ZJ Research

Investment Report for Mid & Small Cap Research Scheme

BURSA MidS

COVERAGE INITIATION | **13 February 2018**

Chin Well Holdings Bhd

Price :	**RM1.67**
Market Cap :	**RM500.2 mln**
Listing :	**Main Market**
Sector :	**Industrial Products**
Recommendation :	**Buy**

Bursa / Bloomberg Code: CHINWEL / CWH MK
Stock is Shariah-compliant.

Key Financials (FYE Jun)	**FY16A**	**FY17A**	**FY18F**
Revenue	508.1	521.3	539.1
EBITDA (RM m)	95.9	83.8	90.1
Net profit (RM m)	63.4	50.9	56.9
Net profit growth	55.6%	-19.7%	11.8%
FD EPS (sen)	21.2	17.0	19.0
Div/share (sen)	8.5	6.8	7.6
Payout ratio	40.2%	40.0%	40.0%
BV/share (RM)	1.65	1.78	1.89
Cash flow/share (sen)	27.8	23.8	26.1
Key Valuation Metrics			
P/E (x)	7.9	9.8	8.8
P/BV (x)	1.0	0.9	0.9
P/cashflow (x)	6.0	7.0	6.4
Dividend yield	5.1%	4.1%	4.6%
ROE	12.8%	9.5%	10.0%
Net gearing (x)	Net cash	Net cash	Net cash

Shares outstanding (m)	299.5
52-week Hi-Low (RM)	1.60-1.94

Major Shareholders	
Benua Handal Sdn Bhd	54.2%
Samarang UCITS - Samarang Asian Prosperity	7.0%
Halley Sicav (Halley Asian Prosperity)	5.5%

12-month share price chart

Source: Bursa Marketplace

1. Summary

- **One of the largest producers of carbon steel fasteners in the world** that has been in operation for some 30 years. Chin Well has 2 key manufacturing divisions – fasteners and wire products.
- **One-stop shop** for customers, offering a variety of fasteners and wire products out of its production facilities in Malaysia and Vietnam.
- **Exports to some 30 countries**. More than 60% of revenue are derived from export, with Europe being the largest market at 46% of sales in FY17.
- **Growth catalysts** include growing demand for DIY fasteners for the Europe and US markets, which also carry higher profit margin; favourable supply-demand environment where China's crackdown on small players who flout regulations would stem inflow of cheap but subpar fasteners into the global market. The underlying global demand for fasteners is projected to grow at CAGR of 5.4% until 2022.
- **Financials.** 4-year revenue and net profit CAGR of 3.1% and 23.1% up to FY17 respectively. Net profit grew faster on favourable raw materials prices, efficient cost management and better sales mix. Healthy balance sheet with net cash of 37.9 sen as of end-June 2017.
- **Risks** include fluctuations in commodity prices and foreign currency exchange, as well as production disruption from labour shortage.
- **Initiate coverage with a Buy recommendation and a fair value of RM2.05,** derived from pegging the projected FY19 earnings against a target PER multiple of 10x. Prospective dividend yield is attractive at 4.6%.

2. Background

Corporate profile.

Manufactures fasteners and wire products. Penang-based Chin Well Holdings Berhad ("Chin Well" is an investment holding company while its subsidiaries are principally involved in the manufacturing and trading of carbon steel fastening (i.e. bolts, nuts & screws) and wire products. Chin Well is listed on the Main Market of Bursa Malaysia since 1999.

History dates back to 1980's. Chin Well was founded in 1989 by its current Managing Director, Mr. Tsai Yung Chuan. Prior to that, Mr. Tsai and his two brothers established Jinn Her Enterprise Co., Ltd. ("Jinn Her"), which is also a manufacturer of fasteners in their home country, Taiwan, in 1980. He ventured into Malaysia when he visited in 1988 and nurtured Chin Well into one of the largest suppliers of carbon steel fasteners in the world today.

Family of fastener producers. The Tsai family has been manufacturing fasteners for almost 40 years. Each of the 3 Tsai brothers runs his own company in a selected country – Mr. Tsai Yung Chuan oversees Chin Well in Malaysia, his elder brother, Mr. Tsai Yung Lung, manages the business in China under Gem-Year Industrial Co., Ltd. while younger brother, Mr. Tsai Yung Yu looks after Jinn Her in Taiwan.

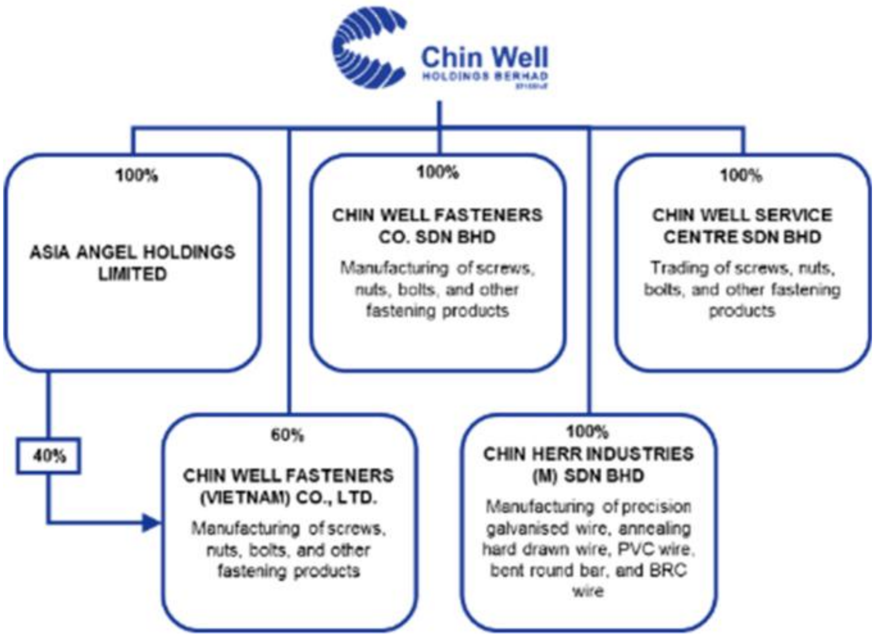
Collective strength. Chin Well, Jinn Her, and Gem-Year each has its own customer and geographical market segments and do not compete with each other. Chin Well caters to the Southeast Asia and European markets while Jinn Her focuses on high-end products and sells worldwide. Gem-Year on the other hand, serves the domestic market in China as well as exports to the US. The 3 companies, nevertheless, do work together in sharing market information and take advantage of their collective bargaining power in terms of sourcing and procurement.

