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MALAYSIA EQUITY

20

**Under a Billion
Under a Billion**

2016 EDITION

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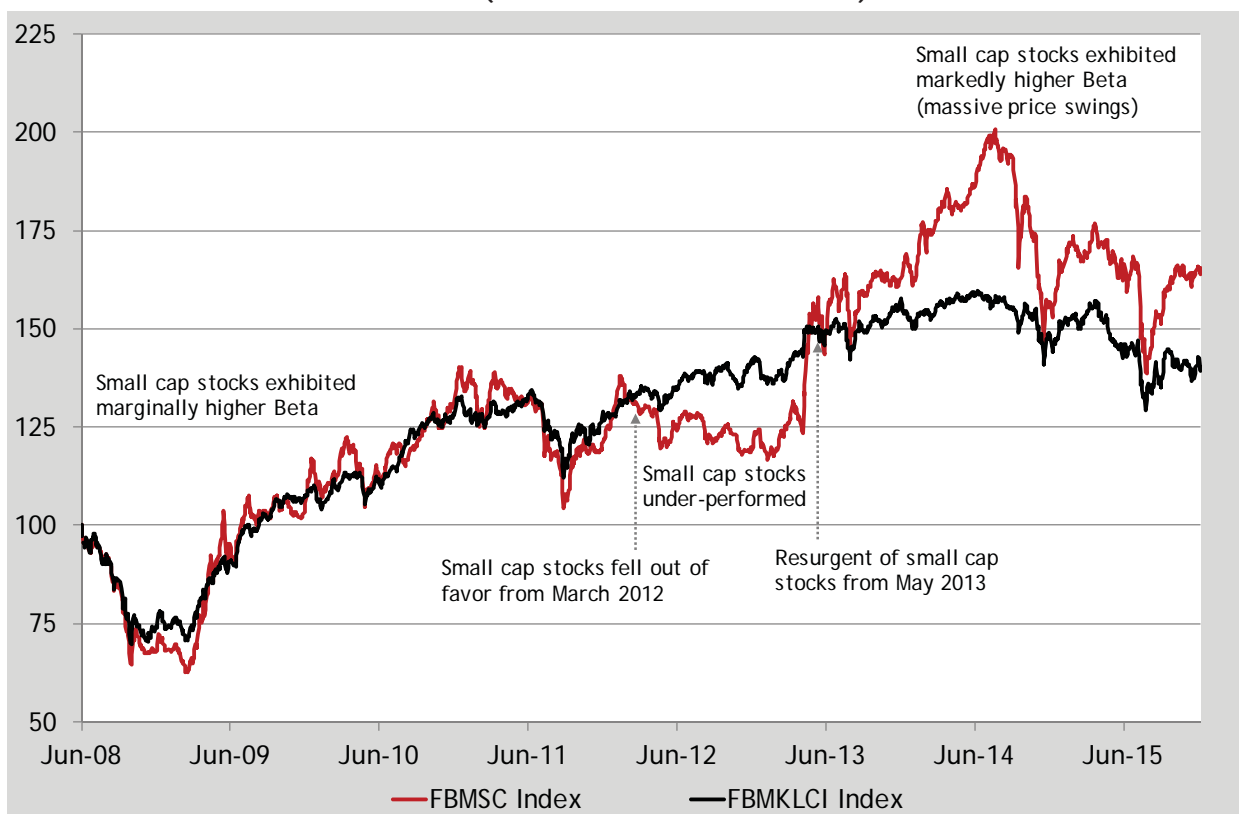
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20 UNDER A BILLION

I. SMALL CAP SWINGS

- Small cap stocks exhibited markedly higher Beta since mid-2013... The massive relative price swings among small capitalised stocks (as represented by FBMSC Index) began in earnest since May 2013 which happened to coincide with the post-GE13 'relief' rally. On this score, it must be highlighted that while the broader market momentum (as represented by FBMKLCI Index) was relatively modest and started to ebb not long after, the price movements of many FBMSC constituents continued on to exhibit markedly higher Beta which at times bordering euphoria.

Chart 1: FBMSC Index versus FBMKLCI (since the onset of 2008 crisis)



Source: Bloomberg, MIDFR

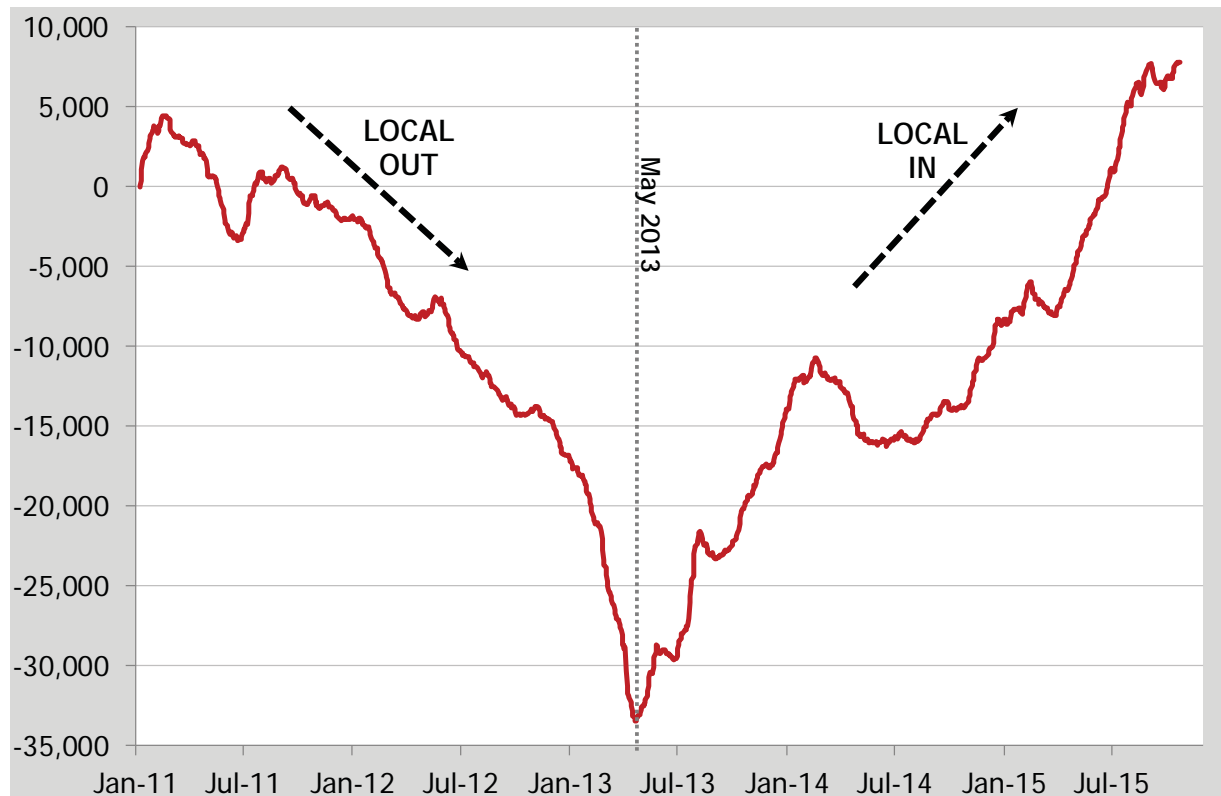
- ...which was in stark contrast to its earlier behavior. The exuberance among small capitalised stocks hitherto is in stark to its pre-May 2013 behavior. Recall that the relative price of both the FBMSC and FBMKLCI moved almost in tandem (albeit with marginally higher volatility in the former) through the downtrend in 2008 as well as during the ensuing recovery in 2009 onwards. Even more significant, since the month of March 2012, the FBMSC began to fall relatively out of favour. In fact, the FBMSC price underperformance persisted in the ensuing 14 months and was at its widest by more than minus 20%-points against FBMKLCI in early 2013.

II. LOCAL LIQUIDITY FACTOR

- FBMSC tepid performance pre-May 2013 can be linked to net outflows among local investors. A plausible explanation to the tepid performance of FBMSC prior to May 2013 can be associated with then increasingly risk-off mood amongst local equity investors possibly due to the uncertainty over the outcome of GE13.

- This was evident by the almost incessant net outflows of local investments from the domestic equity market during that period. Furthermore, while the local net outflows pre-May 2013 were obviously matched by the same exact amount of net inflows from foreign funds, it is not inconceivable that foreign equity investors would generally shy away from investing in small capitalised stocks in non-developed equity markets.

Chart 2: Cumulative changes in local equity net purchases, since end-Jan 2011 (RMm)



Source: Bursa, MIDFR

- But a reversal in liquidity dynamics post-May 2013 arguably favoured the small caps. Nevertheless, it is notable that a reversal in liquidity dynamics emerged post-May 2013 which was arguably triggered initially by the post-GE13 rally but later prolonged by US Fed's tightening policies, i.e. taper and liftoff. From this point forward, we instead saw almost incessant net inflows of local money into the domestic equity market which we reckon led to the heightened interest in small capitalised stocks thenceforth.

III. PROFITING FROM THE SMALL CAP SWINGS

- Continuation of small cap swings may be dependent on liquidity dynamics. We reckon continued net purchases among local investors are necessary to support the small capitalization swings as without which the market momentum may eventually narrow down again towards higher capitalised stocks. Hence for as long as the suitable liquidity dynamics remain present, we foresee among the small capitalised stocks (i) recurring interest in the forerunners, as well as (ii) rotational plays that may lift some of the laggards. On this score, we expect the liquidity dynamics to remain supportive of the small capitalised stocks at least up to after the initial or even a few US Fed rate hikes.
- Sustainable gains via careful stock picking. While the markedly higher Beta among small capitalised stocks may result in massive outperformance during a cyclical market upturn, however the reverse

is equally true in a market correction phase. Thus sustainable gains may only be achieved via fruitful short-term trading or careful stock picking. With regard to the latter, it must be highlighted that small capitalised stocks generally trade at comparatively lower valuations vis-à-vis its bigger peers. Hence judicious stock selection may unearth compelling bargains which would be able to generate more genuine gains and that are less susceptible to the possible adverse shift in underlying liquidity dynamics.

