

03 September 2018 | 6MFY18 Results Review

## LaFarge Malaysia Berhad

*Weak Results from Tepid Revenue*


### INVESTMENT HIGHLIGHTS

- **6MFY18 loss more than expectations**
- **Weak bottomline influenced by lower revenue**
- **No change to our forecast for now**
- **We upgrade our recommendation to NEUTRAL pursuant to recent price weakness with an adjusted TP of RM3.18**

**6MFY18 loss more than expectations.** LMFB's 6MFY18 PATAMI registered at -RM152.4m (-63.8%YoY) which came in worst than expectations, registering for -68% of ours and -78% of consensus' full-year net loss forecasts respectively.

**Weak bottomline influenced by lower revenue.** We opine that its bland revenue of RM1.09bn (-1.3%YoY) was accentuated significantly to the following: (i) reduction in large infrastructure projects, (ii) increase in petcoke and coal prices, and (iii) oversupply of cement products.

**No change to our forecast for now.** Overall, we maintain our financial forecasts at this juncture.

**Recommendation.** Pursuant to recent price weakness, we upgrade our recommendation to NEUTRAL but with a lower TP of RM3.18 per share by pegging to its price-to-book ratio of 1.02x. 

**Upgrade to NEUTRAL**  
**(from SELL)**  
**Adjusted Target Price (TP): RM3.18**  
**(From RM3.24)**

RETURN STATS	
Price (30 August 2018)	RM3.50
Target Price	RM3.18
Expected Share Price Return	-9.1%
Expected Dividend Yield	+0.0%
<b>Expected Total Return</b>	<b>-9.1%</b>

STOCK INFO	
KLCI	1,819.66
Bursa / Bloomberg	3794/LMC MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	849.6
Par Value (RM)	1.00
Market cap. (RM'm)	2761.5
Price over NA	1.022x
52-wk price Range	RM2.92 – RM7.08
Beta (against KLCI)	1.45x
3-mth Avg Daily Vol	0.39m
3-mth Avg Daily Value	RM1.26m
Major Shareholders (%)	
Associated International	51
ASB	9.08
EPF	7.23
KWAP	5.01

## INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17	FY18F
Revenue (RM'm)	2743.1	2750.8	2552.2	2248.8	2130
EBIT (RM'm)	321.5	355.2	102.8	-254.0	-245.0
Pre-tax Profit (RM'm)	310.7	346.9	74.2	-279.0	-260.0
PATAMI (RM'm)	230.4	225.9	76.6	-215.6	-225.0
FD EPS (sen)	30.1	28.0	9.0	-25.3	-26.0
EPS Growth (%)	-30.2	-29.7	-0.7	-281.1	-2.7
PER (x)	10.8	11.6	36.1	-12.8	-12.5
Net Dividend (sen)	34	20	20	0	0
Net Dividend Yield (%)	4	2	1	0	0

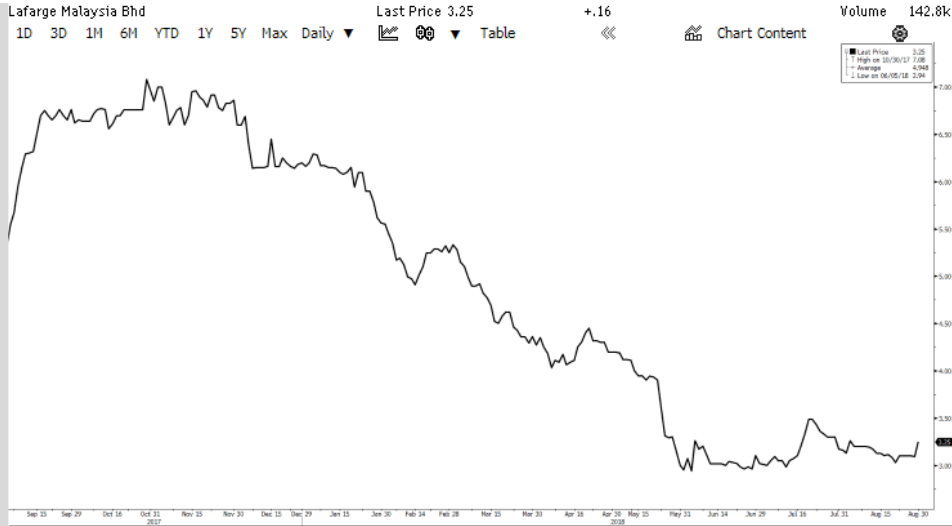
Source: MIDFR

## 6MFY18 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results					Cumulative		
	2Q18	1Q18	2Q17	YoY	QoQ	6MFY18	6MFY17	YoY
<b>Revenue</b>	<b>532.1</b>	<b>546.8</b>	<b>531.7</b>	<b>0.1%</b>	<b>-2.7%</b>	<b>1,079.0</b>	<b>1,093.6</b>	<b>-1.3%</b>
Opex	-506.1	-492.4	-536.1	2.8%	-5.6%	998.6	965.9	3.4%
Administrative Expenses	-25.5	-20.9	-21.4	22.0%	19.2%	-46.5	-50.2	-7.4%
Other Inc./ expenses	-25.6	-6.9	3.0	271.0%	-953.3%	-8.20	13.09	-162.6%
Investment income	2.5	2.4	2.4	4.2%	4.2%	5.0	4.9	2.7%
Interest income	0.9	1.1	1.5	-18.2%	-40.0%	2.1	3.0	-30.7%
<b>EBIT</b>	<b>-99.0</b>	<b>-73.8</b>	<b>-50.7</b>	<b>34.1%</b>	<b>95.3%</b>	<b>-172.8</b>	<b>-107.7</b>	<b>60.4%</b>
Finance cost	-9.63	-8.60	-6.10	12.0%	57.9%	-17.70	-11.34	156%
<b>Pre-tax profit loss</b>	<b>-107.6</b>	<b>-83.2</b>	<b>-57.9</b>	<b>29.3%</b>	<b>85.8%</b>	<b>-190.8</b>	<b>-121.3</b>	<b>57.3%</b>
Taxation	23.8	14.5	13.9	64.1%	71.2%	38.4	28.5	34.7%
<b>PATAMI</b>	<b>-83.7</b>	<b>-68.7</b>	<b>-43.9</b>	<b>90.7%</b>	<b>21.8%</b>	<b>-152.4</b>	<b>-93.0</b>	<b>63.8%</b>
FD EPS (sen)	-9.9	-8.1	-5.2	22.2%	90.4%	-18.0	-10.9	65.1%
	<b>2Q18</b>	<b>1Q18</b>	<b>2Q17</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>6MFY18</b>	<b>6MFY17</b>	<b>+/- ppts</b>
EBIT margin	-18.6%	-13.5%	-9.5%	-5.1%	-18.6%	-16.0%	-9.8%	-6.2%
Pre-tax margin	-20.2%	-15.2%	-10.9%	-5.0%	-20.2%	-17.7%	-11.1%	-6.6%
Net profit margin	-15.7%	-12.6%	-8.3%	-3.2%	-15.7%	-14.1%	-8.5%	-5.6%
Effective tax rate	22.1%	17.4%	24.0%	4.7%	22.1%	20.1%	23.5%	-3.4%

Source: Bursa Malaysia, MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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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.