2nd generation leadership. Currently, Chin Well's MD Mr. Tsai Yung Chuan is assisted by his eldest daughter, Ms. Tsai Chia Ling who serves as the Executive Director, while his son and other daughter, Mr. Tsai Cheng Hsun and Ms. Tsai Chia Wen oversee the Group's operations in Vietnam. Ms. Tsai Chia Ling has more than 15 years of experience in the fasteners industry and has been on the Board of Chin Well since 2005.

54.5%-stake held by Tsai Yung Chuan and his family. In terms of shareholdings, Mr. Tsai Yung Chuan's family is the single largest shareholder with collective shareholdings of 54.5%. Mr. Tsai Yung Chuan and his spouse hold 54.2%-stake in Chin Well indirectly through Benua Handal Sdn. Bhd. and Amal Pintas Sdn Bhd., while the balance 0.3%-stake is held by Ms. Tsai Chia Ling.

Board of Directors. Out of the 7-person Board of Directors, 4 are Independent Directors, fulfilling Bursa Malaysia's listing requirement of having 1/3 or minimum of 2 Independent Directors. The Board is led by Lim Chien Ch'eng who is the Independent Non-Executive Chairman.

Exhibit 1. Corporate structure.



Source: Company, ZJ Research.

Business

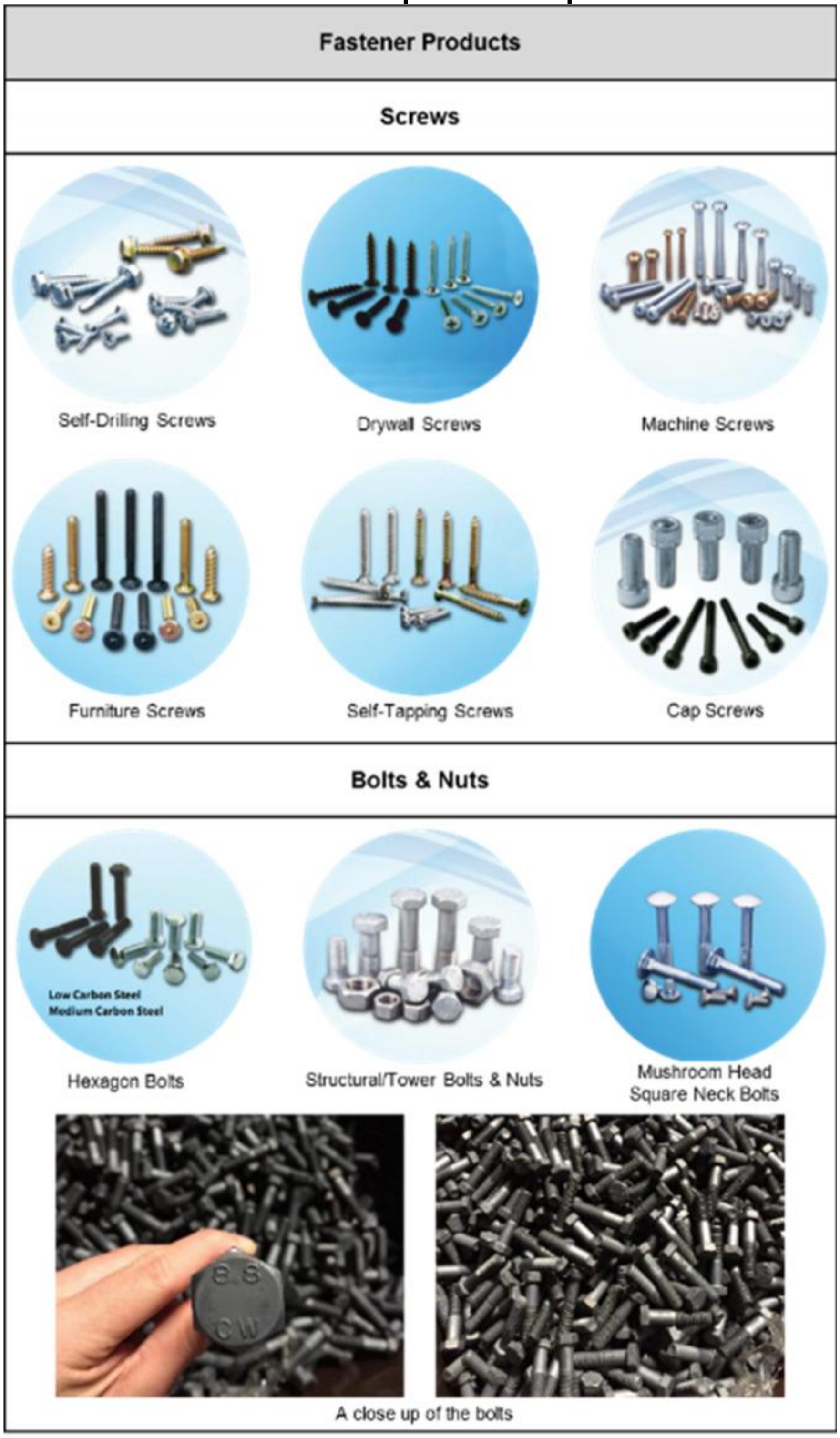
Two core divisions. Fasteners division and wire division are Chin Well's two core business segments. The fasteners division is responsible for the manufacturing of screws, nuts, bolts, and other fastening products while the wire products division manufactures precision galvanized wire (e.g. for security fences), BRC grill mesh (e.g. for chicken farms), annealing hard drawn wire, PVC wire and bent round bar.