- **Small caps trade at comparatively lower PER and PBR multiples despite higher growth.** By comparison, the FBMKLCI is now trading at current year Price Earnings Ratio (PER) of 15.63x whereas FBMSC is trading at a lower 10.69x. Additionally, the Price to Book Ratio (PBR) of FBMSC is also comparatively lower at 0.90x vis-à-vis 1.76x for the FBMKLCI.

Comparative Valuations *

	FBMSC Index	FBMKLCI Index
PER	10.69	15.63
PBR	0.90	1.76

Source: Bloomberg, MIDFR;

* based on Bloomberg consensus numbers

- As mentioned earlier, we expect the liquidity dynamics to remain favourable for the small capitalised stocks at least up to after the initial or even a few US Fed rate hikes. Furthermore, the prevailing valuation discount of the small capitalised stocks vis-à-vis the blue chips may continue to attract bargain seekers in the former. With these in mind, we present a list of 20 small capitalised (under a billion ringgit) stocks with favourable fundamental justifications and which we believe may outperform its broader category going forward.

THE 20

- The “20 under a billion stocks” were selected largely based on bottom-up screenings.
- Each of the 20 companies possesses its own unique company-specific factors (refer to ‘Investment highlights’ of the 20 stocks in following pages). These so-called Alpha factors, we believe, will help to propel the stock to achieve relative outperformance vis-à-vis the broader market going forward.

Table 1: 20 Under a Billion

	Mkt Cap (RM mn)	Price (RM) 6-Jan	Fair Value (RM)	PER	PBR	Debt/Asset	Beta	Sector
PIE INDUSTRIAL	806.49	10.50	11.34	16.82	2.37	17.23	0.98	Semiconductor
VITROX CORP	793.64	3.45	3.57	16.24	3.97	2.01	1.10	Technology
FAVELLE FAVCO	674.91	3.00	2.87	6.99	1.25	6.82	1.19	Oil and Gas
UCHI TECH	655.38	1.70	1.80	14.81	2.82	0.00	0.57	Technology
SAM ENG & EQUIP	638.60	7.64	9.03	10.83	1.60	1.95	0.70	Semiconductor
GLOMAC	634.38	0.88	1.08	6.90	0.66	33.75	0.64	Property
EA TECH	544.32	1.07	1.79	29.19	2.27	52.95	n.a.	Port
HARBOUR-LINK	535.08	2.95	3.60	10.45	1.92	14.01	0.77	Logistics
PINTARAS JAYA	527.40	3.32	3.39	11.10	1.55	0.00	0.93	Construction
KKB ENG	466.60	1.81	1.96	12.16	1.53	7.18	1.09	Construction
APOLLO FOOD	460.80	5.76	6.15	12.95	1.71	0.00	0.69	Consumer
ELSOFT RESEARCH	374.57	2.10	2.15	16.11	4.56	0.00	0.94	Technology
Y.S.P.	335.15	2.53	2.90	11.23	1.35	7.38	0.69	Consumer
HOMERITZ CORP	333.00	1.12	1.27	14.15	3.29	1.51	0.77	Consumer
CENTURY LOG	312.04	0.85	1.06	7.18	1.10	17.26	1.09	Logistics
SPRITZER	310.84	2.22	2.41	12.63	1.41	13.55	0.90	Consumer
LTKM	199.06	1.51	2.50	5.18	0.89	5.95	0.69	Consumer
XIN HWA	192.60	1.06	1.43	12.23	n.a.	24.02	n.a.	Logistics
WILLOWGLEN	175.22	0.73	1.02	10.53	1.53	0.00	1.10	Technology
FEDERAL FURNITURE	79.80	0.97	1.12	17.42	1.90	15.21	1.48	Consumer

Source: Bloomberg, MIDFR

P.I.E. Industrial Berhad (PIE)

Gearing up for growth

RM10.50

Fair value: RM11.34

INVESTMENT HIGHLIGHTS

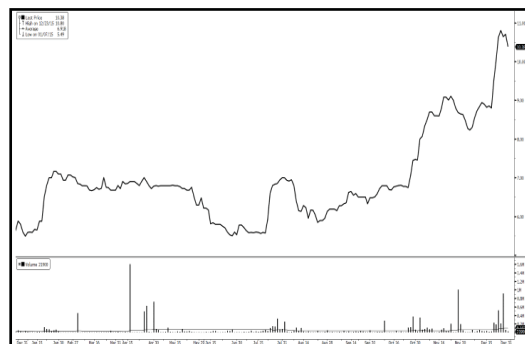
- With an operational track record of more than 30 years since 1980s, PIE offers a complete integrated “one-stop” Contract Electronics Manufacturing (CEM) service for the computer, electronics and telecommunication industries.
- Electronics manufacturing services (EMS) and raw wire and cable manufacturing remain its core businesses and key contributors to the Group’s revenue.
- The Group continues to enhance its production capabilities with the vertical integration of its manufacturing facilities. We expect this to contribute positively to its revenue in the coming years with the diversified supply of its products to multinational corporations in Thailand and Malaysia.
- 2014 has been an exciting year for PIE. This is despite of the prolonged uncertainty in the global markets, escalating operating costs and weaker local currency. The Group’s revenue has surpassed RM500m for the 1st time in history.
- It has tremendous 5-years revenue CAGR of 20% between 2009-2014. As of 9MFY15, its net profit increased to RM33.8m (+33.6%yoy) mainly due to higher margin of its products as well as stronger investment and miscellaneous income.
- Meanwhile, the Group has a net cash position of RM40.9m, after netting out cash against borrowings. We view this as positive to support the Group’s future expansion and diversification plans.

VALUATION

- We are valuing PIE at RM11.34 based on dividend discount model (Gordon Growth model), on the back of FY15E DPS of 29.0 sen, with a projected growth rate of 6.6% and required rate of return of 9.4%. Note that the Group has been consistently paying out dividends exceeding 40% of its earnings.



Price Chart



Stock Info

Bursa / Bloomberg	7095 / PIE MK
Board / Sector	Main / Industrial products
Shariah Compliant	Yes
Issued shares (m)	76.8
Par Value (RM)	1.00
Market cap. (RMm)	797.3
Price over NA	2.18
52-wk price Range (RM)	5.10 - 10.80
Beta (against KLCI)	0.98
3-mth Avg Daily Vol (m)	0.04
3-mth Avg Daily Value (RMm)	0.30
Major Shareholders (%)	
Pan Global Holding Co Ltd	51.42
Capital Dynamics Asset	5.83
ICapital Biz Bhd	4.85

Financial Statistics

FYE Dec (RMm)	FY2012	FY2013	FY2014	FY2015F
Revenue	348.8	449.0	561.7	533.3
Operating Profit	33.5	33.6	35.2	59.6
PBT	44.2	49.2	50.8	59.2
Net Profit	33.8	37.7	37.9	45.0
Net profit margin (%)	9.7	8.4	6.7	8.4
EPS (sen)	45.0	49.2	50.0	58.6
EPS Growth (%)	-10.0	9.3	1.6	17.2
PER (x)	8.0	11.8	11.8	17.7
DPS (sen)	32.0	20.0	25.0	29.0
Dividend Yield (%)	8.9	3.4	4.3	2.7

Sources: MIDFR, Bloomberg and company

ViTrox Corporation Berhad

Strong global outlook and R&D capabilities


RM3.45

Fair value: RM3.57

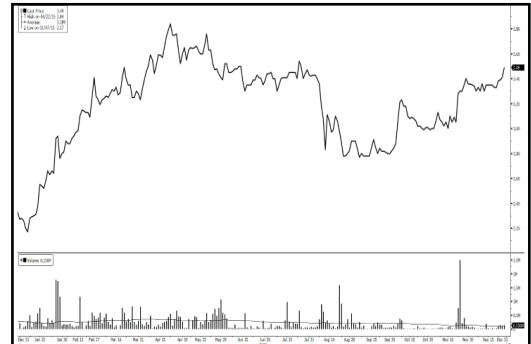
INVESTMENT HIGHLIGHTS

- ViTrox is principally involved in the development and installation of basic machine vision application which subsequently evolved into one of the world's leading automated machine vision inspection solution providers
- In addition, the company has been granted multiple recognitions and awards for its outstanding corporate performance and achievements. As a more strategic approach, SMRT is divided into three core businesses which are: (i) Human resource (HR) professional services; (ii) HR software and; (iii) Education
- ViTrox has three core businesses segments namely; (i) Machine Vision System; (ii) Automated Board Inspection and; (iii) Electronic Communication System
- The company's key market areas are China, Taiwan, US, Brazil and Mexico. In addition, sales growth will stem on its new and improved series of inspection system as well as equipment to service the growing semiconductor back-end
- ViTrox recently invested RM10m into setting up the Centre of Excellence for Machine Vision, a one-stop shop for machine vision training and facilities. It is also looking to add another RM20 - 25m in the next two to three years.

VALUATION

- We are valuing ViTrox with a FV of RM3.57 premised on EPS16 of 25.5sen and our PER16 of 14.0x. Our target PER is based on the average PER of its local peers of 14.0x. 

