



CHIN HIN GROUP BERHAD

Outperform

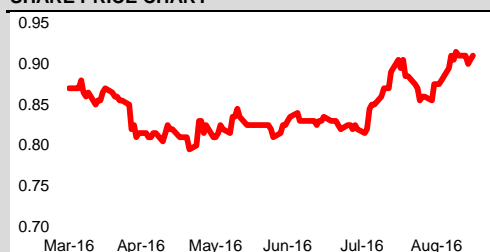
DESCRIPTION

Primarily involved in the distribution of building materials and provision of logistics, supply of ready-mixed concrete and manufacturing of AAC, precast concrete products, wire mesh and metal roofing

12-Month Target Price RM1.08
Current Price RM0.91
Expected Return +18.7%

Market Main
Sector Industrial Products
Bursa Code 5273
Bloomberg Ticker CHIN MK
Shariah-compliant No

SHARE PRICE CHART



52 Week Range (RM) 0.78-0.93
 3-Month Average Vol('000) 903.0

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	1.7	11.7	11.7
Relative Returns	2.8	8.6	14.9

KEY STOCK DATA

Market Capitalisation (RM m)	460.4
No. of Shares (m)	505.9

MAJOR SHAREHOLDERS

	%
Divine Inventions	60.0
Chiau Beng Teik	14.7

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Plans On Track

Chin Hin announced that its indirect wholly-owned subsidiary, Sage Evergreen Sdn. Bhd. has entered into a Sale and Purchase Agreement (SPA) with TKW Capital Sdn. Bhd. for the acquisition of a parcel of freehold land measuring about 20.7ha in Johor. We are positive on this acquisition as it is in line with the group's expansion plans, and we anticipate further earnings enhancements upon the new plant's completion, from more Singapore-based orders owing to its strategic location. Our **Outperform** call on the stock is reaffirmed with unchanged target price of RM1.08 (12x FY17 EPS of 9.0sen).

§ **Acquisition details.** This parcel, with an aggregate area of about 20.7ha is located in Mukim of Kota Tinggi, Daerah Kota Tinggi, Johor. Acquired for a cash consideration of RM21.9m, the amount will be fully financed through its internal funds and will take three months to complete. We view this acquisition positively as it is in line with Chin Hin's expansion plans, enabling it to also benefit from more Singapore-based orders considering its vicinity to Singapore, its biggest wall panel customer.

§ **Expansion plans on track.** To recap, due to limitations in its existing plant to fulfill market demand (as reflected in longer lead time of 4-5 months), the group plans to further increase AAC and wall panel capacities by an additional 420,000m³. The new AAC and wall panel plant will be installed with high-tech German machinery, which had already been purchased in April 2016 though with delivery at a later date. With the new technologically-advanced lines, the group could further improve its production efficiency by reducing wastage. In addition, a precast concrete plant with an additional 45,000mt capacity will be built next to the AAC plant in Johor. Contribution from the new plants will only kick-in by 1QFY18. Total capex of RM85m is allocated for this Johor expansion plan. To date, the group has spent about RM40m (about half of the total capex) for machinery and land cost.

§ **Maintain Outperform.** Our earnings estimates remain unchanged. We maintain our target price of RM1.08 with an Outperform call. We continue to hold our view that Chin Hin is an attractive long term investment proposition owing to government's continuous initiatives to improve the water and sewerage sectors while also promoting green building development which could further enhance its future growth through greater adoption of AAC-based products.

KEY FORECAST TABLE

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F	CAGR
Revenue	1,219.4	1,199.2	1,267.6	1,398.6	1,568.6	6.5%
Gross Profit	88.5	101.5	105.8	118.7	133.3	10.8%
Pre-tax Profit	43.2	39.0	45.2	58.5	67.9	12.0%
Net Profit	30.2	30.2	35.0	45.3	52.6	14.9%
EPS (Sen)	6.0	6.0	6.9	9.0	10.4	14.9%
P/E (x)	15.2	15.1	13.1	10.1	8.7	
DPS (Sen)	-	-	3.0	3.0	3.0	
Dividend Yield (%)	-	-	3.3	3.3	3.3	

Source: Company, PublicInvestResearch estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Revenue	1,219.4	1,199.2	1,267.6	1,398.6	1,568.6
Gross Profit	88.5	101.5	105.8	118.7	133.3
Operating Profit	45.6	58.2	61.8	71.1	79.6
Finance Costs	-18.7	-20.5	-22.2	-15.6	-13.5
Pre-tax Profit	43.2	39.0	45.2	58.5	67.9
Income Tax	-13.0	-8.8	-10.2	-13.2	-15.3
Effective Tax Rate (%)	30%	22%	23%	23%	23%
Minorities	-	-	-	-	-
Net Profit	30.2	30.2	35.0	45.3	52.6

Growth

Revenue	0%	-2%	6%	10%	12%
Gross Profit	26%	15%	4%	12%	12%
Net Profit	2%	0%	16%	29%	16%

Source: Company, PublicInvestResearch estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Property, Plant & Equipment	187.1	200.8	225.5	250.6	268.3
Cash and Cash Equivalents	118.0	168.9	90.8	55.5	53.0
Trade and Other Receivables	310.2	317.6	337.4	372.2	417.5
Other Assets	187.0	164.3	166.8	171.6	178.0
Total Assets	802.4	851.5	820.4	850.0	916.7
Trade and Other Payables	159.3	163.2	174.2	191.9	215.2
Borrowings	370.9	388.9	270.7	237.2	228.0
Deferred tax	4.1	7.2	4.3	4.3	4.3
Other Liabilities	37.4	31.0	34.0	34.0	34.0
Total Liabilities	571.7	590.3	483.1	467.3	481.4
Shareholders' Equity	230.6	261.2	337.3	382.7	435.3
Total Equity and Liabilities	802.4	851.5	820.4	850.0	916.7

Source: Company, PublicInvestResearch estimates

PER SHARE DATA AND RATIOS

FYE Dec	2014A	2015A	2016F	2017F	2018F
Book Value Per Share	0.5	0.5	0.7	0.8	0.9
NTA Per Share	0.5	0.5	0.7	0.8	0.9
EPS (Sen)	6.0	6.0	6.9	9.0	10.4
DPS (Sen)	-	-	3.0	3.0	3.0
Payout Ratio	-	-	43%	33%	29%
ROA	4%	4%	4%	5%	6%
ROE	13%	12%	10%	12%	12%

Source: Company, PublicInvestResearch estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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