Products. Chin Well offers a wide range of fasteners products and forms a "one-stop shop" for its customers. This is a key differentiation from other players in the industry where the focus is usually on one category of fasteners or a much smaller range of fastener options. It requires substantial investments in injection molds and machines, warehousing space and inventory holding costs to produce a vast array of fasteners.

The Group is able to do so due to economies of scale – its operations have been built and gradually scaled up over the past (almost) 40 years with the necessary capex investment under the founder family's hands-on leadership.

As a large scale "one-stop shop", it provides customers with convenience, quality products and great product variety. These factors, in turn, a barrier of entry for new players, besides being able to command healthy average selling price ("ASP"). Management prides itself on its superior product quality and commented that despite cheaper prices offered by manufacturers from China and India, loyal customers continue to source from the Group due to its higher quality products.

Exhibit 2. A selection of the Group's fasteners products.



Source: Company, ZJ Research.

Exhibit 3. An illustration of the Group's wire products.

Source: Company.

Exports to almost 30 countries. Chin Well is an export-based company with more than 60% of revenue generated from out of Malaysia. Europe is Chin Well's largest export market at 46% of sales in FY17, followed by Asian countries at about 11% of turnover. The Group exports about 30 countries worldwide.

Exhibit 4. Export markets.

Source: Company.

Distribution channels. According to management, overseas sales are mostly to wholesalers while hardware shops account for ~70% of domestic turnover. Other categories such as projects (~20%) and industrial end-users (e.g. automotive and manufacturing firms) make up the balance of local sales.

Production facilities. The Group has 3 production facilities -- 2 in Bukit Mertajam, Penang and 1 in Dong Nai province, Vietnam. One of the 2 production plants in Penang is dedicated for fasteners while the other produces wire products. The fasteners plant sits on a 15-acre land with a monthly production capacity of 7,000 metric ton ("MT"). Meanwhile, the wire products manufacturing facility, which occupies 11 acres of land, has a total monthly production capacity of 4,500 MT.

In 2005, Chin Well's Vietnam fasteners production facility commenced operations. The Group decided to establish a facility in Vietnam largely because it is more cost-effective and easier to secure workers than in Malaysia.

The Vietnam plant is situated on a substantially larger land (44.5 acres) as compared to the Malaysia plants. However, the fasteners production capacity is lower at 5,000 MT/month by comparison to the plant in Penang. This is because the facility mainly caters for the do-it-yourself ("DIY") market, which requires much larger space for packaging activities. We understand that the packaging area at the Vietnam plant is about the size of 4 football fields. The lower tonnage output is also due to the plant's focus to produce smaller screws that carry higher selling price but lighter in weight by comparison to nuts and bolts.

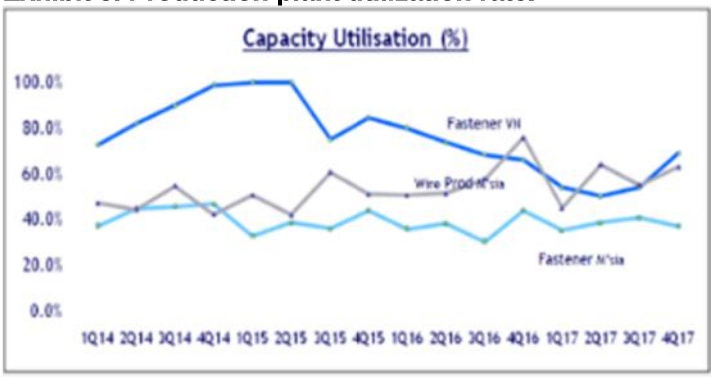
The DIY products are meant for the European and the United States markets. While the order size for the DIY segment is smaller compared to its usual wholesale volume, profit margins are nonetheless higher due to added value of packaging, plus availability of small quantity per pack.

Production utilization. The fasteners production facility in Penang has an average output of 2,800 MT as of 4QFY17, which translates to an average utilization rate of ~40%. The average utilization has been hovering around 40% as far back to 1QFY14 as shown in Exhibit 5. According to management, the optimal rate is 70% while the Group will remain profitable as long as the utilization rate is above 30%. As for the wire manufacturing plant, the average utilization rate is higher at ~60% as at 4QFY17. Both plants in Penang are currently operating 1 shift of 12 hours (vs. 2 shifts of 12 hours each if operating at optimal level).

On the other hand, the Vietnam plant's utilization rate is around ~70% as at 4QFY17. The fluctuations in utilization over the last 5 quarters were largely due to volatility in DIY product sales as shown in Exhibit 5.

At Group level, the total annual output of fasteners is approximately 90,000 MT currently.

Exhibit 5. Production plant utilization rate.