Price Chart



Stock Info

Bursa / Bloomberg	0097 / VITRO MK
Board / Sector	Main / Technology
Shariah Compliant	Yes
Issued shares (m)	233.4
Par Value (RM)	1.00
Market cap. (RMm)	793.4
Price over NA	1.5
52-wk price Range (RM)	2.17 - 3.84
Beta (against KLCI)	1.11
3-mth Avg Daily Vol (m)	0.24
3-mth Avg Daily Value (RMm)	0.76
Major Shareholders (%)	
Chu Jenn Weng	27.82
Siaw Kok Tong	19.77
Yeoh Shih Hoong	10.57

Financial Statistics

FYE 31 Dec (RMm)	2013	2014	2015F	2016F
Revenue	106.1	169.9	182.5	212.1
EBIT	24.4	49.3	52.5	59.8
PBT	24.8	50.0	53.2	61.2
Reported PATAMI	24.1	49.1	51.1	59.4
EPS (sen)	10.4	21.1	21.9	25.5
EPS growth (%)	29.8	102.7	15.7	16.4
PER (x)	33.1	16.3	15.7	13.5
Net Dividend (sen)	3.0	6.0	6.0	7.0
Net Dividend Yield (%)	0.9	1.8	2.0	2.3

Sources: MIDFR, Bloomberg and company

Favelle Favco Berhad

Attractive dividend play for oil and gas

RM3.00

Fair value: RM2.87

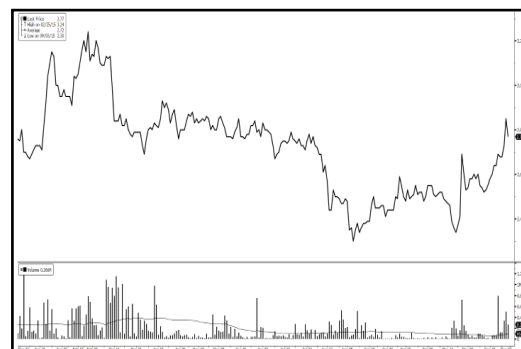
INVESTMENT HIGHLIGHTS

- Favelle Favco Berhad (Favco) is at the forefront of high-speed and high capacity niche customized crane under two world renowned brands - Favelle Favco (offshore cranes) and Krøll (tower cranes). About 89% of the sales generated are from markets outside of Malaysia.
- As at 19 August 2015, the group's outstanding orderbook stood at RM866m. The majority of the orderbook consists of oil and gas cranes for the offshore oil and gas exploration and production activities. The remainder is from the shipyard, construction and wind turbine industry.
- Since its listing in August 2006, Favco's average PER is 8.6x. The company is trading at PER of 5.8x which is at a discount in comparison to the FBMKLCI small cap index current PER of 14.3x. FFB is also a cheaper proxy to small-to-mid cap oil and gas services companies which typically trade at PERs of 11x.
- Although we are expecting earnings to be relatively flat, we are still expecting dividend yields to continue to be excess of 4% for this financial year and the next. This assumption is premised on its net cash position and very low capital expenditure requirements (less than RM10m per annum).
- Despite the low price of oil, Favco is still receiving contracts from its tower cranes segment.

VALUATION

- We value Favco with a TP of RM2.87. Our valuation is based on EPS16 of 35.9sen pegged to PER16 of 8.0x, which reflects its average monthly rolling PER for the past three years.

Price Chart



Stock Info

Bursa / Bloomberg	7229 / FFB MK
Board / Sector	Main / Industrial
Shariah Compliant	Yes
Issued shares (m)	218.8
Par Value (RM)	0.50
Market cap. (RMm)	602.1
Price over NA	3.44x
52-wk price Range (RM)	2.30 - 3.24
Beta (against KLCI)	1.19
3-mth Avg Daily Vol (m)	0.185
3-mth Avg Daily Value (RMm)	0.50
Major Shareholders (%)	
Muhibbah Eng.	59.94
Ngan Boon Mac	4.77
KWAP	4.60
EPF	3.47

Financial Statistics

FYE Dec (RMm)	FY2012	FY2013	FY2014	FY2015F	FY2016F
Revenue	696.7	764.2	797.9	812.7	875.0
Operating profit	67.5	79.9	111.4	93.8	92.2
PBT	66.7	80.0	112.3	93.1	100.5
PAT	61.2	65.0	84.0	72.6	77.4
EPS (sen)	33.6	31.6	40.6	33.7	35.9
Net Dividend (sen)	7.7	10.0	12.8	12.5	12.8
PAT margin (%)	8.8	8.5	10.5	8.9	8.8
EPS Growth (%)	25.9	(6.0)	28.4	(16.9)	6.6
Dividend yield (%)	3.2	4.2	5.4	4.5	4.8
PER (x)	8.3	8.9	6.9	8.3	7.8

Sources: MIDFR, Bloomberg and company

Uchi Technology Berhad

Stable dividend distribution


RM1.70

Fair value: RM1.80

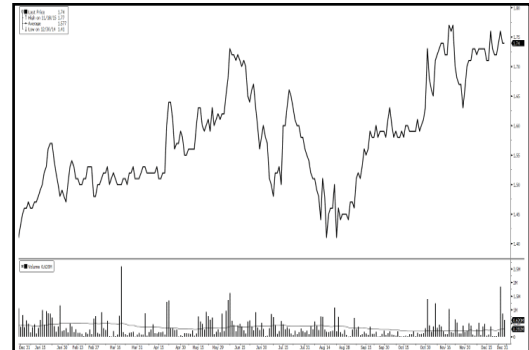
INVESTMENT HIGHLIGHTS

- Uchi Technology Berhad (Uchi) designs and develops electronic control modules in-house and manufactures and assembles components into semi-finished parts and control modules. These semi-finished products incorporated into finished products which mainly comprise of high end fully-automated coffee machine and high-precision weighing scales and centrifuges.
- The group serves a wide base of multi-national companies which are located primarily in Europe, namely Switzerland and Germany.
- Since the end product is targeted for the more affluent group of consumers, the weakening of the Euro economy does not have much impact on the group's financial performance.
- Uchi is also one of the main beneficiaries from the weakening Ringgit as its revenue is mainly denominated in US Dollars.
- It has a strong balance sheet with zero borrowings. As at 30th September 2015, its cash reserve stands at RM153.3m or 39sen per share.
- Uchi is an attractive dividend-play stock with an average dividend payout ratio of close to 100%. Based on its earnings, the payout translates into annual dividend yield of at least 5% annually which is one of the highest among its peers.

VALUATION

- We are ascribing a fair value of RM1.81 by pegging FY16 EPS of 12.5sen against forward PER of 14.5x, the highest PER achieved for the past 2 years. The stock provide additional sweetener with a prospective dividend yield of approximately 6%. 

Price Chart



Stock Info

Bursa / Bloomberg	7100 / UCHI MK
Board / Sector	Main / Technology
Shariah Compliant	Yes
Issued shares (m)	385.4
Par Value (RM)	0.20
Market cap. (RMm)	670.6
Price over NA	2.9
52-wk price Range (RM)	1.41 -1.77
Beta (against KLCI)	0.58
3-mth Avg Daily Vol (m)	0.34
3-mth Avg Daily Value (RMm)	0.53
Major Shareholders (%)	
Eastbow International	23.68
Lembaga Tabung Haji	9.69
Skim ASB	5.19

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	94.0	95.5	104.2	114.4
Operating Profit	38.4	37.9	42.4	47.0
PBT	41.7	41.3	45.9	50.7
PATAMI	39.0	40.1	44.6	49.2
EPS (sen)	10.6	10.8	11.4	12.5
EPS Growth (%)	-13.0	2.0	5.6	10.3
PER (x)	16.4	16.1	15.2	13.9
DPS (sen)	10.0	10.0	11.0	11.0
Dividend Yield (%)	5.6	5.6	6.2	6.2
Net margin (%)	41.6	42.0	42.8	43.0

Sources: MIDFR, Bloomberg and company

SAM Engineering and Equipment (M)

Strong and Magnificent (SAM)

RM7.64

Fair value: RM9.03

INVESTMENT HIGHLIGHTS

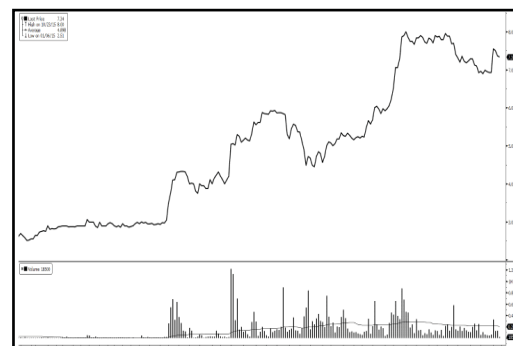
- SAM Malaysia is a subsidiary of Singapore Aerospace Manufacturing (SAM) Pte Ltd, a leading manufacturer of critical aero-engine components. The Group is now a global brand and competing against established companies in U.S., Europe and other parts of Asia.
- They specialize in precision machining of niche products of complex geometry such as stainless steels, titanium and nickel-based alloys, which used in aerospace.
- The positive outlook is supported by stronger growth in air traffic volumes as well as lower fuel costs. This augurs well for the Group which has long term contracts to supply its products to meet the growing needs for new aircrafts to the manufactured. This provides an impetus to the Group to reach RM1b in revenue in the coming years.
- Also offered is system integration services to global multinational companies in the Hard Disk Drive, solar, front-end semiconductor equipment and LED industries.
- We expect growth in local semiconductor exports to outpace that of the global semiconductor sales in 2016. This is mainly attributable to: (i) focus on niche growing segments such as automotive and wireless communications and; (ii) weaker domestic currency against USD.
- While its net profit has been growing steadily at 5-year revenue CAGR of 6% during 2010-2015, margin has improved to 7.7%. We expect a whopping 50% growth in FY16EPS, underpinned by a RM3.1b aerospace order backlog.
- Aside from the above, the Group has healthy net cash of RM115.5m.

VALUATION

- Hence, we are valuing SAM at RM9.03 based on FY16E EPS of 39.2sen pegged to PER multiple of 23.0x, a 20% discount to global peer's PER.



