

Evergreen Fibreboard (EVF MK)

Agriculture - Timber

Market Cap: USD150m

Buy (Maintained)

Target Price: MYR1.48

Price: MYR1.05

Back In The Black

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	2.55m/0.70m
Cons. Upside (%)	5.7
Upside (%)	41.0
52-wk Price low/high (MYR)	0.49 - 1.06
Free float (%)	41
Share outstanding (m)	513
Shareholders (%)	
Kuo Jen Chang	18.5
UBS AG Hong Kong	14.2
Lembaga Tabung Haji	7.6

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	73.6	18.0	79.5	65.4	96.3
Relative	70.2	17.0	80.0	68.2	96.9

Shariah compliant

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EFB's FY14 results beat expectations. Maintain BUY with a higher TP of MYR1.48 (41% upside), derived by applying a 0.9x P/BV to FY15F BV of MYR1.64. The company has returned to the black with a small net profit of MYR0.2m from a net loss of MYR42.8m in FY13, thanks to higher ASP, lower costs and higher forex gain. We reiterate our positive view on EFB.

- ◆ **Above expectations.** Evergreen Fibreboard (EFB) returned to the black with a FY14 net profit of MYR0.2m vs our previous forecast of a net loss of MYR4.7m. Despite the meager profit in FY14, this is a huge improvement from a net loss of MYR42.8m in FY13. The better results were mainly attributable to higher profit margin derived from higher ASP and lower cost of logs and glue, as well as the appreciation of USD, despite its particleboard's production line undergoing a major upgrade.
- ◆ **On the right path.** The company is in the midst of restructuring its businesses, with three key steps including: i) shifting one of the Malaysian production lines to its Indonesian plant; ii) upgrading its machine and equipment in Segamat plant, with more automation processes; and iii) streamlining its Batu Pahat plants' operations. We believe that the company will likely do well with its internal efforts to ensure greater efficiency, on top of favourable external factors, ie stronger USD and lower raw material costs.
- ◆ **Maintain BUY, with a higher TP of MYR1.48.** We are upbeat as EFB has resumed profitability despite the modest amount. We reiterate our positive view on EFB as we believe the company would likely do well going forward, premised on improved efficiency internally, favourable forex and relatively stable raw material costs. Maintain BUY with a higher TP of MYR1.48 (from MYR1.11), derived by applying a 0.9x P/BV to its FY15F BV of MYR1.64.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	939	939	982	1,031	1,086
Reported net profit (MYRm)	(42.8)	20.8	35.6	45.1	49.0
Recurring net profit (MYRm)	(42.8)	20.8	35.6	45.1	49.0
Recurring net profit growth (%)	(229.7)	na	71.4	26.7	8.6
Recurring EPS (MYR)	(0.08)	0.04	0.07	0.09	0.10
DPS (MYR)	0.00	0.00	0.00	0.02	0.03
Recurring P/E (x)	na	25.9	15.1	11.9	11.0
P/B (x)	0.69	0.67	0.64	0.62	0.59
P/CF (x)	11.7	6.3	6.1	5.3	3.0
Dividend Yield (%)	0.0	0.0	0.0	1.9	2.4
EV/EBITDA (x)	24.4	7.6	5.6	5.4	4.8
Return on average equity (%)	(5.3)	2.6	4.3	5.3	5.5
Net debt to equity (%)	34.8	26.7	18.8	21.2	15.4
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

Figure 1: EFB's earnings review

FYE Dec (MYRm)	4Q13	3Q14	4Q14	QoQ (%)	YoY (%)	FY14	FY13	YoY (%)	Comments
Revenue	252	234	252	8%	0%	939	939	0%	
EBITDA	12	31	38	21%	>100%	102	34	>100%	
<i>EBITDA Margin (%)</i>	5%	13%	15%	12%	>100%	11%	4%	>100%	
Depreciation	-16	-16	-17	6%	5%	-64	-68	-6%	
EBIT	-4	15	21	37%	>100%	38	-34	>100%	
<i>EBIT Margin (%)</i>	-2%	7%	8%	27%	>100%	4%	-4%	>100%	
Interest expense	-4	-3	-3	-3%	-16%	-13	-15	-13%	
Interest income	0	0	0	NA	NA	0	0	NA	
Associates	0	0	0	NA	NA	0	0	NA	
El/Others	0	0	-1	NA	NA	-21	0	NA	
Pretax profit	-8	12	18	47%	>100%	25	-49	>100%	
<i>Pretax Margin (%)</i>	-3%	5%	7%	37%	>100%	3%	-5%	-151%	
Tax	5	-1	-1	-50%	-115%	-3	4	-175%	
<i>Effective tax rate (%)</i>	60%	12%	4%	-66%	-93%	11%	8%	45%	
Minority Interest	4	0	2	NA	NA	2	-2	NA	
Net Profit	-7	10	15	48%	>100%	0.2	-43	100%	
Core Profit	-7	10	16	54%	>100%	0.2	-43	100%	Despite the meager profit in FY14, this is a huge improvement from a net loss of MYR42.8m in FY13
<i>Core net margin (%)</i>	-3%	4%	6%	43%	>100%	0%	-5%	100%	