Source: Company

Production process. The Group's end-to-end and complete fastener production processes provide superior quality assurance and higher cost-efficiency (Exhibit 6 and 7). However, management explained that these complete processes require high capex investment, which is very costly for the smaller backyard manufacturers, many of whom are located in China. As such, these cottage industry players tend to skip some processes to cut cost and sell at lower prices, at the expense of product quality. Frequently, these manufacturers also do not comply with the environmental regulations that would have otherwise increased the production cost. As a result, the byproducts (e.g. wastewater and gas) are not treated properly and thus, polluting the environment.

As a responsible manufacturer, Chin Well management explained that they adhere to all the rules and regulations, meeting not only the local requirements but the European and US standards as well (in order to sell to these countries).

Exhibit 6. Fasteners products manufacturing process.

Source: Company.

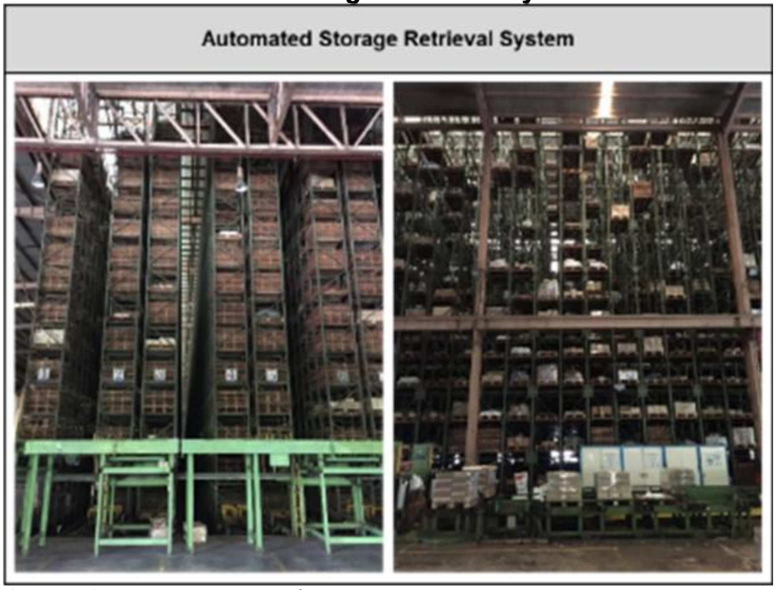
Exhibit 7. Wire products manufacturing process.

Source: Company.

Early adopter of Enterprise Resource Planning ("ERP") system. Chin Well places high emphasis on the quality of its products. Management believe that they are one of the earlier fastener manufacturers in Malaysia to have adopted the ERP system. This system enables the Group to trace the details and origin of every single fastener sold by them, such as which machine produced it, the date it was made, and which steel mill is the wire rod from.

Automated storage and retrieval systems ("ASRS"). The Group has an ASRS (Exhibit 8) to store and track its wide range of products. This allows Chin Well to better manage its inventory and operate more efficiently.

Exhibit 8. Automated Storage Retrieval System.

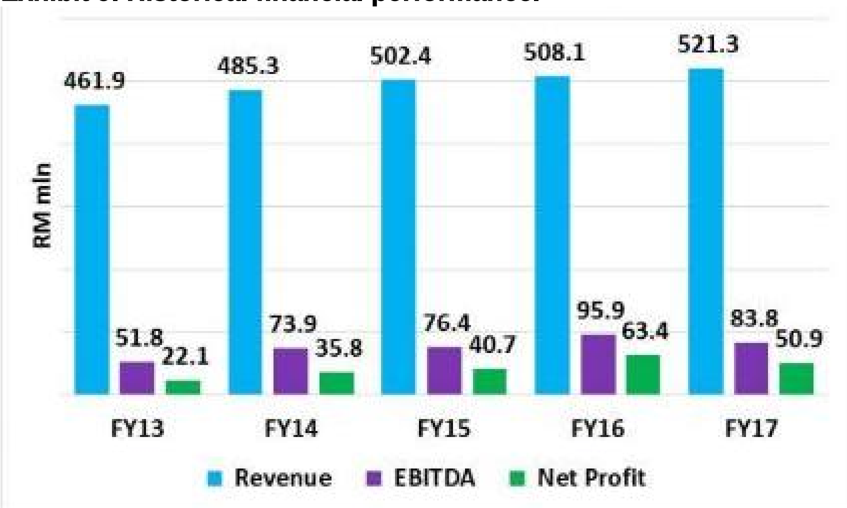


Source: Company, ZJ Research.

3. Financial highlights

Profitable every year since 1990. Management takes pride in their track record of delivering profit every year since 1990. For the past 5 years, the Group revenue has been on an upward trend, recording a Compounded Annual Growth Rate ("CAGR") of 3.1% between FY13 and FY17. Net profit grew at a much faster CAGR of 23.1% during the same period, boosted by a combination of factors that included favourable raw materials prices and foreign exchange rates, efficient cost management measures and better sales mix.

Exhibit 9. Historical financial performance.



Source: Company, ZJ Research.

Highest ever revenue in FY17. Despite challenging market conditions, Chin Well posted a record high revenue of RM521.3 mln in FY17, an increase of 2.6% year-on-year ("YoY"). The record revenue was mainly attributed to stronger sales achieved in 2HFY17, which cushioned the weaker sales first half of the financial year.

