



## EA Technique (M) Bhd

### Secures New Clean Product Transport Contract

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**TP: RM1.46 (+33%)**

**Last Traded: RM1.10**

**BUY**

TA Research Coverage

Tel: +603-2167 9601

kyliechan@ta.com.my

www.taonline.com.my

#### What Happened

- EA Technique Bhd (EAT) secured a new contract to provide a Clean Product Tanker (CPP) for transportation of liquid marine bulk chemicals (e.g. petrochemicals such as methanol, MTBE, PX).
- The contract was awarded by Marine Creation Sdn Bhd, (MCSB) which provides transportation services for CPP, chemicals, vegetable oils, and bulk cargoes (e.g. coal, iron ore).
- The estimated contract value is RM39.0mn for 2+1 years commencing May 2016.
- Earlier in May 2015, Petronas Chemicals (PChem) had awarded MCSB with a transportation contract that will now be executed by EAT instead via this new award.
- EAT's 2-year extension will be automatically effected when PChem exercises the same with MCSB.

#### Our Take

- We are positive on this new contract win, which showcases EAT's propensity to secure new contracts in spite of a weak crude oil price environment.
- The implied daily charter rate (DCR) of RM35K for this contract is reasonable, and in-line with market rates.
- On the flip side, we note that the tenure of this contract is relatively short compared to EAT's average fleet average of circa 6 years.

#### Impact

- Maintain earnings estimates as this new contract win falls within our assumptions. We have earlier assumed that Nautica Johor Bahru, which is currently on 6-month rolling contract, would secure a long term project in FY16.
- However, we estimate there is earnings upside of RM1.0mn/RM2.0mn in FY16/17 if EAT deploys a new vessel for this contract. This implies a slight earnings boost of 1.4%/0.7%.

#### Valuation

- Maintain Buy on EAT with unchanged TP of RM1.46 based on 10x FY16 P/E. We like the stock due to attractive valuations, coupled with resilient earnings backed by long term transport contracts and robust tenderbook.

#### Share Information

Bloomberg Code	EATECH MK
Stock Code	5259
Listing	Main Market
Share Cap (mn)	504
Market Cap (RMmn)	554
Par Value (RM)	0.50
52-wk Hi/Lo (RM)	1.50/0.53
12-mth Avg Daily Vol ('000 shrs)	2,234
Estimated Free Float (%)	17
Beta	n.a.
Major Shareholders (%)	Johor Corp - 50.6 Dato' Hak - 23.8

#### Forecast Revision (%)

	FY15	FY16
Forecast Revision (%)	0	0.0
Core Net Profit (RM mn)	59.7	73.5
Consensus	n.a.	n.a.
TA/Consensus (%)	n.a.	n.a.
Previous Rating	Buy (Maintained)	

#### Financial Indicators

	FY16	FY17
Net (Debt)/Equity (x)	1.4	1.2
ROA (%)	7.4	6.9
ROE (%)	19.2	16.4
FCFF/Share (sen)	9.2	8.0
P/CFPS (x)	12.0	13.8

#### Share Performance

Price Change (%)	EATECH	FBM KLCI
1 mth	3.8	1.9
3 mth	(14.7)	(1.5)
6 mth	34.1	4.9
12 mth	86.4	(8.9)

#### (12-Mth) Share Price relative to the FBM KLCI



## Earnings Summary

### Income Statement

FYE 31 Dec (RMmn)	2013	2014	2015E	2016F	2017F
Revenue	121.1	155.7	535.1	697.1	642.2
<b>EBITDA</b>	<b>53.7</b>	<b>56.8</b>	<b>132.1</b>	<b>160.8</b>	<b>162.0</b>
Depreciation	(21.0)	(25.0)	(35.6)	(41.0)	(43.6)
Net finance cost	(12.5)	(12.2)	(16.9)	(21.1)	(20.5)
Share of Associates	2.9	0.0	0.0	0.0	0.0
Exceptionals	36.2	0.1	0.0	0.0	0.0
Pretax Profit	59.4	19.7	79.6	98.7	97.8
Taxation	(2.5)	(5.5)	(19.9)	(25.2)	(24.9)
<b>Net Profit</b>	<b>56.9</b>	<b>14.2</b>	<b>59.7</b>	<b>73.5</b>	<b>72.9</b>
<b>Core Net Profit</b>	<b>20.7</b>	<b>14.1</b>	<b>59.7</b>	<b>73.5</b>	<b>72.9</b>

### Per Share Data

Core EPS	(sen)	20.6	3.6	11.8	14.6	14.5
DPS	(sen)	0.0	2.0	1.8	2.2	2.2
Book Value	(RM)	1.8	0.7	0.6	0.8	0.9

### Ratios

FYE 31 Dec (RMmn)		2013	2014	2015E	2016F	2017F
Valuations						
Core PER	(x)	5.3	30.4	9.3	7.5	7.6
Dividend yield	(%)	0.0	1.8	1.6	2.0	2.0
EV/EBITDA	(x)	6.8	13.0	8.0	6.7	6.6
P/BV	(x)	0.6	1.6	1.7	1.4	1.2
FCF Yield	(%)	>-100	>-100	>-100	8.3	7.3

### Profitability ratios

EBITDA margin	(%)	44.3	36.5	24.7	23.1	25.2
EBIT margin	(%)	27.0	20.4	18.0	17.2	18.4
PBT margin	(%)	49.0	12.6	14.9	14.2	15.2
Core Net margin	(%)	17.1	9.1	11.2	10.5	11.3
Core ROE	(%)	30.9	5.3	18.6	19.2	16.4
Core ROA	(%)	4.2	2.1	6.5	7.4	6.9