Price Chart



Stock Info

Bursa / Bloomberg	9822 / SEQB MK
Board / Sector	Main / Industrial products
Shariah Compliant	Yes
Issued shares (m)	86.3
Par Value (RM)	1.00
Market cap. (RMm)	633.42
Price over NA	1.68
52-wk price Range (RM)	2.22 - 8.28
Beta (against KLCI)	0.70
3-mth Avg Daily Vol (m)	0.25
3-mth Avg Daily Value (RMm)	1.54
Major Shareholders (%)	
Temasek Holdings Private	67.03
Kumar Siva	4.87

Financial Statistics

FYE Mar (RMm)	FY2013	FY2014	FY2015	FY2016F
Revenue	383.4	452.8	451.5	537.9
Operating Profit	22.8	33.7	40.1	60.4
PBT	21.6	32.4	39.5	59.5
Net Profit	20.0	28.3	34.6	53.0
Net profit margin (%)	5.2	6.2	7.7	9.9
EPS (sen)	19.8	21.8	26.1	39.2
EPS Growth (%)	-20.5	10.1	19.7	50.2
PER (x)	8.2	8.5	7.0	18.7
DPS (sen)	8.3	10.2	11.9	15.7
Dividend Yield (%)	3.6	3.1	4.0	2.1

Sources: MIDFR, Bloomberg and company

Glomac Berhad

Expect 48% earnings growth in FY16


RM0.88

Fair value: RM1.08

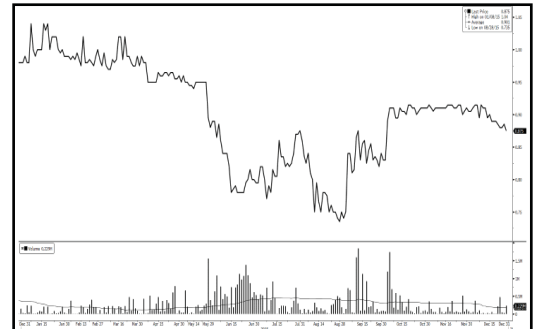
INVESTMENT HIGHLIGHTS

- Glomac Berhad (GLOMAC) was established in 1988. Subsequently, the Company has expanded and was listed on the Main Board of Bursa Malaysia Securities Berhad on 13 June 2000. The Company's main business activity is property development which contributed RM131.2m or 90% to the Company's EBIT in FY15. Besides that, it also has property investment division and construction division.
- We expect GLOMAC's FY16 CNI to surge 48%yoy to RM93m and this is the highest among property developers under our coverage. The superior earnings growth is mainly due to improved unbilled sales to RM796m as of end-FY15 (from RM555m as of end-FY14).
- For FY16, GLOMAC is targeting sales of RM500m. We believe that the sales target is achievable due to its high concentration in landed properties (67% of total launch).
- Glomac Berhad (GLOMAC) has announced that it is disposing its landbank measuring 41 acres in Cheras to PR1MA Malaysia for RM145.6m. Post disposal, we expect GLOMAC net gearing to decline to 0.25x (from the current 0.35x). Additionally, its book value should improve to RM1.42 (from RM1.31 currently).

VALUATION

- We are valuing GLOMAC with a FV of RM1.08 based on 20% discount to RNAV. We have applied the 20% discount to reflect the lacklustre outlook of property sector and GLOMAC's smaller market cap against its peers. 

Price Chart



Stock Info

Bursa / Bloomberg	5020 / GLMC MK
Board / Sector	Main / Properties
Shariah Compliant	Yes
Issued shares (m)	725.10
Par Value (RM)	0.50
Market cap. (RMm)	634.46
Price over NA	0.66
52-wk price Range (RM)	0.73 - 1.04
Beta (against KLCI)	0.65
3-mth Avg Daily Vol (m)	0.18
3-mth Avg Daily Value (RMm)	0.16
Major Shareholders (%)	
Tan Sri Dato' Mohamed Mansor	19.93
Datuk Fong Loong Tuck	16.05
Datuk Seri Fateh Iskandar	15.69
Lembaga Tabung Haji	10.36

Financial Statistics

FYE Apr (RMm)	FY2013	FY2014	FY2015	FY2016F
Revenue	681	677	472	599
Core Operating Profit	160	165	129	128
Core PBT	157	172	120	135
Core PATAMI	106	124	63	93
Core EPS (sen)	15.32	17.07	8.72	12.91
Core PER (x)	5.7	5.2	10.1	6.8
DPS (sen)	4.88	4.90	4.25	4.39
Dividend Yield (%)	5.5	5.6	4.8	5.0
NTA/share (RM)	1.15	1.22	1.30	1.46
P/NTA	0.76	0.72	0.68	0.60

Sources: MIDFR, Bloomberg and company

E.A. Technique (M) Berhad

Slated for earnings expansion

RM1.07

Fair value: RM1.79

INVESTMENT HIGHLIGHTS:

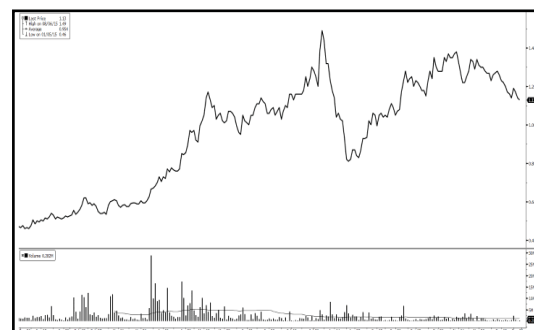
- Incorporated in 1993, E.A. Technique (M) Bhd (Eatech) is a ship owner and operator of marine vessels, providing O&G port transportation services.
- Earnings is set to triple from RM14m in FY14 to RM44m in FY15F and RM54m in FY16F underpinned by maiden contribution from the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) segment, entailing a floating storage and offloading facility (FSO) for a Full-Field Development Project in the North Malay Basin secured end of last year. The project is worth USD191m and is estimated to be delivered in August 2016.
- Its core business in marine transportation, offshore storage of O&G and port marine services (contributes to >50% of earnings) is expected to be driven by the addition of 7 vessels, all backed by secure contracts (3 to 6 years).
- Upon completion of its dry dock by mid-2016, (which will cater to in-house vessels), Eatech should be able to reduce maintenance costs and improve margins. The dry dock could catalyse a new source of revenue if plans to open it up to third parties materialise.

VALUATION

- Eatech has outperformed peers since its listing in 2014 with the share price rising by a whopping 190% YTD. Nonetheless, we see room for further re-rating given the potential job awards from its RM1bn tenderbook. We value Eatech at RM1.79 based on CY16 PER of 13x.



Price Chart



Stock Info

Bursa / Bloomberg	5259 / EATECH MK
Board / Sector	Main / Logistics
Shariah Compliant	No
Issued shares (m)	504.00
Par Value (RM)	1.00
Market cap. (RMm)	569.5
Price over NA	2.39
52-wk price Range (RM)	0.44 - 1.5
Beta (against KLCI)	NA
3-mth Avg Daily Vol (m)	1.08
3-mth Avg Daily Value (RMm)	1.34
Major Shareholders (%)	
Johor Corp	50.60
Mohd Amin Abdul Hak	18.04
Hamidah Binti Omar	5.77
CIMB-Principal Asset	5.03

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	121.1	155.7	486.0	530.0
Operating Profit	32.8	31.8	82.0	109.0
PBT	59.4	19.8	49.0	50.7
PATAMI	56.9	14.2	44.1	53.9
EPS (sen)	14.6	3.6	11.3	13.8
EPS Growth (%)	200.9	-75.0	210.6	22.1
PER (x)	7.6	31.4	10.0	8.2
DPS (sen)	0.00	0.00	2.80	3.80
Dividend Yield (%)	0.00	0.00	2.48	2.36
Net margin (%)	47.0	9.1	9.1	10.2

Sources: MIDFR, Bloomberg and company

Harbour-Link Group Berhad

A proxy to SCORE

RM2.95

Fair value: RM3.60

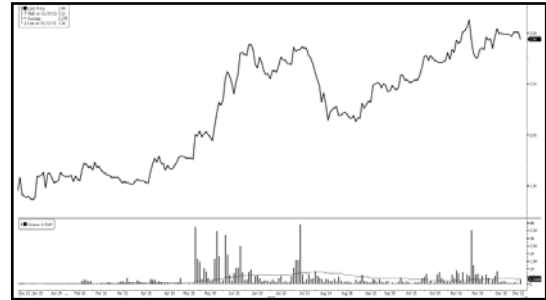
INVESTMENT HIGHLIGHTS

- Harbour-Link Group (Harbour Link) is a dominant logistics provider in East Malaysia with >50% market share. Harbour-Link rides on the rise of economic activities in Sarawak, underpinned by the Sarawak Corridor of Renewable Energy (SCORE) initiative.
- Logistics services and machineries, its key earnings driver, contributed >60% to Harbour-Link's earnings growth in FY15. The division rides on the construction of the RM1.8b Samalaju Industrial Park, which is now 40% complete and scheduled to be completed by 2017.
- Harbour-Link's maiden expansion into the property sector will bear fruit in FY16. Phase 1 and Phase 2 of the Kidurong Gateway will be completed by end-FY15. The group is also aiming to launch Phase 3 in FY16 with an estimated GDV of RM70m.
- Consensus is projecting a 53% and 23% earnings growth in FY15F and FY16F driven by the group's logistics division. On top of this, earnings from the property division are expected to kick in, in FY16, upon the completion of construction.
- Harbour-Link is now in net cash position, suggesting room for higher dividends or acquisitive growth.

VALUATION

- We value Harbour Link at a Sum-of-Parts derived fair value of RM3.60/share.