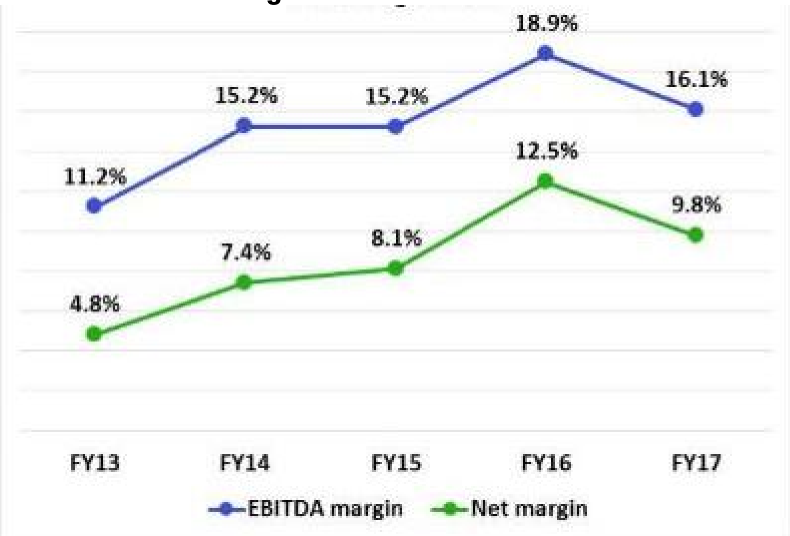
Lower profit in FY17 after record year in FY16. Chin Well registered record high net profit of RM63.4 mln in FY16, buoyed by lower raw material cost and foreign exchange gain arising from appreciation of USD against Ringgit.

In FY17, net profit declined 19.4% YoY despite the record top-line achievement, mainly due to several factors that included i) additional cost arising from 13.9% safeguard duties imposed by the Malaysian Government on imported wire rods from China, which is the essential raw materials for fasteners; ii) higher raw material costs; iii) higher administrative cost incurred in 4QFY17 stemming from the provision of impairment loss on trade receivables, and iv) labour shortage issue.

Chin Well can seek refund for the safeguard duties paid (amounting to approximately RM4.8 mln as of FY17) but this would likely happen in 2018. The amount has been inventorized and recognized as cost of goods sold upon sale in FY17.

Net profit margin trending upward. Chin Well's net profit margin has been trending upwards, rising from 7.4% in FY14 to 12.5% in FY16. While FY17 net margin declined to 9.8% from 12.5% a year ago, it remains strong and healthy as compared to 4.8% in FY13.

Exhibit 10. Profit margins trend.



Source: Company, ZJ Research.

Main raw materials: wire rods. The Group's main raw material for fasteners and wire products is wire rod. Wire rod accounts for approximately 40%-60% its cost of sales. Chin Well previously purchased the bulk of its raw materials from China. However, in view of the safeguard duties imposed by the local authorities, the Group now sources its raw materials from other countries such Vietnam and the Middle East.

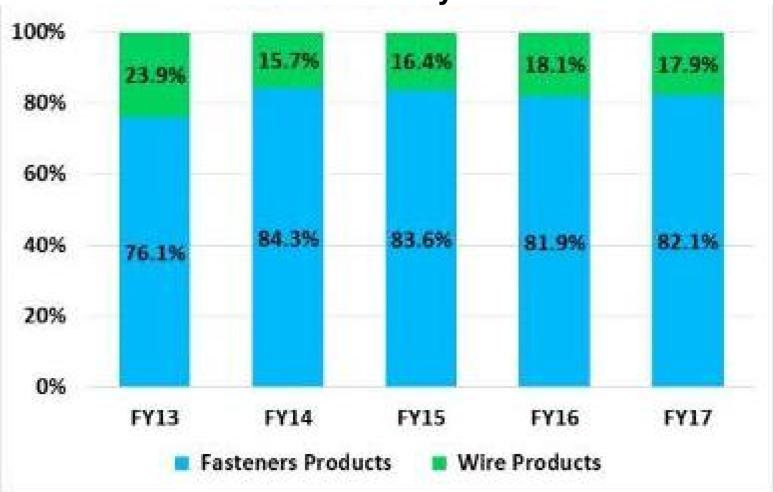
Lower-than-statutory tax rate. We note that the average effective tax rates for Chin Well in the past 6 years is around 15.7% which is lower than the statutory tax rate. The effective tax rate for FY17 and FY16 stood at 15.3% and 17.8% respectively. This is mainly due to the tax benefits enjoyed by the Group's subsidiary in Vietnam, where profits are taxed at

10%. However, the tax benefits are due to expire by end-2018, upon which profits shall be taxed at the country's statutory rate of 20%.

Seasonality effect. We understand that the Group may experience seasonality effect in which sales are usually stronger in the 1st and 4th quarter and weaker in 2nd and 3rd quarter. This is due to the weather conditions in Europe where sales are lower during the peak of winter or summer as outdoor construction/renovation/repair works (that require fasteners) will be limited.

Fasteners division is key revenue driver. The Group's fasteners division has always been its dominant revenue contributor. Since FY14, revenue from fasteners has been accounting for more than 80% of total revenue.

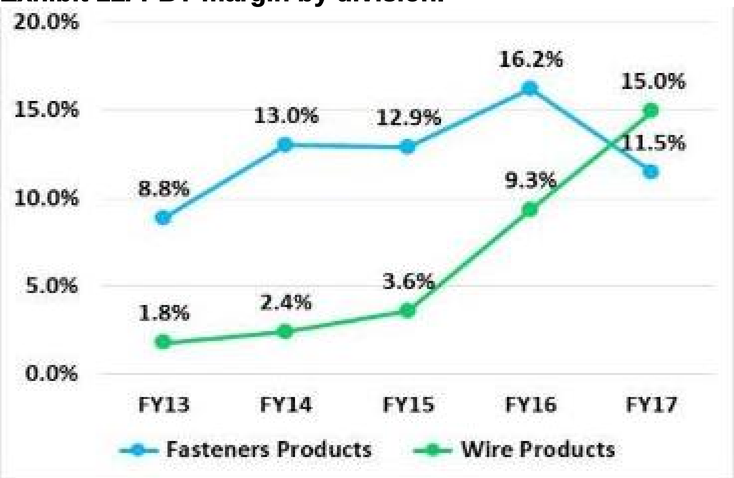
Exhibit 11. Revenue contribution by division.