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	939	939	982	1,031	1,086
Cost of sales	(811)	(752)	(751)	(781)	(823)
Gross profit	128	187	231	250	263
Gen & admin expenses	(163)	(160)	(175)	(184)	(193)
Other operating costs	2	11	7	2	3
Operating profit	(34)	38	63	69	72
Operating EBITDA	34	102	129	139	147
Depreciation of fixed assets	(68)	(64)	(67)	(70)	(74)
Amortisation of intangible assets	(0)	-	-	-	-
Operating EBIT	(34)	38	63	69	72
Interest expense	(15)	(13)	(13)	(12)	(11)
Pre-tax profit	(49)	25	50	56	61
Taxation	4	(3)	(12)	(14)	(15)
Minority interests	2	(2)	(2)	3	3
Profit after tax & minorities	(43)	21	36	45	49
Reported net profit	(43)	21	36	45	49
Recurring net profit	(43)	21	36	45	49

Source: Company data, RHB

Cash flow (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	(34)	38	63	69	72
Depreciation & amortisation	68	64	67	70	74
Change in working capital	26	7	(15)	(10)	(10)
Other operating cash flow	3	(14)	(0)	0	72
Operating cash flow	64	95	114	129	209
Interest paid	(15)	(13)	(13)	(12)	(11)
Tax paid	(3)	3	(12)	(14)	(15)
Cash flow from operations	46	85	89	102	183
Capex	(40)	(27)	(30)	(120)	(50)
Other investing cash flow	2	11	-	-	-
Cash flow from investing activities	(37)	(16)	(30)	(120)	(50)
Dividends paid	-	-	-	(10)	(13)
Increase in debt	(136)	(198)	(20)	(20)	(20)
Other financing cash flow	94	144	-	-	0
Cash flow from financing activities	(42)	(54)	(20)	(30)	(33)
Cash at beginning of period	84	56	70	109	61
Total cash generated	(33)	15	39	(48)	100
Forex effects	5	-	-	-	-
Implied cash at end of period	56	70	109	61	161

Source: Company data, RHB

Financial Exhibits

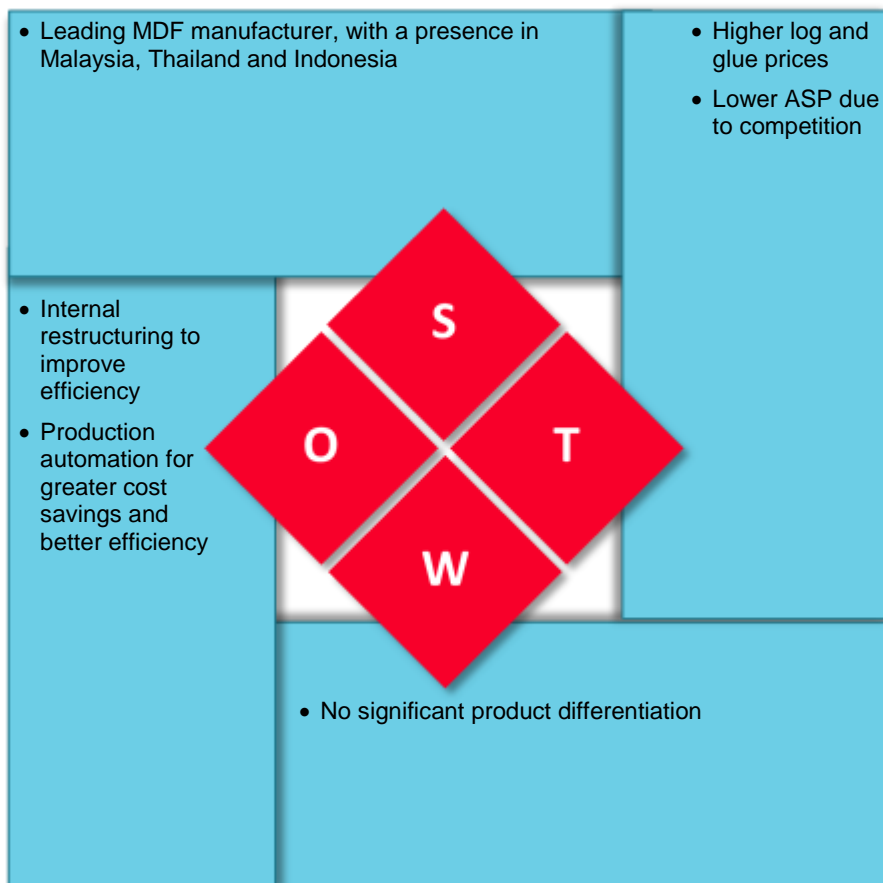
Balance Sheet (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	56	70	109	61	88
Inventories	211	215	210	220	232
Accounts receivable	89	73	89	93	98
Other current assets	55	54	54	54	54
Total current assets	411	412	461	428	472
Tangible fixed assets	823	800	764	814	789
Intangible assets	20	20	20	20	20
Total other assets	33	31	31	31	31
Total non-current assets	876	851	814	864	840
Total assets	1,287	1,263	1,276	1,293	1,312
Short-term debt	268	256	218	202	186
Accounts payable	129	124	119	124	131
Other current liabilities	3	1	1	1	1
Total current liabilities	400	381	338	327	317
Total long-term debt	69	36	54	50	46
Other liabilities	9	13	13	13	13
Total non-current liabilities	78	49	67	63	59
Total liabilities	478	430	405	390	377
Share capital	128	128	128	128	128
Retained earnings reserve	547	547	583	618	654
Other reserves	111	129	129	129	129
Shareholders' equity	786	805	840	875	911
Minority interests	22	29	30	27	24
Other equity	-	-	-	-	(0)
Total equity	809	833	871	903	936
Total liabilities & equity	1,287	1,263	1,276	1,293	1,312