Price Chart



Stock Info

Bursa / Bloomberg	2062 / HALG MK
Board / Sector	Main / Logistics
Shariah Compliant	No
Issued shares (m)	182.0
Par Value (RM)	1.00
Market cap. (RMm)	535.1
Price over NA	1.92
52-wk price Range (RM)	1.35 - 3.16
Beta (against KLCI)	0.80
3-mth Avg Daily Vol (m)	0.35
3-mth Avg Daily Value (RMm)	1.01
Major Shareholders (%)	
Enricharvest Sdn Bhd	31.53
United Joy Sdn Bhd	21.62
Piaw Soon Yong	6.18
Siong Seh Wong	3.85

Financial Statistics

FYE June (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	457.6	538.1	589.5	601.0
Operating Profit	57.5	71.7	103.0	91.0
PBT	51.0	77.4	101.0	91.9
PATAMI	34.0	48.1	60.8	56.1
EPS (sen)	18.7	26.4	33.4	30.8
EPS Growth (%)	11.1	41.5	26.3	-7.7
PER (x)	15.7	11.1	8.8	9.5
DPS (sen)	2.5	5.5	6.7	6.2
Dividend Yield (%)	0.85	1.87	2.78	2.11
Net margin (%)	7.4	8.9	10.3	9.3

Sources: MIDFR, Bloomberg and company

Pintaras Jaya Berhad

Geotechnical specialist

RM3.32

Fair value: RM3.39

INVESTMENT HIGHLIGHTS

- Pintaras Jaya Berhad (PJB) was incorporated in 1978 to provide geotechnical related construction services. PJB was successfully listed in Bursa Malaysia in 1994.
- The company is divided into 2 core businesses which are (i) construction of piling and earth retaining systems, sub-structure, basements, ground improvements and, (ii) manufacturing of metal containers for chemical and food storage.
- Its largest revenue generating segment derives from the construction of piling, foundation and civil engineering by contributing more than 96% of total topline.
- Furthermore, its competitive advantage lies in the specialisation of piling and foundation system for institutional and mixed development structures. PJB specialises in cast-in bored, driven, jack and micro piles as well as hand dug caissons.
- PJB growth would be influenced by its niche technical know-how in geotechnics vis-à-vis foundation construction and piling system. While its other listed peers such as Ikhmas Jaya Berhad and Econpile Berhad specialises in geotechnical services for infrastructure for super and sub-structures.
- Recently, PJB has accepted the award to provide for the construction of diaphragm and bored piling services from Iron-City Phase 1 for a sum of RM21.4m.

VALUATION

- We are valuing PJB with a FV of RM3.39 per share, by rolling over to FYE16 EPS of 29sen on PER multiple of 11.7x which is close to the tail-end of mid cap peers' PER range of 12 - 14x.

Price Chart



Stock Info

Bursa / Bloomberg	9598 / PINT MK
Board / Sector	Main / Cons
Shariah Compliant	Yes
Issued shares (m)	162.78
Par Value (RM)	1.00
Market cap. (RMm)	546.93
Price over NA	1.57
52-wk price Range (RM)	3.00 - 4.48
Beta (against KLCI)	0.94
3-mth Avg Daily Vol (m)	0.03
3-mth Avg Daily Value (RMm)	0.11
Major Shareholders (%)	
Pintaras Bina Sdn. Bhd	36.72
Hong Keong Chiu	14.39
Yok Kee Khoo	6.7
Keow Pin Khoo	6.46

Financial Statistics

FYE Dec (RMm)	FY2012	FY2013	FY2014	FY2015F	FY2016F
Revenue	185	172.8	201.9	242.9	240
EBIT	47.9	54.9	64.3	64.5	63
Pre-tax Profit	57.8	67.1	71.1	68.5	68
PATAMI	44.8	52.3	54.2	51.9	51.1
FD EPS (sen)	0.28	0.32	0.34	0.32	0.29
EPS growth (%)	37	14	6	-6	-9
PER(x)	4.7	7.3	12.9	11.7	11.5
Net Dividend (sen)	0.1	0.13	0.15	0.18	0.15
Net Dividend Yield (%)	2.9	3.7	4.3	5.3	4.4

Sources: MIDFR, Bloomberg and company

KKB Engineering Berhad

Driven by potential infrastructural largesse

RM1.81

Fair value: RM1.96

INVESTMENT HIGHLIGHTS

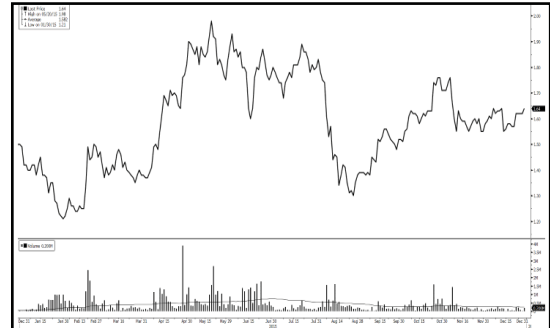
- KKB Engineering has made a mark in East Malaysia by providing the niche specialisation in the supply of galvanised piping, steel fabrications, civil engineering and construction.
- KKB is divided into 2 core businesses which are (i) engineering of steel related products for example hot dip galvanising and, (ii) manufacturing of gas cyclinders.
- Its largest revenue generating segment is engineering and construction contributing more than 70%. This segment includes hot dip galvanising, steel fabrication and civil engineering especially the steel structure for bridge.
- Additionally its technical competency in the manufacturing of gas cylinders and oil and gas fabrication are worthwhile to note. Recently, KKB has clinched an award by Talisman, SESCO and Sarawak Energy Sdn. Bhd. for engineering, procurement and construction of wellhead platform for the redevelopment of Kinabalu project worth RM171m
- KKB potentially would be the recipient of infrastructural largesse from potential practical consequences of upcoming Sarawak election in 1QFY16, Sarawak FY16 State Budget, Samalaju and Pan Borneo Highway projects.
- Strong replenishment capabilities with RM223.4m outstanding orderbook backlog.

VALUATION

- We are valuing KKB with a FV of RM1.96 per share, based on FYE16 of sum-of-parts valuation (SOP), The implied multiple of 12x is based on EPS16, which is at the tail-end of mid cap peers' PER range of 12-14x.



Price Chart



Stock Info

Bursa / Bloomberg	9466/KKB MK
Board / Sector	Main/Construction
Shariah Compliant	Yes
Issued shares (m)	257.792
Par Value (RM)	1.00
Market cap. (RMm)	420.2
Price over NA	1.38
52-wk price Range (RM)	RM1.2 - RM2.11
Beta (against KLCI)	1.09
3-mth Avg Daily Vol (m)	0.25
3-mth Avg Daily Value (RMm)	0.42
Major Shareholders (%)	
Kho Kak Beng Holdings	40.8
Cahaya Mata Sarawak	20.05
Laman Satria Sdn. Bhd.	5.59
Mondrian Investment	5.43

Financial Statistics

FYE Dec (RMm)	FY2012	FY2013	FY2014	FY2015F	FY2016F
Revenue	166.7	228.9	202.0	288.4	316.0
EBIT	26.5	48.3	35.9	55.6	59.0
Pre-tax Profit	26.2	47.1	31.9	55.2	62.3
PATAMI	20.5	33.5	21.0	36.4	41.2
FD EPS (sen)	8.0	13.0	8.1	14.1	16.0
EPS growth (%)	-56.0	63.3	-37.3	73.7	13.0
PER (x)	18.1	20.6	18.4	11.1	10.9
Net Dividend (sen)	5.0	5.7	4.0	5.7	6.4
Net Dividend Yield (%)	3.5	3.0	2.7	3.4	2.45

Sources: MIDFR, Bloomberg and company

Apollo Food Holdings Berhad

To benefit from strengthening of export proceeds

RM5.76

Fair value: RM6.15

INVESTMENT HIGHLIGHTS

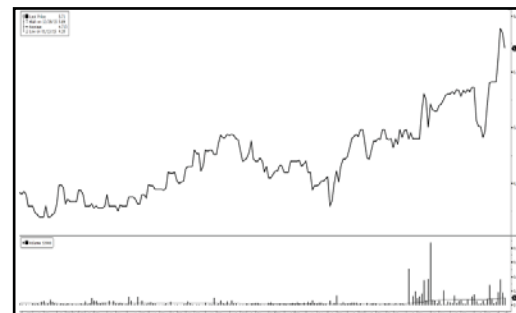
- Primarily involved in manufacturing and trading of compound chocolates, chocolate confectionery products and layer cakes.
- Its products are distributed in Malaysia as well as exported out to overseas markets such as Singapore, Indonesia, Thailand, Philippines, Vietnam, China, Hong Kong, Taiwan, Japan, India, Middle East, Mauritius, and Maldives.
- 42.4% of its products are exported overseas and the sales are mainly denominated in foreign currencies such as USD and EURO which stands to benefit the Group's earnings when these currencies strengthened against MYR.
- Strong balance sheet with cash position of RM89.1m as of end FY15.
- The Group has no bank borrowings and liabilities from debt securities issued.
- Healthy trade receivables with 99.9% of the receivables within 60 days. This is well within the credit terms of 30 to 90 days granted by the Group.
- Consistent dividend payments with dividend yield of 4.4%.

VALUATION

- We are valuing Apollo Food with a FV of RM6.15 based on 11x PE multiple to FY16 EPS. The company stands to benefit from the strengthening of export proceeds in foreign currencies against MYR.



