

30 October 2018 | Corporate Update

Favelle Favco Berhad

First slew of orders secured for the year

Maintain BUY

Unchanged Target Price (TP): RM2.93


INVESTMENT HIGHLIGHTS

- **Favelle Favco (Favco) announced its first series of purchase order for the year worth RM80.4m**
- **Current orderbook is RM507.4m as at 29 October 2018**
- **FY18-19 earnings forecasts maintained**
- **Maintain BUY with an unchanged target price of RM2.93**

A slew of purchase orders secured for the year. Favelle Favco (Favco) has announced a slew of orders secured from June 2018 until 29 October 2018. The four orders totalling RM80.4m consists of both its tower and offshore cranes with expected delivery date mainly in 3QFY18 and FY19. This brings its current orderbook to RM507.4m (previously RM427.m as at 23 August 2018).

Clients	Type of Cranes	Duration of contract
Multiplex Constructions Pty Ltd	Tower crane	Expected delivery in 3QFY18
SMC Plant & Equipment Pty Ltd	Offshore crane	Expected delivery in 3QFY18
Malaysia Marine & Heavy Engineering	Offshore crane	Expected delivery by end-2019
Emdad LLC	Offshore crane	Staggered delivery from 3QFY19 to 2QFY20

Impact to earnings. We are making no changes to our earnings estimates at this juncture as the orderbook replenishment is within our expectations.

Maintain BUY with an unchanged TP of RM2.93. We are still maintaining our **BUY** recommendation of Favco with an unchanged TP of **RM2.93** per share. Our target price is based on EPS19 of 38.6sen pegged to a PER19 of 7.6x (0.5 standard deviation discount to 5-year historical average). The average PER of its Asian regional peer's is 11x. Key positive catalysts for Favco include (i) change in orderbook mix by increasing infrastructure-based projects; (ii) net cash position and; (iii) consistent dividend payout translating into an attractive dividend yield. 

RETURN STATS	
Price (29 October 2018)	RM2.25
Target Price	RM2.93
Expected Share Price Return	+30.2%
Expected Dividend Yield	+6.7%
Expected Total Return	+36.9%

STOCK INFO		
KLCI	1,683.73	
Bursa / Bloomberg	7229 / FFB MK	
Board / Sector	Main/ Industrial	
Syariah Compliant	Yes	
Issued shares (mil)	221.2	
Market cap. (RMm)	497.75	
Price over NA	0.83x	
52-wk price Range	RM2.22–RM2.85	
Beta (against KLCI)	0.83	
3-mth Avg Daily Vol	0.14m	
3-mth Avg Daily Value	RM0.35m	
Major Shareholders (%)		
Muhibbah Eng.	59.33	
Ngan Boon Mac	4.13	
KWAP	3.19	
Price Performance (%)	Absolute	Relative
1 month	-4.3	-8.49
3 months	-3.3	-11.43
12 months	4.74	-10.18

INVESTMENT STATISTICS

FYE Dec	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue (RMm)	867.3	582.3	526.5	582.0	670.0
Pretax Profit (RMm)	118.3	79.8	83.3	80.6	90.6
Profit After Tax (RMm)	93.9	72.0	64.0	73.4	82.4
Profit After Tax and Non-Controlling Interests (RMm)	94.7	74.6	63.1	75.9	85.3
PATAMI margin (%)	10.9	12.8	12.0	13.0	12.7
EPS (sen)	43.4	33.8	28.5	34.3	38.6
EPS Growth (%)	7.0	(22.1)	(15.8)	20.4	12.4
PER (x)	5.9	7.6	9.0	7.5	6.6
Net Dividend (sen)	15.0	15.0	13.5	14.0	15.0
Dividend yield (%)	5.9	5.9	5.3	6.2	6.7
Debt to equity ratio (x)	1.2	1.0	0.9	0.8	0.8
ROA (%)	7.8	6.4	5.2	6.1	6.5
ROE (%)	17.3	12.6	10.0	11.3	11.7
NTA per share (RM)	2.5	2.7	2.7	3.0	3.3
Price to NTA (x)	1.0	1.0	0.9	0.8	0.8

Source: MIDFR

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.