### Liquidity ratios

Current Ratio	(x)	0.7	1.4	1.3	1.3	1.5
Interest Cover	(x)	2.2	2.2	5.5	5.5	5.6

### Leverage ratios

Total Debt/ Assets	(x)	0.5	0.5	0.6	0.6	0.5
Total Debt/Equity	(x)	1.4	1.2	1.7	1.4	1.3
Net Debt(Cash)/ Equity	(x)	1.4	1.1	1.6	1.4	1.2
Interest Coverage	(x)	2.2	2.2	5.5	5.5	5.6

### Growth ratios

Revenue	(%)	n.a.	28.5	243.8	30.3	(7.9)
EBITDA	(%)	n.a.	5.7	132.8	21.7	0.7
PBT	(%)	n.a.	(66.8)	304.2	24.0	(0.9)
Core Net Profit	(%)	n.a.	(31.8)	322.4	23.2	(0.9)
Core EPS	(%)	n.a.	(82.4)	226.8	23.2	(0.9)

### Key Assumptions

Fleet Count	(units)		32	36	41
Average Fleet Utilisation	(%)		96	95	95
Orderbook Replenishment	(USD mn)		0	0	135

### Balance Sheet

FYE 31 Dec (RMmn)	2013	2014	2015E	2016F	2017F
Property, Plant & Equip	435.9	536.7	768.7	832.2	884.9
Others	3.8	3.2	3.2	3.2	3.2
<b>Non-Current Assets</b>	<b>439.7</b>	<b>539.9</b>	<b>771.9</b>	<b>835.4</b>	<b>888.1</b>
Trade and other rcv	35.3	58.2	73.3	91.7	88.0
Cash and Deposits	6.3	25.4	36.8	25.3	39.7
Others	15.0	39.0	39.0	39.0	39.0
<b>Current Assets</b>	<b>56.6</b>	<b>122.6</b>	<b>149.2</b>	<b>156.0</b>	<b>166.7</b>
<b>Total Assets</b>	<b>496.3</b>	<b>662.5</b>	<b>921.0</b>	<b>991.4</b>	<b>1,054.8</b>
LT Borrowings	218.2	287.0	467.0	475.7	484.3
Deferred Tax	12.8	16.7	16.7	16.7	16.7
Others	0.0	0.0	0.0	0.0	0.0
<b>Non-Current Liabilities</b>	<b>230.9</b>	<b>303.7</b>	<b>483.7</b>	<b>492.3</b>	<b>501.0</b>
ST Borrowings	44.6	44.8	73.0	74.3	75.7
Trade & other Payables	36.3	43.0	42.6	40.5	32.0
Others	0.4	1.1	1.1	1.1	1.1
<b>Current Liabilities</b>	<b>81.3</b>	<b>89.0</b>	<b>116.7</b>	<b>116.0</b>	<b>108.8</b>
<b>Total Liabilities</b>	<b>312.2</b>	<b>392.6</b>	<b>600.4</b>	<b>608.3</b>	<b>609.8</b>
Share capital	97.5	126.0	126.0	126.0	126.0
Reserves	86.5	143.9	194.6	257.1	319.0
<b>Equity</b>	<b>184.0</b>	<b>269.9</b>	<b>320.6</b>	<b>383.1</b>	<b>445.0</b>
<b>Total Equity + Liabilities</b>	<b>496.2</b>	<b>662.5</b>	<b>921.0</b>	<b>991.4</b>	<b>1,054.8</b>

FYE 31 Dec (RMmn)	2013	2014	2015E	2016F	2017F
<b>Cash Flow Statement</b>					
Pretax Profit	59.4	19.7	79.6	98.7	97.8
Depreciation	21.0	25.0	35.6	41.0	43.6
Net Interest	12.5	12.2	16.9	21.1	20.5
Associates & JCEs	(2.9)	0.0	0.0	0.0	0.0
Working Cap Changes	3.0	30.4	(15.5)	(20.5)	(4.8)
Income Tax Paid	(2.5)	(5.5)	(19.9)	(25.2)	(24.9)
Others	(64.8)	(51.5)	0.0	0.0	0.0
<b>CF from Operations</b>	<b>25.7</b>	<b>30.3</b>	<b>96.7</b>	<b>115.1</b>	<b>132.2</b>
Capex	(101.8)	(129.0)	(267.6)	(104.6)	(96.3)
Acquisitions/Disposal	67.1	1.7	0.0	0.0	0.0
Interest Received	2.1	2.2	0.5	0.7	0.6
Others	(4.6)	(27.6)	0.5	0.7	0.6
<b>CF from Investing</b>	<b>(39.4)</b>	<b>(154.9)</b>	<b>(267.1)</b>	<b>(103.8)</b>	<b>(95.7)</b>
Share Issuance	12.5	71.6	0.0	0.0	0.0
Net Change in Debt	23.2	72.2	208.2	10.0	10.0
Dividends	(27.0)	0.0	(9.0)	(11.0)	(10.9)
Others	3.9	(0.1)	(17.4)	(21.8)	(21.1)
<b>CF from Financing</b>	<b>12.6</b>	<b>143.7</b>	<b>181.8</b>	<b>(22.8)</b>	<b>(22.0)</b>
<b>Net Cash Flow</b>	<b>(1.1)</b>	<b>19.1</b>	<b>11.4</b>	<b>(11.5)</b>	<b>14.4</b>
Beginning Cash	7.4	6.3	25.4	36.8	25.3
<b>Ending Cash</b>	<b>6.3</b>	<b>25.4</b>	<b>36.8</b>	<b>25.3</b>	<b>39.7</b>

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for TA SECURITIES HOLDINGS BERHAD (14948-M)

MENARA TA ONE, 22 JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA TEL: +603-20721277 / FAX: +603-20325048

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Kaladher Govindan – Head of Research