Price Chart



Stock Info

Bursa / Bloomberg	6432 / APOF MK
Board / Sector	Main/ Consumer
Shariah Compliant	Yes
Issued shares (m)	80
Par Value (RM)	1.00
Market cap. (RMm)	456.8
Price over NA	1.7
52-wk price Range (RM)	4.18 - 5.96
Beta (against KLCI)	0.68
3-mth Avg Daily Vol (m)	0.05
3-mth Avg Daily Value (RMm)	0.26
Major Shareholders (%)	
Key Note Capital	51.31
Skim Amanah Saham	18.75
Kam Loong Mining S/B	3.20

Financial Statistics

FYE Apr (RMm)	FY2013	FY2014	FY2015	FY2016F
Revenue	222.7	220.7	212.6	199.7
Operating profit	39.8	40.0	30.6	48.8
Pretax profit	42.4	43.6	34.1	51.6
Profit after tax and MI	32.1	33.5	25.3	44.7
Earnings per share (sen)	40.1	41.8	31.6	55.9
EPS growth (%)	+47.5	+4.2	-24.4	+76.8
Price-earnings ratio (x)	14.2	13.7	18.1	10.2
Dividend per share (sen)	20.0	25.0	25.0	25.0
Dividend yield (%)	3.5	4.4	4.4	4.4
Net margin (%)	14.4	15.2	14.9	22.4

Sources: MIDFR, Bloomberg and company

Elsoft Research Berhad

Strong orders for 1H16

RM2.10

Fair value: RM2.15

INVESTMENT HIGHLIGHTS

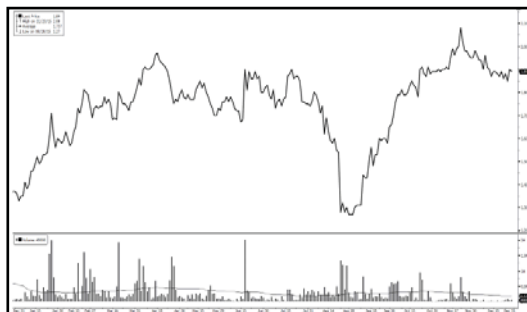
- Elsoft Research Berhad (ELSR) is involved in the research, design and development of test & burn-in systems. The group's key products such as the test and burn-in systems are used by optoelectronic devices manufacturers such as Light Emitting Diode (LED) manufacturers, image sensors and automotive lightings manufacturers to test their products before launching it into the market. Key customers include Philips, global market leader in the LED segment.
- The weakening of the Ringgit bodes well for the group as it has led to an increase of demand for its LED test equipment
- New orders for 2H15 have been encouraging, with more than RM30m worth of test equipment set to be delivered to customers in the smart devices, automotive and general lighting industries.
- In addition to that, the group had already recorded RM10m worth of orders set to be delivered in 1H16 to customers in the automotive and smart device industries
- Moreover, ELSR also enjoys the product pioneer status and is only required to pay 4-5% of PBT in taxes. ELSR was granted 100% tax exemption for the pioneer status and will continue enjoying the status up till 2024

VALUATION

- We are valuing ELSR with a fair value of RM2.15 by pegging FY16 EPS of 14.8sen against forward PER of 14.5x. The forward PER is the average 4-quarter rolling PER over the past 2 years.



Price Chart



Stock Info

Bursa / Bloomberg	0090 / ELSR MK
Board / Sector	Main / Technology
Shariah Compliant	Yes
Issued shares (m)	181.0
Par Value (RM)	0.10
Market cap. (RMm)	338.4
Price over NA	4.34
52-wk price Range (RM)	1.27 - 2.08
Beta (against KLCI)	0.95
3-mth Avg Daily Vol (m)	0.28
3-mth Avg Daily Value (RMm)	0.48
Major Shareholders (%)	
Tan Cheik Eaik	24.89
Tan Ai Jiew	13.89
Koay Kim Chiew	11.72
Tan Cheik Kooi	9.69

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	25.2	45.1	50.2	57.9
Operating Profit	11.2	20.6	23.0	27.0
PBT	6.7	11.3	20.8	25.3
PATAMI	6.6	10.8	20.1	24.5
EPS (sen)	6.0	11.1	13.5	14.8
EPS Growth (%)	63.5	86.1	21.4	9.9
PER (x)	31.2	16.8	13.8	12.6
DPS (sen)	3.0	7.0	7.5	8.0
Dividend Yield (%)	1.5	3.5	3.8	4.0
Net margin (%)	26.3	24.0	40.1	42.3

Sources: MIDFR, Bloomberg and company

Y.S.P. Southeast Asia Holding Berhad

Strong organic winner


RM2.53

Fair value: RM2.90

INVESTMENT HIGHLIGHTS

- Y.S.P. Southeast Asia Holding (YSP) is one of the leading pharmaceutical companies in Malaysia which trades and manufactures pharmaceutical and veterinary products.
- YSP produces therapeutic group of antibiotics, antifungals, antacids, anti-diabetics, anti-platelets, antivirals, injectable and eye drops. YSP had also diversified into traditional herbal products with Taiwan's Sun Ten Pharmaceutical Co. Ltd.
- Domestic market contributed 80% to its revenue, with the remaining stemming from exports sales to Singapore, Vietnam, Philippines, Cambodia, Brunei, and Myanmar. YSP has successfully made inroads into Middle East and African countries in FY14.
- Earnings of YSP were on upward trajectory in the past two years as local pharmaceutical industry has been benefited from the spill over of increased spending on generic drug following the patent expiration of major 'blockbuster' drugs from 2010-2014.
- Export sales of YSP increased after its overseas subsidiaries in Singapore won government contracts and higher exports to Myanmar, Nigeria, and Ethiopia. Meanwhile, sales of pharmaceutical and veterinary products in the domestic market were supported by introduction of new products.
- YSP is having sturdy balance sheet with net cash position of RM45m or equivalent to net cash of 34sen per share as of Sept-15.

VALUATION

- We are valuing YSP with a FV of RM2.90, pegging FY16F EPS of 17sen at PER of 17x which is at 10% discount to Hovid's PER of 18.7x. 

Price Chart



Stock Info

Bursa / Bloomberg	7178 / YSP MK
Board / Sector	Main / Consumer
Shariah Compliant	Yes
Issued shares (m)	134.5
Par Value (RM)	1.00
Market cap. (RMm)	328.4
Price over NA	1.30
52-wk price Range (RM)	1.30 - 3.49
Beta (against KLCI)	0.7
3-mth Avg Daily Vol (m)	0.31
3-mth Avg Daily Value (RMm)	0.77
Major Shareholders (%)	
Fang-Hsin Lee	9.93
Healthinvest Partner	5.48
Tabung Haji	5.19
Tan Kong Han	2.48

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	190.9	202.2	232.6	255.8
Operating Profit	22.6	25.6	30.2	33.3
PBT	22.0	25.2	27.9	30.7
PATAMI	16.2	16.5	20.6	22.6
EPS (sen)	12.17	12.40	15.5	17.0
EPS Growth (%)	19	2	25	10
PER (x)	20.04	19.68	15.77	14.34
DPS (sen)	6.50	6.50	7.50	8.50
Dividend Yield (%)	6.0	2.7	3.1	3.5
Net margin (%)	8.5	8.2	8.8	8.8

Sources: MIDFR, Bloomberg and company

Homeritz Corporation Berhad

Net beneficiary of stronger USD

RM1.12
Fair value: RM1.27

INVESTMENT HIGHLIGHTS

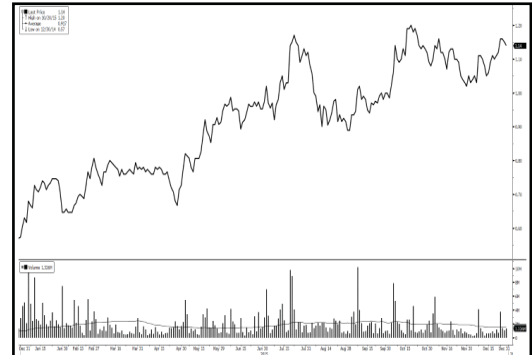
- Homeritz is an integrated designer, manufacturer, and exporter of upholstered home furniture, comprising leather and fabric-based sofas, dining chairs, and bed frames.
- It exports its products to more than 50 countries. Exports to Asia and Pacific contributed 50% to its revenue while exports to Americas and European countries contributed 46% to its revenue.
- Homeritz has been benefited from stronger USDMYR exchange rate as its exports are mainly denominated in US Dollar. The stronger USDMYR coupled with higher export sales had driven Homeritz's net profit to grow at a commendable 17%yoy in FY15.
- Homeritz had on 1 June 2015 acquired the remaining 35% equity stake in Embrace Industries Snd Bhd (EISB) which manufactures metal frames for furniture, making EISB a wholly-owned subsidiary of Homeritz and allowing full consolidation of EISB earnings in FY16.
- Homeritz is on expansion trail by building new factory on a vacant land which is near to its existing factories in Muar.
- Homeritz is having sturdy balance sheet with net cash position of RM50.5m or equivalent to net cash of 16.8sen per share as of Sept-15.

VALUATION

- We are valuing Homeritz with a FV of RM1.27, pegging FY16F EPS of 9.8sen at PER of 13x which is at the upper end of small cap PER in view its superior earnings growth at 25% (against small cap peers average of 13%).



Price Chart



Stock Info

Bursa / Bloomberg	5160 / HMCB MK
Board / Sector	Main / Consumer
Shariah Compliant	Yes
Issued shares (m)	300
Par Value (RM)	0.2
Market cap. (RMm)	342
Price over NA	3.23
52-wk price Range (RM)	0.57 - 1.23
Beta (against KLCI)	0.81
3-mth Avg Daily Vol (m)	1.53
3-mth Avg Daily Value (RMm)	1.70
Major Shareholders (%)	
Fen Fatt Chua	34.42
Hwee Ing Tee	26.92
Tee Hui Chein	3.03
KWAP	2.25

Financial Statistics

FYE Aug (RMm)	FY2013	FY2014	FY2015	FY2016F
Revenue	112.91	127.2	146.4	171.3
Operating Profit	20.26	25.5	33.6	42.0
PBT	20.57	26.5	33.5	41.1
PATAMI	15.12	20.2	23.6	29.4
EPS (sen)	7.56	10.1	7.9	9.8
EPS Growth (%)	3	34	-22	25
PER (x)	15.08	11.26	14.52	11.63
DPS (sen)	3.75	5.10	4.00	4.30
Dividend Yield (%)	3.3	4.5	3.5	3.8
Net margin (%)	13.4	15.9	16.1	17.2

Sources: MIDFR, Bloomberg and company

Century Logistic Holdings Berhad

'Multi-level' expansion of warehouse space

RM0.85

Fair value: RM1.06

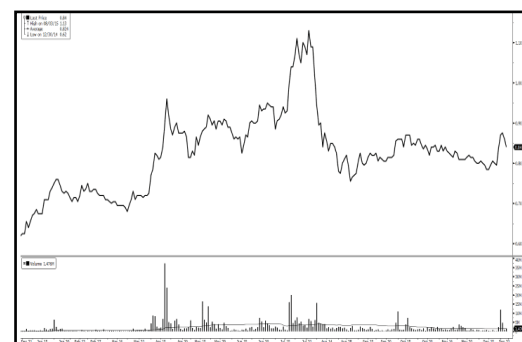
INVESTMENT HIGHLIGHTS

- Century Logistics (Century) is principally involved as a total logistics provider with 60% of revenue derived from the segment. Meanwhile, the remaining 40% is equally contributed by its fuel transportation (ship-to-ship transfer serving fuel and oil traders) and 3rd party procurement logistics for the electronic and electrical (E&E) industry.
- Century currently manages 1.8m sqft of warehousing facilities, of which 940k sqft is located in the Klang Valley while 840k sqft is located near the Port of Tanjung Pelepas (PTP). Both of its warehouses are enjoying close to full utilisation.
- Thus, Century is expanding its warehouse space by constructing a new multi-storey warehouse with 600k sqft (+33%) in Setia Alam with construction commencing in 2015 (target completion in mid-2017) incurring capex of RM100m funded 80% by debt.
- To tap on the higher demand for 3rd party outsourcing as various companies take measures to cut costs, Century has ventured into the data & document management business encompassing physical and electronic storage of data which is in its infancy stage.
- Century also pays generous dividends with dividend payout ratio of 50% since FY12 translating into a dividend yield of 5% p.a. Prior to FY12, the management paid out 23 - 34% of earnings. We expect the group to continue paying 50% of earnings as the company is in a net cash position translating in dividend yield of 6.8% in FY16.

