

3QFY15 RESULTS UPDATE

16 March 2015

Delloyd Ventures Berhad

Price : RM5.13

Market Capitalization : RM513.0 mln

Market : Main Market

Sector : Industrial Product

Recommendation : Hold

Bursa / Bloomberg Code: 6505 / DV MK
Stock is Shariah-compliant.

Delloyd: 3QFY15 results

FYE Mar (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	3QFY15	2QFY15	% chg	3QFY14	% chg	9MFY15	9MFY14	% chg
Turnover	104.0	108.7	-4.3%	103.2	0.8%	333.2	307.3	8.4%
Operating profit	7.3	9.4	-22.6%	10.1	-27.6%	30.6	16.7	83.3%
Finance exp	(0.3)	(0.4)		(0.7)		(1.3)	(2.8)	
Pre-tax profit	6.7	10.1	-33.4%	9.9	-31.7%	30.8	15.2	102.9%
Tax	(2.5)	(2.2)		(0.4)		(8.3)	(4.3)	
Net profit	1.7	5.9	-70.6%	8.6	-80.0%	15.3	14.3	7.2%
EPS (sen) - basic	1.8	6.1	-70.7%	8.9	-80.0%	15.9	14.8	7.3%
Op. profit margin	7.0%	8.7%		9.7%		9.2%	5.4%	
Pre-tax margin	6.5%	9.3%		9.6%		9.2%	4.9%	
Net profit margin	1.7%	5.4%		8.3%		4.6%	4.6%	
Net assets/share (RM)	4.59							

3QFY15 Results Review

- Delloyd's 3QFY15 results continued to disappoint, with net profit plunging 70.6% y-o-y to a dismal RM1.7 mln on the back of RM104.0 mln in revenue. With 9MFY15 net profit at RM15.3 mln, the results were below expectations, accounting only for 52% of our estimates.

	Y-o-Y			Year to date		
	3QFY15	3QFY14	% Chg	9MFY15	9MFY14	% Chg
Revenue						
Auto components	62.0	62.1	-0.2%	192.8	189.0	2.0%
Plantation	27.7	28.1	-1.4%	92.7	79.2	17.0%
Vehicle distribution	14.0	12.8	10.0%	46.6	38.3	21.6%
Others	0.3	0.3	11.4%	1.1	0.8	34.0%
Group	104.0	103.2	0.8%	333.2	307.3	8.4%
Segmental profit						
Auto components	(2.4)	5.8	nm	3.2	17.3	-81.5%
Plantation	6.6	7.8	-15.9%	29.5	14.9	98.8%
Vehicle distribution	0.1	(0.1)	nm	0.1	(0.1)	nm
Others	(0.6)	(0.0)	nm	(1.5)	(0.7)	nm
Group	3.7	13.5	-72.7%	31.4	31.3	0.2%
Segmental Profit Margin						
Auto components	nm	9.4%		1.7%	9.2%	
Plantation	23.8%	27.9%		31.9%	18.8%	
Vehicle distribution	0.4%	nm		0.3%	nm	
Others	nm	nm		nm	nm	
Group	3.5%	13.1%		9.4%	10.2%	

Note: the segmental results presented above are before unrealized foreign exchange loss

- The major culprit for the poor performance was the operating loss suffered at the automotive components division. The automotive business incurred an operating loss of RM2.4 mln in 3QFY15 vs. a profit of RM5.8 mln a year ago. Management attributed the losses to higher operating expenses despite a decline in revenue. Meanwhile, the plantation arm's operating profit decreased 16% y-o-y on lower CPO price as well as lesser FFB produced from its local plantation. The vehicle distribution registered a negligible profit of RM50,000, in comparison to a loss of RM113,000 in 3QFY14.
- On a cumulative basis, the plantation did well with operating profit almost doubling to RM29.5 mln, offsetting the decline from the automotive business. While the 9MFY15 segmental profit growth (before foreign exchange effect) was largely flat, the PBT actually grew in excess of 100% y-o-y, mainly due to absence of large unrealized foreign exchange (forex) loss that crippled 9MFY14's profit. The Group had reported a RM16.4 mln unrealized forex loss in 9MFY14 following the depreciation of Indonesian Rupiah against the USD and RM then. For the current 9MFY15, the unrealized forex loss was much smaller at RM1.6 mln.
- In spite of the weak results, Delloyd's balance sheet remained solid with a net cash/share of 55 sen and BV/share of RM4.59 as at end-December 2014.

