	<b>70</b>
<b>Change in working capital</b>	<b>(125)</b>	<b>26</b>	<b>7</b>	<b>(14)</b>	<b>(10)</b>
Other operating cash flow	(2)	3	-	-	(0)
<b>Operating cash flow</b>	<b>(16)</b>	<b>64</b>	<b>84</b>	<b>111</b>	<b>130</b>
Interest paid	(15)	(15)	(15)	(14)	(13)
Tax paid	(4)	(3)	(1)	(11)	(14)
<b>Cash flow from operations</b>	<b>(35)</b>	<b>46</b>	<b>67</b>	<b>86</b>	<b>102</b>
Capex	(34)	(40)	(30)	(30)	(120)
Other investing cash flow	(11)	2	(2)	-	-
<b>Cash flow from investing activities</b>	<b>(44)</b>	<b>(37)</b>	<b>(32)</b>	<b>(30)</b>	<b>(120)</b>
Dividends paid	(13)	-	-	-	(10)
Increase in debt	(93)	(136)	(20)	(20)	(20)
Other financing cash flow	149	94	0	-	-
<b>Cash flow from financing activities</b>	<b>43</b>	<b>(42)</b>	<b>(20)</b>	<b>(20)</b>	<b>(30)</b>
Cash at beginning of period	119	84	56	71	107
<b>Total cash generated</b>	<b>(37)</b>	<b>(33)</b>	<b>15</b>	<b>36</b>	<b>(48)</b>
Forex effects	2	5	-	-	-
<b>Implied cash at end of period</b>	<b>84</b>	<b>56</b>	<b>71</b>	<b>107</b>	<b>59</b>