VALUATION

- We derive Century's fair value of RM1.06 per share, based on PER16 of 9x against FY16F EPS of 11.8sen. Our 9x PER valuation is a 10% discount to its peer average of 10x. This is premised on Century's 20% revenue contribution from the oil & gas industry.

Price Chart



Stock Info

Bursa / Bloomberg	7117 / CLH MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (m)	373.5
Par Value (RM)	0.50
Market cap. (RMm)	313.82
Price over NA	1.09
52-wk price Range (RM)	0.53 - 1.14
Beta (against KLCI)	1.12
3-mth Avg Daily Vol (m)	1.78
3-mth Avg Daily Value (RMm)	1.51
Major Shareholders (%)	
Phua Sin Mo	26.47
Teow Choo Hing	11.43
Lee Hay Hun	7.02
Teow Choo Chuan	5.51
Credit Suisse	4.29

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	255.8	275.2	308.0	328
EBIT	15.2	25.6	28.7	30.5
Pretax Profit	27.2	42.4	47.5	50.6
Net Profit	22.6	33.3	40.8	43.2
EPS (sen)	6.2	9.1	11.2	11.8
EPS growth (%)	28.0	47.6	22.6	6.0
PER (x)	13.1	8.9	7.2	6.8
Net dividend (sen)	4.0	5.0	5.5	5.5
Net dividend yield (%)	4.9	6.2	6.8	6.8

Sources: MIDFR, Bloomberg and company

Spritzer Berhad

Reaping fruits of expansion growth

RM2.22
Fair value: RM2.41

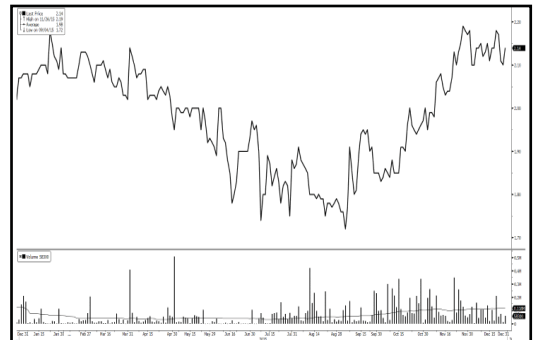
INVESTMENT HIGHLIGHTS

- 26 years of history. Spritzer Berhad (SPRITZR) was established in 1989 and subsequently listed on the Main Board of Bursa Malaysia Securities Berhad in the year of 2000. The Company's main business activity is the bottled water manufacturing (BWM). This includes production of natural mineral water, carbonated flavoured water, distilled water and drinking water. In FY15, BWM segment contributed RM240.3m or 94% of the group's total revenue.
- Production capacity expanded by 10%. The Company has invested RM19.1m to: i) add an additional cupfilling production line at its Shah Alam plant, ii) upgrade and enhance certain production facilities, iii) acquire additional land in the vicinity of its Yong Peng mineral water plant and iv) improve its warehouse and logistic facilities. All in, the Company's annual production capacity has been increased by 10% to 550m litres of bottled water.
- Expect FY16 earnings to surge 21%yoy. Our key assumption is the 7% improvement in revenue due to better sales volume and improved margin due to lower PET resin prices. As it is, 1QFY16 earning of RM7.30m has made up 26% of our FY16 forecast.
- Stronger balance sheet. As at end-FY15, SPRITZR has pared down its net gearing to 0.11x from 0.30x last year. We view this trend positively as it shows that the company's fundamentals are getting stronger.

VALUATION

- Fair Value of RM2.41. We are valuing SPRITZR with a FV of RM2.41 based on 12x PE on FY16 EPS of 20.10 sen. The 12x PE is based on 5-year average PE for the Company.

Price Chart



Stock Info

Bursa / Bloomberg	7103 / SPZ MK
Board / Sector	Main / Consumer
Shariah Compliant	Yes
Issued shares (m)	146.60
Par Value (RM)	0.50
Market cap. (RMm)	313.73
Price over NA	1.36
52-wk price Range (RM)	1.71 - 2.20
Beta (against KLCI)	0.92
3-mth Avg Daily Vol (m)	0.10
3-mth Avg Daily Value (RMm)	R0.22
Major Shareholders (%)	
Yee Lee Corporation	32.25
Yee Lee Holdings Sdn Bhd	13.20
Kok Boon Lim	7.36
A Heng Lim	6.75

Financial Statistics

FYE Apr (RMm)	FY2013	FY2014	FY2015	FY2016F
Revenue	201.94	238.75	253.67	271.42
Operating Profit	26.53	31.45	34.36	38.00
PBT	22.79	28.31	31.96	37.46
PATAMI	19.23	21.57	22.81	28.47
EPS (sen)	14.69	16.27	16.59	20.10
PER (x)	15.1	13.6	13.4	11.0
DPS (sen)	4.00	4.00	5.00	6.03
Dividend Yield (%)	1.8	1.8	2.3	2.7
Book Value/share (RM)	1.27	1.39	1.52	1.66
P/BV	1.75	1.60	1.46	1.33

Sources: MIDFR, Bloomberg and company

LTKM Berhad

Lower cost of inputs to benefit profit margin

RM1.51
Fair value: RM2.50

INVESTMENT HIGHLIGHTS

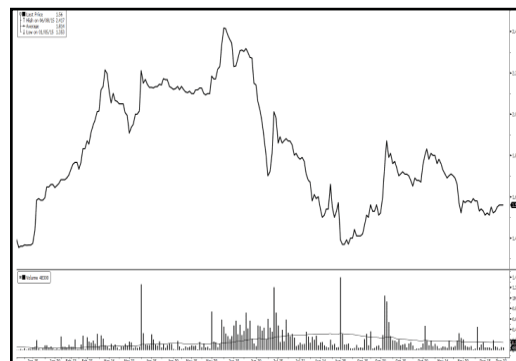
- Primarily involved in the production of chicken eggs. Poultry segment contributes RM188.6m or circa 98% of the Group's total revenue of RM192.6m in FY15.
- It is also involved in extraction and distribution of sand as well as in property development.
- The sand business segment contributed RM3.9m or circa 2% of the Group's revenue. No revenue was recorded for property segment in FY15 as the Group's residential project in Banting, Selangor was completed in the previous financial year.
- Has a small land bank in Selangor which has the potential for development of residential houses.
- Expect demand for chicken eggs to be stable as it is a staple food item.
- Lower cost of production from the weaker prices of raw materials for production (corn and soybean) will bode well for the profit margin of its poultry business ahead.
- Healthy net cash position after netting cash against bank borrowings. Strong cash position will allow settlement of borrowings at any time to reduce financial cost.
- No firm dividend policy but has been consistently paying out dividends.

VALUATION

- We are valuing LTKM with a FV of RM2.50 based on PE multiple of 6x to FY16 EPS.



Price Chart



Stock Info

Bursa / Bloomberg	7085 / LTKM MK
Board / Sector	Main/ Consumer
Shariah Compliant	Yes
Issued shares (m)	130.1
Par Value (RM)	1.00
Market cap. (RMm)	203.0
Price over NA	0.9
52-wk price Range (RM)	1.33 - 2.44
Beta (against KLCI)	0.71
3-mth Avg Daily Vol (m)	0.15
3-mth Avg Daily Value (RMm)	0.25
Major Shareholders (%)	
Ladang Ternakan Kelang SB	61.32
Datuk Tan Kok	2.66
Phuah Chai Tin	2.44

Financial Statistics

FYE Mar (RMm)	FY2013	FY2014	FY2015	FY2016F
Revenue	154.8	178.1	192.6	207.0
Operating profit	7.8	28.9	44.3	55.0
Pretax profit	12.2	36.2	59.4	70.1
Profit after tax and MI	9.6	28.3	46.1	54.2
Earnings per share (sen)	22.2	65.2	106.4	41.6*
EPS growth (%)	+426.7	+193.7	+63.2	17.4
Price-earnings ratio (x)	7.0	2.4	1.5	3.8
Dividend per share (sen)	12.0	18.0	15.0	6.0
Dividend yield (%)	7.7	11.5	9.6	3.9
Net margin (%)	6.2	15.9	23.9	26.2

Sources: MIDFR, Bloomberg and company

*Based on enlarged share capital from 43.3m shares to 130.1m shares after bonus issue of 1 for every 2 shares and share split to reduce par value from RM1.00 to RM0.50 per share.

