



### Valuation

- We roll forward our valuation base year to CY20 and revise the target price from RM0.745 to **RM0.84**, based on unchanged 9x CY20 EPS. Upgrade CHINHIN from Hold to **Buy**.

**Table I: Earnings Summary**

FYE Dec (RMmn)	2017	2018	2019F	2020F	2021F
Revenue	1,015.4	1,105.4	1,219.9	1,230.8	1,262.2
Gross profit	101.5	101.7	147.9	146.5	153.2
EBITDA	71.4	73.3	106.1	103.6	107.9
EBITDA margin (%)	7.0	6.6	8.7	8.4	8.5
EBIT	53.0	51.5	80.3	78.1	82.7
PBT	39.5	34.4	60.2	68.2	73.7
Core PBT	39.9	33.5	60.2	68.2	73.7
PAT	29.7	25.3	46.4	52.5	56.8
Core profit	30.1	23.1	44.7	50.5	55.8
Core EPS (sen)	5.8	4.3	8.3	9.4	10.3
PER (x)	13.3	17.9	9.2	8.2	7.4
Gross dividend (sen)	3.5	1.6	3.0	4.5	5.0
Dividend yield (%)	4.6	2.0	3.8	6.1	6.7
ROE (%)	8.3	5.7	10.4	11.0	11.4

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**Table 2: 4QFY18 Results Analysis**

FYE Dec (RMmn)	4QFY17	3QFY18	4QFY18	QoQ (%)	YoY (%)	FY17	FY18	YoY (%)
<b>Revenue</b>	255.8	278.7	277.0	(0.6)	8.3	1,015.4	1,105.4	8.9
Distribution of building materials and logistics services	154.3	173.5	157.8	(9.1)	2.2	625.0	633.5	1.3
Ready Mixed Concrete	27.6	24.0	19.8	(17.5)	(28.3)	101.2	96.9	(4.3)
Manufacturing of AAC and Precast Products	50.5	55.1	69.9	26.9	38.3	183.7	221.0	20.3
Manufacturing of wire mesh and metal roofing	43.0	40.4	41.8	3.3	(2.8)	174.2	167.5	(3.8)
Manufacturing of fire rated door	5.6	6.5	7.0	8.0	26.5	28.7	24.5	(14.6)
Modular building solutions	na	1.6	7.3	360.4	na	0.0	52.9	na
Investment holding and management services	2.6	1.8	9.9	451.5	288.6	9.1	16.2	78.4
Adjustments and eliminations	(27.7)	(24.1)	(36.4)	50.9	31.3	(106.4)	(107.1)	0.6
Cost of Sales	(230.6)	(253.1)	(250.9)	(0.9)	8.8	(913.5)	(1,003.7)	9.9
Gross profit	25.3	25.6	26.1	1.8	3.2	102.1	101.7	(0.4)
Operating profit	13.1	11.7	13.3	13.5	1.2	52.9	47.2	(10.7)
Finance Costs	(4.5)	(6.0)	(6.0)	1.1	34.8	(16.3)	(22.3)	36.7
<b>PBT</b>	10.8	8.2	13.4	62.7	23.7	39.3	34.5	(12.2)
Distribution of building materials and logistics services	4.7	3.1	2.0	(34.0)	(57.2)	15.4	7.6	(50.6)
Ready Mixed Concrete	1.6	0.8	(0.1)	<(100.0)	<(100.0)	3.1	2.7	(12.4)
Manufacturing of AAC and Precast Products	5.0	1.3	2.4	78.3	(52.4)	22.2	11.7	(47.4)
Manufacturing of wire mesh and metal roofing	0.5	0.2	5.2	2,961.5	906.6	(3.6)	3.3	<(100.0)
Manufacturing of fire rated door	0.6	0.7	0.8	12.2	21.9	3.8	2.4	(37.7)
Modular building solutions	na	(0.1)	3.7	<(100.0)	na	0.0	9.2	na
Investment holding and management services	13.0	(0.2)	8.2	<(100.0)	(36.7)	22.8	8.1	(64.2)
Core PBT	10.7	9.5	10.1	6.5	(5.6)	39.5	33.5	(15.3)
Income tax expense	(2.4)	(2.2)	(3.3)	51.1	37.1	(9.8)	(9.1)	(6.7)
Net profit	8.5	6.4	9.4	47.4	10.4	29.6	24.2	(18.5)
Core profit	8.4	7.6	6.1	(19.8)	(27.0)	29.9	23.1	(22.6)
Reported EPS (sen)	1.6	1.2	1.7	47.4	4.0	5.8	4.3	(24.9)
Core EPS (sen)	1.6	1.5	1.0	(29.1)	(36.7)	5.9	4.0	(31.7)
Dividend (sen)	1.5	0.0	1.5	na	0.0	3.5	1.5	(57.1)
<b>Margin (%):</b>				% pts	% pts			% pts
- Core PBT	4.2	3.4	3.6	0.2	(0.5)	3.9	3.0	(0.9)
Distribution of building materials and logistics services	3.1	1.8	1.3	(0.5)	0.0	2.5	1.2	(1.3)
Ready Mixed Concrete	5.7	3.5	(0.3)	(3.8)	(6.0)	3.1	2.8	(0.3)
Manufacturing of AAC and Precast Products	9.9	2.4	3.4	1.0	(6.5)	12.1	5.3	(6.8)
Manufacturing of wire mesh and metal roofing	1.2	0.4	12.4	12.0	11.2	(2.1)	2.0	4.0
Manufacturing of fire rated door	11.2	10.4	10.8	0.4	(0.4)	13.3	9.7	(3.6)
Modular building solutions	na	(8.5)	50.5	58.9	na	na	17.3	na
Investment holding and management services	507.6	(8.4)	82.6	91.0	<(100.0)	250.4	50.2	<(100.0)
- Core PAT	3.3	2.7	2.2	(0.5)	(1.1)	2.9	2.1	(0.8)
- Effective tax rate	22.3	26.6	24.8	(1.9)	2.4	24.9	26.4	1.6

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### Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Friday, February 22, 2019, the analyst, Chan Mun Chun, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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