Source: Company data, RHB



## Financial Exhibits

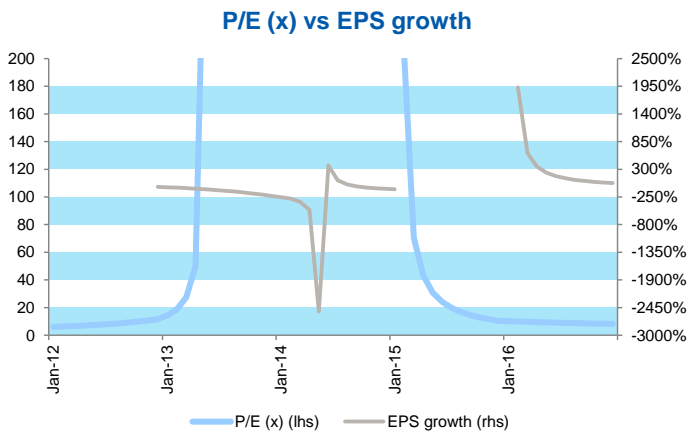
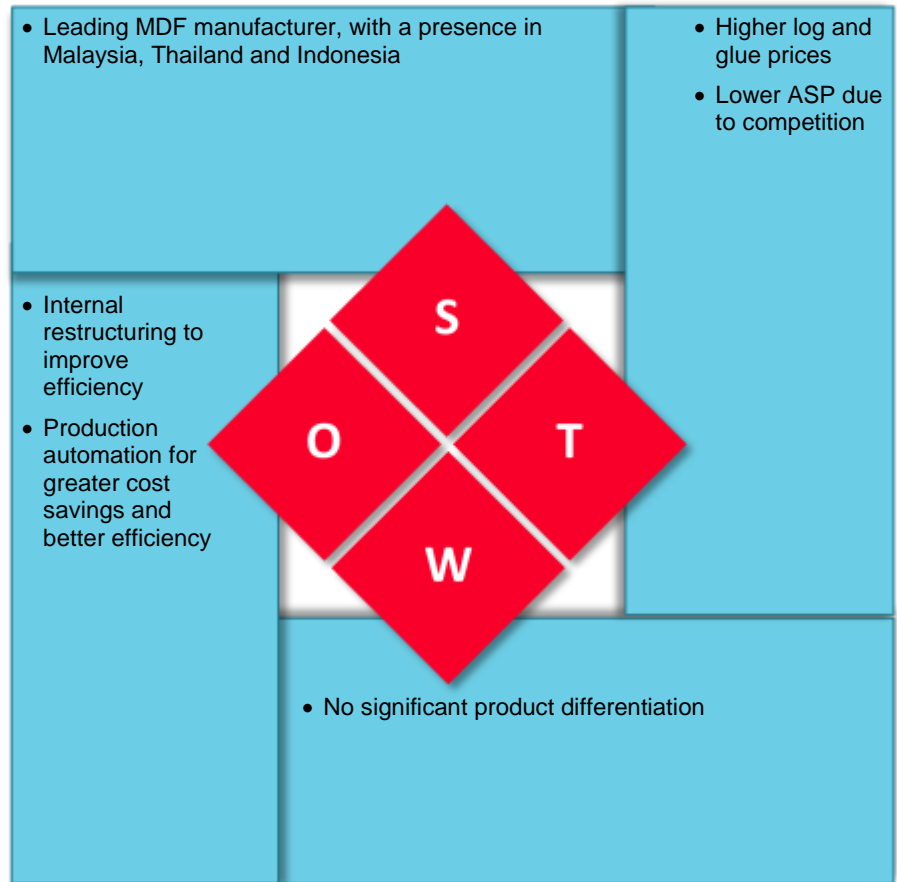
<b>Balance Sheet (MYRm)</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>	<b>Dec-16F</b>
Total cash and equivalents	84	56	71	107	59
Inventories	194	211	201	210	220
Accounts receivable	82	89	85	89	93
Other current assets	99	55	55	55	55
<b>Total current assets</b>	<b>459</b>	<b>411</b>	<b>412</b>	<b>460</b>	<b>427</b>
Tangible fixed assets	846	823	788	751	801
Intangible assets	20	20	20	20	20
Total other assets	32	33	33	33	33
Total non-current assets	898	876	840	804	853
<b>Total assets</b>	<b>1,357</b>	<b>1,287</b>	<b>1,252</b>	<b>1,264</b>	<b>1,281</b>
Short-term debt	228	268	254	238	222
Accounts payable	120	129	121	119	124
Other current liabilities	1	3	1	1	1
<b>Total current liabilities</b>	<b>349</b>	<b>400</b>	<b>375</b>	<b>358</b>	<b>346</b>
Total long-term debt	143	69	63	59	55
Other liabilities	14	9	9	9	9
<b>Total non-current liabilities</b>	<b>157</b>	<b>78</b>	<b>73</b>	<b>69</b>	<b>65</b>
<b>Total liabilities</b>	<b>505</b>	<b>478</b>	<b>448</b>	<b>426</b>	<b>411</b>
Share capital	128	128	128	128	128
Retained earnings reserve	590	547	542	578	613
Other reserves	108	111	111	111	111
<b>Shareholders' equity</b>	<b>826</b>	<b>786</b>	<b>781</b>	<b>817</b>	<b>852</b>
Minority interests	26	22	23	20	18
Other equity	(0)	-	-	(0)	-
<b>Total equity</b>	<b>852</b>	<b>809</b>	<b>804</b>	<b>837</b>	<b>870</b>
<b>Total liabilities &amp; equity</b>	<b>1,357</b>	<b>1,287</b>	<b>1,252</b>	<b>1,264</b>	<b>1,281</b>

Source: Company data, RHB

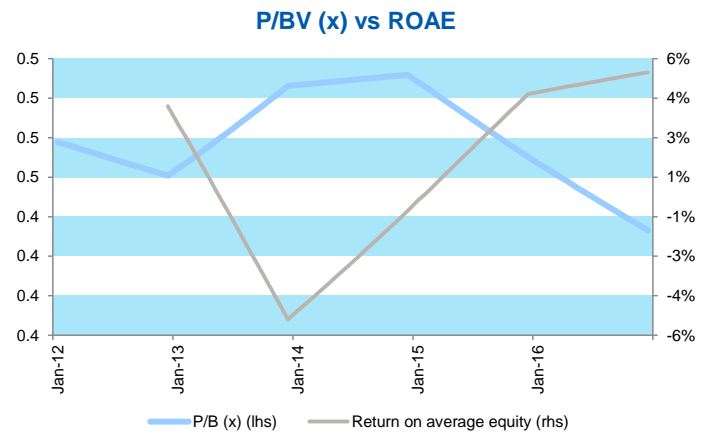
<b>Key Ratios (MYR)</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>	<b>Dec-16F</b>
Revenue growth (%)	(2.8)	(9.0)	0.2	4.5	5.0
Operating profit growth (%)	(46.4)	(181.5)	0.0	405.5	18.5
Net profit growth (%)	(49.4)	(233.0)	(89.1)	0.0	26.6
EPS growth (%)	(49.4)	(233.0)	(89.1)	0.0	26.6
Bv per share growth (%)	2.1	(4.8)	(0.6)	4.6	4.3
Operating margin (%)	4.1	(3.6)	1.2	6.0	6.8
Net profit margin (%)	3.1	(4.6)	(0.5)	3.6	4.4
Return on average assets (%)	2.4	(3.2)	(0.4)	2.8	3.5
Return on average equity (%)	3.9	(5.3)	(0.6)	4.5	5.4
Net debt to equity (%)	33.7	34.8	30.6	22.8	25.1
DPS	0.02	0.00	0.00	0.00	0.02
Recurrent cash flow per share	(0.07)	0.09	0.13	0.17	0.20