Xin Hwa Holdings Berhad

Warehouse capacity set to double

RM1.06

Fair value: RM1.43

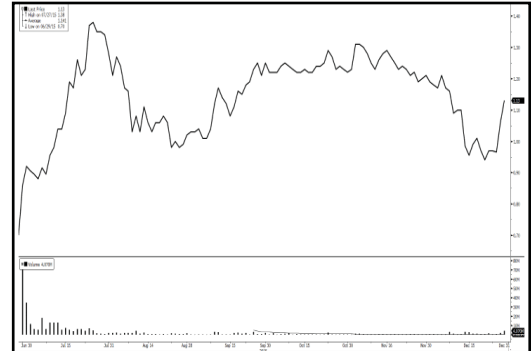
INVESTMENT HIGHLIGHTS

- Established in 1965 and listed on 30 June 2015. Xin Hwa Holdings Berhad (XHH) differentiates itself from more than 10,000 logistic players in the market by 1) being a fully integrated logistics services provider; 2) holding a top-10 market presence in Penang and Johor; 3) providing high value project logistic services in the construction and oil & gas industry and 4) owning in-house fabrication, manufacturing and maintenance capabilities for its fleet of vehicles.
- XHH is doubling its capacity with a new warehouse in Pasir Gudang with net leasable area of 220,000 sqft to complete construction in FY15. Its existing warehouses record an average utilisation rate of 88.9% for the past 4 years.
- Meanwhile, XHH's fleet of prime movers, hauliers and trailers managed an average utilisation rate of 89.2% for the past 4 years. In view of the healthy utilisation rate, XHH is adding another 101 new vehicles to its existing fleet of 1,173 representing an +8% increase.
- The new capacity for both its warehouse and vehicle fleet will be absorbed by new and existing customers with utilisation rate of >90% expected due to strong demand present in the market.
- XHH saves approx. 50 - 65% of cost by purchasing reconditioned vehicles from Europe (vehicle age of >5 years) and performs maintenance and customisation works in-house.

VALUATION

- We derive XHH's fair value at RM1.43 per share, based on PER16 of 10x against FY16F EPS of 14.3sen. Our 10x PER valuation is based on XHH's peer average.

Price Chart



Stock Info

Bursa / Bloomberg	5267 / XINH MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (m)	180.0
Par Value (RM)	0.50
Market cap. (RMm)	199.8
Price over NA	1.85
52-wk price Range (RM)	0.70 - 1.46
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol (m)	0.69
3-mth Avg Daily Value (RMm)	0.79
Major Shareholders (%)	
Lam Peng Eng	27.95
Ng Aik Chuan	21.08
Ng Yam Pin	20.96
Hong Leong Asset	1.36
Prudential	0.84

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	97.9	110.6	122.6	147.9
EBIT	17	20.4	22.4	34.9
Pretax Profit	15.8	18.4	20.5	33.1
Net Profit	14	15.9	17.7	26.0
Core Earnings*	14	15.9	17.7	26.0
EPS (sen)	7.7	8.8	9.7	14.3
EPS growth (%)	9.4	13.5	11.3	47.5
PER (x)	16.1	14.1	12.8	8.7

Sources: MIDFR, Bloomberg and company

Willowglen MSC Berhad

The secure way forward

RM0.73

Fair value: RM1.02

INVESTMENT HIGHLIGHTS

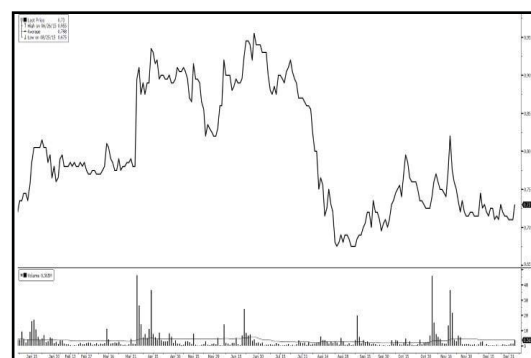
- Willowglen MSC Berhad (Willowglen) is a provider of supervisory control and data acquisition (SCADA) and integrated monitoring system (IMS) services.
- The company's main operating markets are Singapore and Malaysia which contribute 73% and 27% of its revenue in 2014 respectively.
- It is currently on a development stage in the Indonesian market and is targeting to focus on providing SCADA and security solutions to data centers, utilities as well as oil and gas market.
- The transportation and water or waste water treatment industries are the main users of its SCADA systems. The transportation segment is expected to provide plenty of opportunities in providing further systems and solutions to MRT, LRT and High Speed Rail Systems in the future.
- To further strengthen their business, Willowglen is also eyeing more opportunities in the southern region of Malaysia such as the Iskandar Development Region, Nusajaya and Pengerang.
- Meanwhile, in Singapore, it plans to leverage on the population growth. The company is seeing increasing demand in its water or waste water treatment, power transmission and distribution, gas transmission integrated security monitoring of infrastructure in power sub-station and the transportation industry.

VALUATION

- We are valuing Willowglen with a FV of RM1.02, based on EPS14 of 7.15sen pegged to PER14 of 14.3x which is its historical 5 years average PE.



Price Chart



Stock Info

Bursa / Bloomberg	0008 / WLW MK
Board / Sector	Main / Trading Services
Shariah Compliant	No
Issued shares (m)	243.4
Par Value (RM)	1.00
Market cap. (RMm)	176.4
Price over NA	1.52
52-wk price Range (RM)	0.64 - 0.97
Beta (against KLCI)	1.10
3-mth Avg Daily Vol (m)	0.39
3-mth Avg Daily Value (RMm)	0.29
Major Shareholders (%)	
New Advent S/B	30.9
OSK Technology Ventures	12.7
Teh Boon Wee	5.1
Ling King Ling	5.0

Financial Statistics

FYE Dec (RMm)	FY2012	FY2013	FY2014	FY2015F
Revenue	83.4	102.6	109.8	113.1
Operating Profit	18.2	23.1	20.6	23.5
PBT	18.2	23.1	20.6	23.5
PATAMI	15.4	19.3	17.2	19.5
EPS (sen)	6.32	7.95	7.15	8.01
EPS Growth (%)	81.0	25.8	-10.0	12.0
PER (x)	11.6	9.2	10.2	9.01
DPS (sen)	2.50	3.00	2.00	3.20
Dividend Yield (%)	3.42	4.11	2.74	4.38
Net margin (%)	18.5	18.8	15.7	17.2

Sources: MIDFR, Bloomberg and company

Federal Furniture Berhad

The Starbucks factor

RM0.97

Fair value: RM1.12

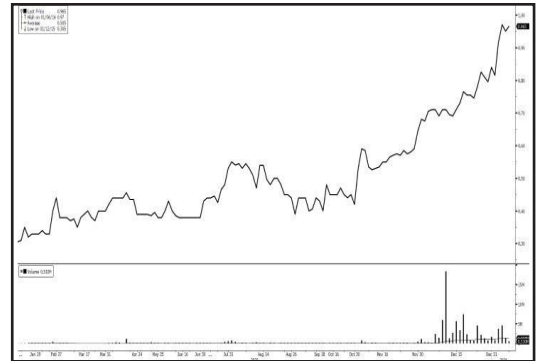
INVESTMENT HIGHLIGHTS

- Federal Furniture Holdings Berhad (FFHB) is engaged in furniture manufacturing, retailing and interior fit-outs. In FY14, 57% of turnover was generated from renovation and interior design segment while the remaining 43% was derived from manufacturing and trading of furniture.
- FFHB has currently secured RM45m worth of interior fit-out (IFO) projects which will last the company until end-2016. IFO Projects secured include works for Ritz-Carlton, Mandarin Oriental hotels as well as the Istana Melawati in Putrajaya.
- More exciting is its furniture manufacturing division where FFHB is the sole approved vendor for store sets in 11 Asia Pacific Countries for Starbucks Corp where it currently ships 300-400 Starbucks store sets per year. Moreover, FFHB is negotiating to supply an additional 100 store sets per year for Starbucks' new outlets in China which is estimated to grow by 600 stores per year over the next 4 years. In order to cater for the surge in demand, FFHB plans to lease a factory in Qingdao with capex of RM10 - 15m for new equipments.
- In 9MFY15, FFHB's turnover and net profit surged +57%yoy and +171%yoy respectively due to strong export sales to the Asean region, Japan and Korea coupled with the strengthening US Dollar against the Ringgit. In 9MFY15 alone, the company spent RM5m on capex to upgrade its manufacturing assets to increase capacity and efficiency in its 124,000 sq. ft. factory in Banting. Meanwhile, another 4 automated machines are to be fully commissioned in 1QCY16 to reduce staff headcount in light of the increase in minimum wage.

VALUATION

- We derive a fair value for FFHB of RM1.12, based on price-to-earnings ratio of 10x FY16F EPS of 11.2sen. Our 10x PER valuation is pegged to FFHB's 3-year average PER of 10x.

Price Chart



Stock Info

Bursa / Bloomberg	8605 / FFHB MK
Board / Sector	Main / Trading Services
Shariah Compliant	Yes
Issued shares (m)	82.7
Par Value (RM)	0.50
Market cap. (RMm)	79.8
Price over NA	1.89
52-wk price Range (RM)	0.30 - 1.02
Beta (against KLCI)	1.48
3-mth Avg Daily Vol (m)	1.23
3-mth Avg Daily Value (RMm)	0.91
Major Shareholders (%)	
Choy Fook On & Sons	13.36
Choy Fook On	7.31
Tan Han Chuan	7.02

Financial Statistics

FYE Dec (RMm)	FY2013	FY2014	FY2015F	FY2016F
Revenue	54.7	66.8	91.8	126.4
EBIT	4.2	3.4	8.8	13.3
Pretax Profit	4.1	3.2	8.4	12.6
PATAMI	3.6	1.9	6.1	9.3
EPS (sen)	4.4	2.3	7.4	11.2
EPS growth (%)	-0.19	-0.48	2.24	0.51
PER (x)	21.7	41.5	12.8	8.5

Sources: MIDFR, Bloomberg and company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.



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**Business Address:
11 & 12 th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380**