

01 March 2017 | FY16 Results Review

Vivocom International Berhad

Results Impacted by High Construction Costs

Maintain BUY
Target Price (TP): RM0.40


INVESTMENT HIGHLIGHTS

- **FY16 results below expectations**
- **PATAMI affected by higher cost and expenses**
- **Earnings estimates for FYE17/FYE18 intact**
- **Altogether, we reiterate our BUY stance with TP of RM0.40 per share**

FY16 results below expectations. FY16 earnings came in below expectations. VIHB's FY16 earnings of RM53.9m (+755%YoY) came below estimates. Its net profit accounted for 74.5% of both ours and consensus' full-year forecasts. The deviation was due to higher mobilization cost, administration expenses and finance cost from expanding orderbook.

PATAMI affected by higher cost and expenses. Despite higher revenue (+270%yoy) from RM98.6m in FY15 to RM365.0m in FY16, VIHB's bottomline suffered from transient setback due to cost transfer (refer to our previous report 30.11.2016). This is inevitable due to its large orderbook size of RM1.8bn.

Earnings estimates intact. We make no changes to our forward assumptions as we believe FY17/FY18 could be better years as VIHB recognizes its orderbook billings. However key execution risk remains a factor to watch. Notably, VIHB maintained high profit margin of 14.7% in FY16, but consistent margin profile remains a challenge in FY17 as VIHB is focusing its effort on affordable housing projects which attract lower margin.

Recommendation. We reaffirm our BUY recommendation with TP of RM0.40 per share based on discounted cash flow (DCF) with WACC of 7.4%. 

RETURN STATS	
Price (28 Feb 2017)	RM0.175
Target Price	RM0.40
Expected Share Price Return	128%
Expected Dividend Yield	+0.0%
Expected Total Return	+128%

STOCK INFO	
KLCI	1,692.33
Bursa / Bloomberg	0069/ Vivo MK
Board / Sector	ACE / Construction
Syariah Compliant	Yes
Issued shares (mil)	3234
Par Value (RM)	1.00
Market cap. (RM'm)	517.4
Price over NA	1.18
52-wk price Range	RM0.15– RM0.29
Beta (against KLCI)	0.655
3-mth Avg Daily Vol	17.5m
3-mth Avg Daily Value	RM2.94m
Major Shareholders (%)	
Golden Oasis Resources	23.43
Ang Li Hann	10.54
Soo Chin Kung	6.24
Yan Chan Luck	3.49

INVESTMENT STATISTICS

FYE DEC (RM m)	2013	2014	2015	2016	2017F
Revenue	120.4	66	182	365	908.1
Gross Profit	43.9	13.9	46.7	104.2	378
Net Profit	26.2	3.7	12.5	53.9	99.9
EPS (Sen)	0.04	0.01	0.02	0.024	0.034
EPS (Growth)(%)	N/A	-86	100	20	42
PER	28.4	201.2	2	8	15.7

Source: Bloomberg, MIDFR

SOP VALUATION

Segments	Basis	Indicative Value (RM'm)	Per Share (RM)
Construction	DCF at 7.4%	806.85	0.249
Aluminium Manufacturing	DCF at 7.4%	192	0.059
Telecommunication Assets	DCF at 7.4%	240	0.074
Total Sum of Parts		1382	0.383
Net Cash (Current)		47	0.0145
SOP Per Share			0.398
No of Shares (mil)			3234

Source: Bloomberg, MIDFR

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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FY16 Results Review

	4Q16	3Q16	4Q15	YoY Chg	QoQ Chg	12MFY16	12MFY15	YoY Chg
Revenue	46.0	55.9	60.7	-24%	-18%	365.0	98.6	270%
Operating Depreciation/Amortization	-0.3	-0.9	-0.8	-63%	-67%	-1.5	-0.5	200%
Finance cost	-0.60	-0.7	-0.8	-25%	-13%	-2.2	-2.6	-15%
Operating profit	1.3	16.9	7.8	-83%	-92%	84.8	13.3	538%
Pre-tax profit	0.7	16.2	6.7	-90%	-96%	65.4	12.9	407%
Taxation	-0.10	-2.1	-3.1	-96%	-95%	-17.1	-3.1	-
PATAMI	0.80	12.1	3.6	-78%	-93%	53.9	8.3	549%
EPS (sen)	0.03	0.4	0.11	-73%	-92%	1.7	0.6	183%
	4Q16	3Q16	4Q15	Pts (+/-)	Pts (+/-)	12MFY16	12MFY15	Pts
Operating margin	3%	30%	12.9%	-0.10	-0.27	23.2%	13.5%	9.7%
Pre-tax margin	2%	29%	11.0%	-0.10	-0.27	17.9%	13.1%	4.8%
PATAMI margin	2%	22%	5.9%	-0.04	-0.20	14.8%	8.4%	6.3%
Effective tax rate	0%	-4%	-5.1%	0.05	0.04	-4.7%	-3.1%	-1.5%

Source: Bloomberg, MIDFR

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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	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.