Source: Company data, RHB

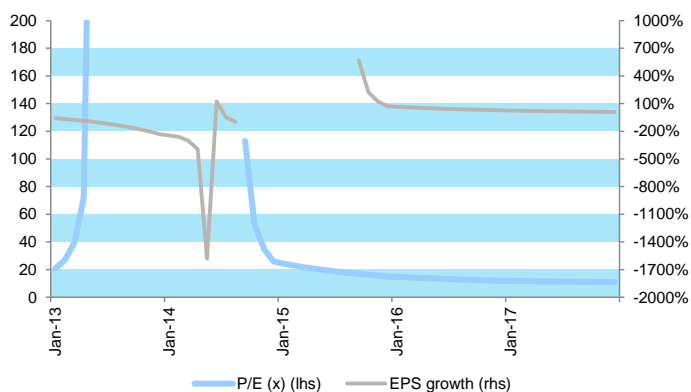
Key Ratios (MYR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	(9.0)	0.0	4.6	5.0	5.3
Operating profit growth (%)	(181.5)	0.0	63.8	9.4	5.6
Net profit growth (%)	(233.0)	0.0	71.4	26.7	8.6
EPS growth (%)	(233.0)	0.0	71.4	26.7	8.6
Bv per share growth (%)	(4.8)	2.4	4.4	4.2	4.1
Operating margin (%)	(3.6)	4.1	6.4	6.6	6.7
Net profit margin (%)	(4.6)	2.2	3.6	4.4	4.5
Return on average assets (%)	(3.2)	1.6	2.8	3.5	3.8
Return on average equity (%)	(5.3)	2.6	4.3	5.3	5.5
Net debt to equity (%)	34.8	26.7	18.8	21.2	15.4
DPS	0.00	0.00	0.00	0.02	0.03
Recurrent cash flow per share	0.09	0.17	0.17	0.20	0.36

Source: Company data, RHB

SWOT Analysis

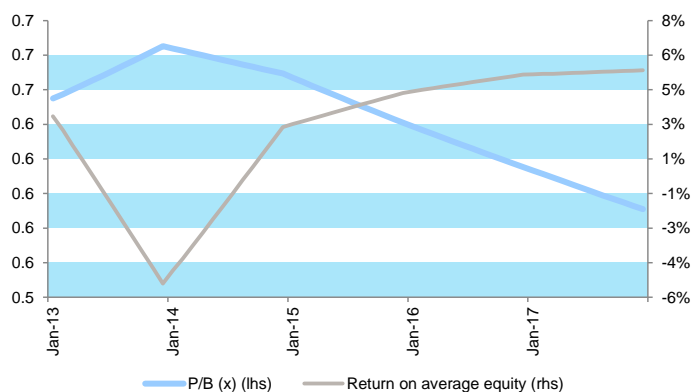


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

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

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-02-03	Buy	1.11	0.87
2015-01-11	Buy	1.11	0.73

Source : RHB, Bloomberg

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- Buy:** Share price may exceed 10% over the next 12 months
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