Source: Company, ZJ Research

Strong PBT margin improvement from wire division. The PBT margin for wire division has improved tremendously to 15.0% in FY17 as compared to 1.8% in FY13, as production volume grew to achieve economies of scale. The production growth is supported by increasing demand for its wire products, where product variety within the category is also rising. For the first time in FY17, PBT margin for wire products (15.0%) surpassed fasteners products (11.5%).

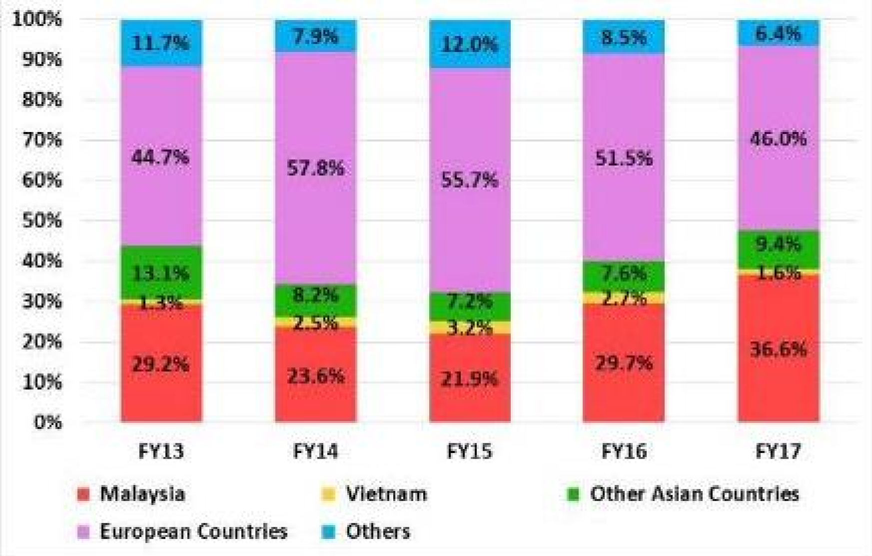
Exhibit 12. PBT margin by division.



Source: Company, ZJ Research

Key markets: Europe & Malaysia. Europe is one of the Chin Well's key market having contributed more than 40% to Group revenue for the past many years. However, its contribution has been declining since FY14. The contraction is due to the softer European market conditions and more recently the removal of anti-dumping duty ("ADD") imposed on the import of iron or steel fasteners from China to the European Union in Feb-2016 which resulted in lower sales for the Group. This, however, was cushioned by the stronger local sales which contributed 36.6% to total revenue in FY17 versus 23.6% in FY14.

Exhibit 13. Revenue contribution by geographical segment.

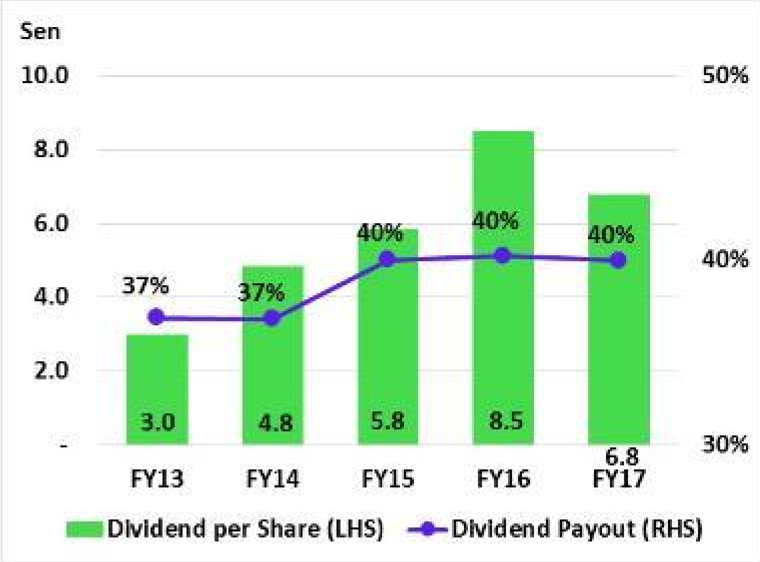


Source: Company, ZJ Research

Net cash/share of 37.9 sen. Chin Well's balance sheet is healthy with high holdings in cash. It is in a net cash position of 37.9 sen as of end-June 2017 with net assets per share of RM1.78. The Group also generated a positive net operating cash flow ("NOCF") of RM23.9 mln in FY17, against NOCF of RM100.9 mln in FY16. The lower NOCF in FY17 was largely due to replenishment of inventories in contrast to the decrease in inventories in FY16.

Dividend policy: at least 40% of net profit. In FY14, the Group established a dividend policy of distributing at least 40% of net profit to shareholders. For FY17, Chin Well declared a total dividend of 6.8 sen per share which works out to a dividend yield of 3.9%.

Exhibit 14. Dividend per share & payout track record



Source: Company, ZJ Research

4. Industry landscape

Global industrial fasteners market set to continue growing. Zion Market Research ("Zion") expects the global industrial fasteners market revenue to reach USD116.5 bln by 2022 from USD84.9 bln in 2016. The Asia-Pacific region was the largest market for industrial fasteners in 2016, accounting for 30% of the total revenue. Going forward, Zion expects the global fasteners market revenue to grow at a CAGR of 5.4% between 2017-2022.