Source: Company data, RHB

## SWOT Analysis



Source: Company data, RHB



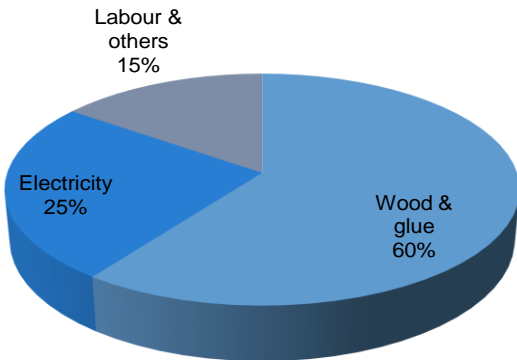
Source: Company data, RHB

## Company Profile

EFB is a medium-density fibreboard and particleboard manufacturer with a presence in Malaysia, Thailand and Indonesia.

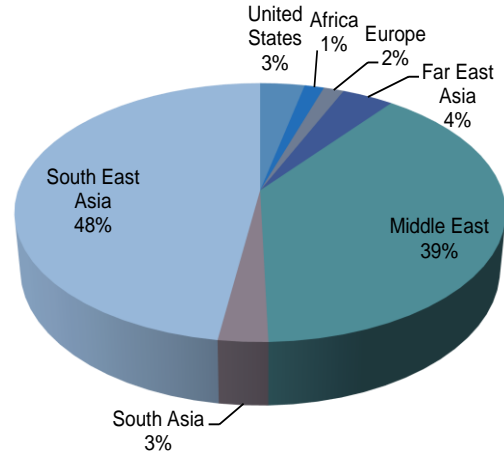
## Appendix

Figure 9: Cost breakdown (FY13)



Source: Company, RHB

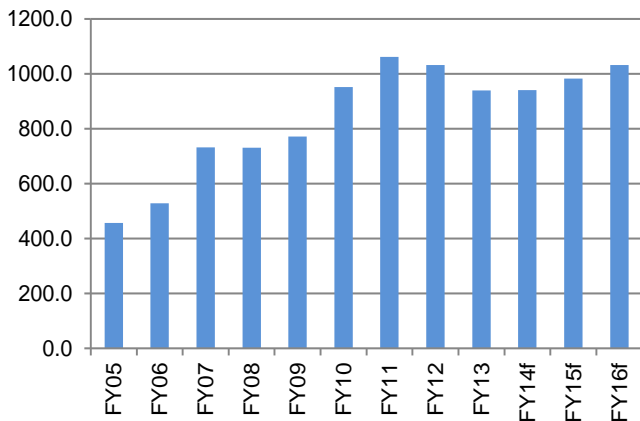
Figure 10: Revenue breakdown (FY13)



Source: Company, RHB

Figure 11: Revenue

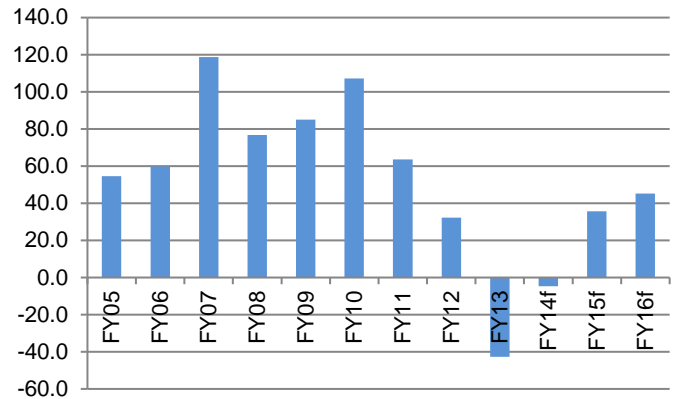
(RMm)



Source: Company, RHB

Figure 12: Net profit/(loss)