Corporate Update

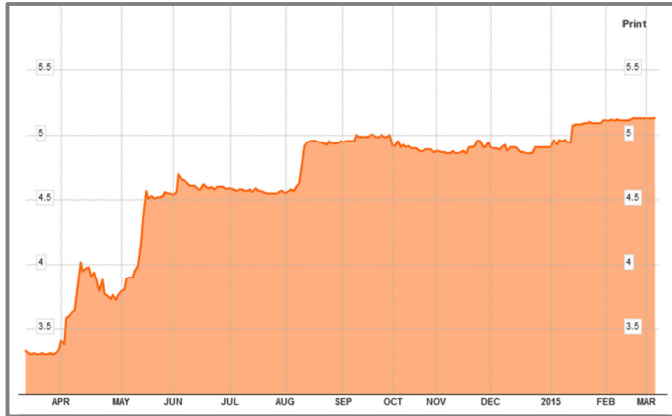
- At the EGM on 15 Jan 2015, the disinterested shareholders (those without vested interest in the Selective Capital Repayment (SCR) scheme) had voted overwhelmingly in favor of the scheme, with only 8.4% value of votes (of those present) was against the scheme.
- The High Court had subsequently granted an order confirming the SCR on 17 Feb 2015. Shares of Delloyd were suspended since 6 March 2015 to facilitate the SCR. The scheme has since been concluded on 13 March 2015 with the lodgment of the sealed order from the High Court with Companies Commission of Malaysia. This meant the disinterested shareholders of Delloyd would have received cash of RM5.15 (adjusted from RM5.20 following the dividend payout of 5 sen in Oct 2014) per share in return for their shareholding in Delloyd.

Recommendation

With the completion of the SCR, the stock will remain suspended pending the delisting process from the Bursa Malaysia. We therefore cease our coverage on the stock. Our last recommendation and fair value was **Hold** and **5.20** respectively.

Per Share Data				P&L Summary				
FYE Mar	FY13	FY14	FY15f	FYE Mar (RM mln)	FY12	FY13	FY14	FY15f
Book Value (RM)	4.32	4.49	4.71	Revenue	466.2	424.7	411.6	434.8
Cash Flow (sen)	55.2	49.5	51.7	Operating Profit	59.1	42.9	37.4	43.9
Earnings (sen)	34.0	28.2	30.4	Net Int Exp	(4.5)	(3.5)	(3.3)	(2.5)
Net Dividend (sen)	10.0	8.0	8.0	Pre-tax Profit	55.0	43.6	35.5	45.6
Payout Ratio (%)	29.4%	28.4%	26.3%	Eff. Tax Rate	19.5%	20.5%	20.6%	20.0%
PER (x)	14.4	17.4	16.1	Net Profit	39.4	32.9	27.3	29.5
P/Cash Flow (x)	8.9	9.9	9.5	(%)	12.7%	10.1%	9.1%	10.1%
P/Book Value (x)	1.1	1.1	1.0	Pre-tax Margin (%)	11.8%	10.3%	8.6%	10.5%
Dividend Yield (%)	2.0%	1.6%	1.6%	Net Margin (%)	8.4%	7.8%	6.6%	6.8%
ROE (%)	7.9%	6.3%	6.4%					
Net gearing (x)	net cash	net cash	net cash					

Delloyd's last 12-month share price chart



Source: Bloomberg

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RATING GUIDE

BUY	Price appreciation expected to exceed 10% within the next 12 months
SELL	Price depreciation expected to exceed 10% within the next 12 months
HOLD	Price movement expected to be between -10% and +10% over the next 12 months from current level

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