Exhibit 15. Global industrial fasteners market revenue.

Source: Zion Market Research Analysis 2017.

Healthy demand growth for industrial fasteners in 2018. According to Fasteners World Inc., the global demand for industrial fasteners is expected to reach USD93.80 bln in 2018 from USD72.00 bln in 2013, translating into a 5-year CAGR of 5.4%. Meanwhile, the demand from Western Europe and Asia Pacific are forecasted to reach USD18.85 bln and USD40.75 bln in 2018 from USD15.75 bln and USD29.45 bln in 2017 respectively. The 5-year CAGR between 2013 and 2018 for Western Europe is 3.6%, and higher at 6.7% for the Asia-Pacific region.

Exhibit 16. World industrial fastener demand.

	Industrial Fastener Demand	North America	Western Europe	Asia/Pacific	Other Regions
2008	65,450	15,910	17,260	22,730	9,550
2013	72,000	16,500	15,750	29,450	10,300
2018	93,800	20,050	18,850	40,750	14,150

Source: Fastener World Inc.

China's pursue for "blue skies". The Chinese Government has stepped up its effort to tackle its air pollution issue and aims to make its skies blue again. As part of the initiative, the cottage industry players in the steel sector will be forced to move its production into proper factory or it will be closed down. 13 cities in China are tasked with tracking and banning the cottage industry with the rest of cities committed to removing half by Oct-2017.

5. Earnings outlook

Favorable market conditions for Chin Well. The growth in industrial fasteners market, and in particular, the rising demand for DIY fasteners, coupled with China's crackdown on the cottage industry players in the steel sector are factors that contribute to favorable market outlook for Chin Well. We believe the Group will be able to increase its market share as the competition from China decreases while demand for its products grows.

DIY segment growth. Management is upbeat on the growth of DIY fasteners in Europe. We understand the Group is currently in negotiation with 3 new customers in this segment, and expect contribution from DIY fasteners to rise to 25% of Group revenue from 15% currently.

Capex. Chin Well plans to expand into production of another fastener category in its Vietnam plant, and has budgeted a capex of USD2.0 million for this purpose.

As for maintenance capex, Chin Well incurs between RM8 mln and RM10 mln a year at group level to maintain and upkeep its equipment and machineries. Overall, management is not expanding production capacity aggressively as utilization rate is still relatively low due to oversupply condition in the worldwide market, though the situation is expected to improve as China clamps down the cottage industry players.

Earnings growth. Against the backdrop above, we estimate earnings to rise 11.8% YoY in FY18 on the back of 3.4% growth in revenue. The higher-than-proportionate growth in earnings is mainly on the assumption of absence of safeguard duty on the importation of raw materials as Chin Well now sources from the Middle East and Vietnam instead of China. We expect the financial performance to be stronger in 2HFY18 compared to 1HFY18 as the market participants (both sellers and buyers) gradually adjust to the rising price environment with fewer cottage industry players. Contribution from new customers are also expected to be reflected by then.

For FY19, we project revenue and earnings to grow further by 5.2% and 6.5% respectively. We have imputed higher effective tax rate at the Group level following the expiration of tax incentives enjoyed by its subsidiary in Vietnam.

Note that our earnings projection did not factor in the potential refund of the safeguard duties paid that amounted to approximately RM5.0 mln. Should the refund take place, it would be recognized as other income, and directly boosting net profit.

Expiry of tax incentive. We mentioned earlier in the report that Chin Well's Vietnam subsidiary enjoys a tax incentive which is due to expire by end-2018. Upon expiry, a 20% corporate tax rate will be applicable as opposed to the 10% currently enjoyed by the Group, thus resulting in higher expected tax expenses from FY19 onwards.

6. Investment risks

Volatility in commodity prices. With wire rods being key raw materials, Chin Well is exposed to the fluctuations in steel or iron ore (key elements for steelmaking) prices. Although the Group generally works on a cost-plus model, and that fluctuations are a norm in the industry, a sudden and drastic change in steel prices may adversely affect Chin Well's profitability. Management may mitigate the risk by attempting to pass through the price differentials to its customers, however, this mechanism may not necessarily be successful due to competitions and market forces. Other mitigating efforts include stocking up inventory for raw materials when prices are favourable and continuous improvement in efficiency, that includes having computerized automated warehouse.

Fluctuations in foreign currency. As an export-driven entity, Chin Well deals mainly in Euro and USD with its overseas customers, and hence, is exposed to fluctuations in foreign currency which would affect the Group's profitability. Nevertheless, the Group purchases its raw materials (i.e. wire rods) in USD, and this constitutes approximately 50%-70% of its cost of sales. As such, there is natural hedge to partially buffer movement of

Labour shortage issue. Chin Well's operations in Malaysia were affected by labour shortage in FY17. Management stated that a new batch of workers has come in by end-Sep 2017 which would resolve the current labour shortage issue. However, the issue may arise again in the future depending on the labour market condition and regulations on foreign labour intake. On the other hand, the Group's operation in Vietnam does not face the issue as it is easier to source manpower locally.

6. Peer Comparison and Valuation

Peers. There are only 2 listed manufacturers of fasteners in Malaysia -- Chin Well and Tong Herr Resources Bhd. Due to limited number of producers of fasteners, we have included Engtex Group Bhd which is also in the down-stream of steel value chain and has similar market capitalization as Chin Well. From the table below, the average trading PER of the peers are approximately 9x.