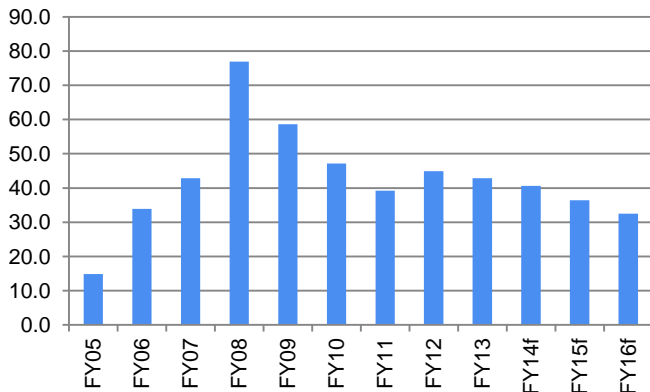
(RMm)



Source: Company, RHB

Figure 13: Debt to equity ratio

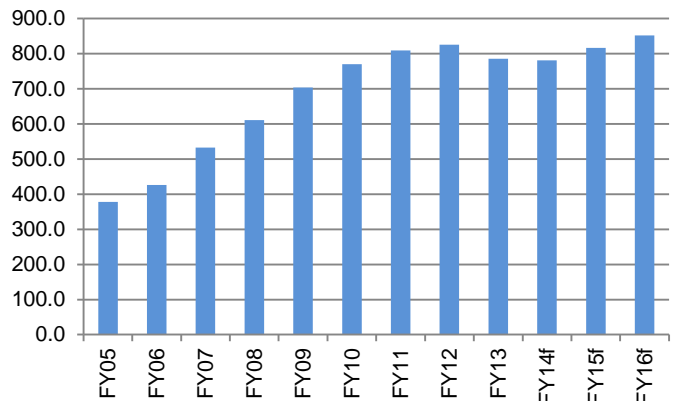
(%)



Source: Company, RHB

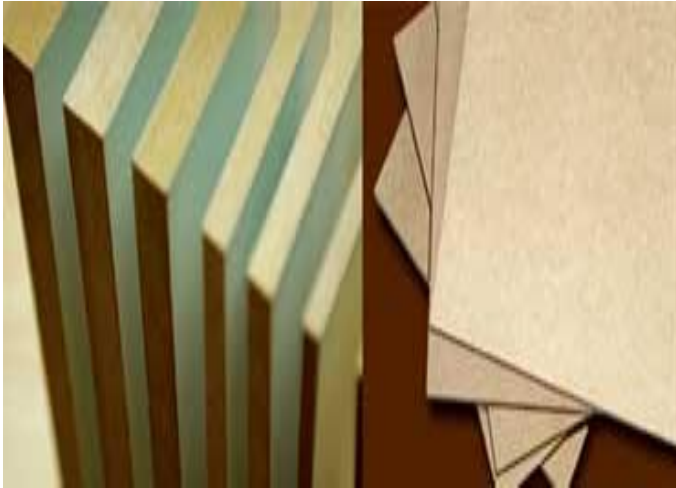
Figure 14: Shareholder's equity

(RMm)



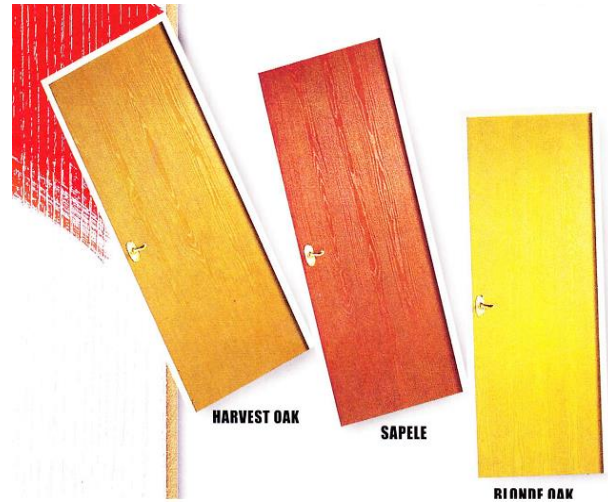
Source: Company, RHB

Figure 15: MDF



Source: Company data, RHB

Figure 16: Coated/embossed MDF



Source: Company data, RHB

Figure 17: Particleboard



Source: Company data, RHB

Figure 18: Engineered flush door



Source: Company data, RHB

Figure 19: Furniture



Source: Company data, RHB

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- 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  
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**Sell:** Share price may fall by more than 10% over the next 12 months  
**Not Rated:** Stock is not within regular research coverage

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