Exhibit 17: Selected companies in steel-related sector

Company	FYE	Share Price (RM)	TTM PER (x)	P/BV (x)^	Mkt Cap (RM mln)	Net Gearing (x)^	TTM Div. Yield
Chin Well	**Jun**	**1.67**	**9.6**	**0.9**	**500.2**	**Net Cash**	**3.9%**
Tong Herr Resources	Dec	3.88	10.2	1.3	610.8	Net Cash	7.0%
Engtex	Dec	1.04	8.2	0.6	461.1	0.7	1.3%
Avg excl. Chin Well			9.2				

TTM = trailing twelve months
^based on latest quarterly results
Source: Company data, ZJ Research

Difference between Chin Well and Tong Herr. Chin Well and Tong Herr are both fasteners manufacturers, however, the key distinction between the two is that Chin Well produces carbon steel fasteners while Tong Herr produces stainless steel fasteners. Carbon fasteners and stainless steel fasteners have different technical properties and uses. As such, Chin Well management explained that the two companies do not compete directly with each other.

Regional peers. There are also 2 Taiwan-listed companies which are involved in the production of carbon fasteners – San Shing Fastech Corp and Chun Yu Works & Co. Ltd. These peers are currently trading at PER multiple of 15x.

Company	FYE	Share Price (TWD)	PER (x)	P/BV (x)	Mkt Cap (TWD mln)	Div. Yield
San Shing Fastech Corp	Feb	58.90	15.5	3.0	17,342	4.3%
Chun Yu Works & Co. Ltd	Mar	15.10	15.0	1.2	4,345	5.0%
Average			**15.0**			

Source: Bloomberg

Valuation. We have ascribed a peer-benchmarked target PER of 10x against our FY19 net profit forecast of RM60.7 mln, translating into a fair value of RM2.05. Our target PER multiple is at the lower end of the range between the average local and regional peers, and is in line with the PER of the other local fastener company, Tong Her. We note that Chin Well has a dividend policy of distributing at least 40% of the net profit to shareholders. Based on our estimate, the prospective net yield in FY18 is healthy at about 4.6%.

8. Recommendation

We initiate our coverage on Chin Well with a **Buy** recommendation and a fair value of **RM2.05**, reflecting potential share price upside of 22.8%, backed by an expected healthy net dividend yield of 4.6%.

We like Chin Well for i) its improving prospects over the next few years, on the back of rising demand and declining supply of cheap inferior fasteners; ii) expanding of DIY fasteners segment that boasts higher profit margin; iii) prudent and hands-on management who have delivered profits every year since 1990 regardless of economic cycle; as well as iv) its healthy balance sheet with net cash position. The dividend policy of 40% net profit payout too, provides investors with clarity on the expected dividend and would provide some support for the share price.

P&L Summary

FYE June (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	**502.4**	**508.1**	**521.3**	**539.1**	**567.4**
Revenue growth	*3.5%*	*1.1%*	*2.6%*	*3.4%*	*5.2%*
EBITDA	76.4	95.9	83.8	90.1	96.7
EBITDA margin	*15.2%*	*18.9%*	*16.1%*	*16.7%*	*17.0%*
Depreciation	(18.4)	(19.9)	(20.5)	(21.2)	(22.1)
EBIT	58.0	76.0	63.3	68.9	74.6
Net interest exp.	(0.8)	(1.2)	(1.1)	(1.1)	(1.1)
Pretax income	57.1	74.8	62.2	67.8	73.5
Tax exp.	(7.7)	(11.4)	(11.3)	(10.8)	(12.9)
Eff. tax rate	13.5%	15.3%	18.1%	16.0%	17.5%
Minority interests	(8.7)	-	-	-	-
Net profit	**40.7**	**63.4**	**50.9**	**56.9**	**60.6**
Net profit growth	*13.6%*	*55.6%*	*-19.7%*	*11.8%*	*6.5%*
Net profit margin	*8.1%*	*12.5%*	*9.8%*	*10.6%*	*10.7%*

Balance Sheet Summary

FYE June (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Cash/near cash	55.2	133.0	113.6	136.7	164.3
A/c receivables	115.0	108.7	121.9	123.3	129.1
Inventories	213.3	195.4	228.7	227.3	237.8
Other current assets	21.8	15.3	3.2	3.2	3.2
Total current assets	**405.3**	**452.4**	**467.5**	**490.5**	**534.4**
Net fixed assets	160.7	153.0	149.5	148.3	138.2
Other long-term assets	5.2	5.2	5.1	5.1	5.1
Total long-term assets	**165.9**	**158.1**	**154.6**	**153.4**	**143.3**
Total assets	**571.2**	**610.5**	**622.2**	**643.9**	**677.7**
Liabilities & Shareholders' Equity					
A/c payables	18.2	16.8	30.7	23.3	25.7
Borrowings	53.0	60.3	48.1	43.1	38.1
Other short-term liab.	23.9	29.2	1.4	1.4	1.4
Total current liab.	**95.1**	**106.3**	**80.3**	**67.9**	**65.3**
Long-term liab.	28.0	8.5	8.4	8.4	8.4
Total liabilities	**123.2**	**114.8**	**88.7**	**76.3**	**73.7**
Share capital	149.8	149.8	177.9	177.9	177.9
Retained earnings	247.0	286.8	355.6	389.7	426.1
Other reserves	51.3	59.1	-	-	-
Minority interests	-	-	-	-	-
Total equity	**448.0**	**495.7**	**533.5**	**567.6**	**604.0**
Total liabilities & equity	**571.2**	**610.5**	**622.2**	**643.9**	**677.7**

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RATING GUIDE

BUY	Price appreciation expected to exceed 15% within the next 12 months
SELL	Price depreciation expected to exceed 15% within the next 12 months
HOLD	Price movement expected to be between -15% and +15% over the next 12 months from current level

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