

**RESULTS REPORT**

29 Feb 2012

Furniweb Industrial Products Berhad		Market Price:	RM0.37
		Market Capitalisation:	RM33.6m
		Board:	Main Market
Recommendation:	HOLD	Sector:	Industrial Products
Target Price:	RM0.40	Stock Code/Name:	7168 / FURNWEB

Analyst: Edmund Tham

KEY FINANCIALS

Key Stock Statistics	2012F
Earnings/Share (sen)	5.8
P/E Ratio (x)	6.4
Dividend/Share (sen)	3.3
NTA/Share (RM)	0.81
Book Value/Share (RM)	0.83
Issued Capital (mil shares)	90.7
52-weeks share price (RM)	0.30 – 0.44
Major Shareholders:	%
.Cheah Eng Chuan, Jimmy	28.5
.Chua Carmen	9.5
.Ong Lock Hoo	8.4
.Lee Sim Hak	6.2

Ratios Analysis	2009	2010	2011	2012F
Book Value/Sh. (RM)	0.82	0.79	0.80	0.83
Earnings/Sh. (sen)	4.2	3.1	5.2	5.8
Dividend.Sh. (sen)	4.0	3.3	3.3	3.3
Div. Payout Ratio (%)	72.1	80.4	48.1	43.3
P/E Ratio (x)	8.9	11.9	7.1	6.4
P/Book Value (x)	0.5	0.5	0.5	0.4
Dividend Yield (%)	10.8	9.0	9.0	9.0
ROE (%)	5.1	3.9	6.5	6.9
Net Gearing (Cash) (x)	(0.01)	(0.06)	(0.05)	(0.04)

*estimated FY11 dividend

P&L Analysis (RM mil)	2009	2010	2011	2012F
Year end: Dec 31				
Revenue	80.8	82.0	80.7	84.0
Operating Profit	4.7	3.1	5.7	6.6
Depreciation	(3.9)	(3.7)	(3.4)	(3.1)
Interest Expenses	(1.2)	(1.1)	(1.1)	(1.2)
Pre-tax Profit (PBT)	4.5	3.0	5.6	6.3
Effective Tax Rate (%)	17.3	3.0	14.1	17.2
Net Profit after Tax & MI	3.8	2.8	4.7	5.2
Operating Margin (%)	5.8	3.8	7.1	7.8
Pre-tax Margin (%)	5.5	3.6	7.0	7.5
Net Margin (%)	4.7	3.4	5.8	6.2

*RM0.50 par value

PERFORMANCE – 4Q/FY11

4Q/ 31 Dec	4Q11	4Q10	yov %	3Q11	qoq%
Rev (RMm)	21.2	19.1	10.9	20.7	2.4
EBIT (RMm)	1.0	(0.3)	474.5	1.5	(32.0)
NPAT^(RMm)	0.9	1.0	(8.6)	1.9	(50.3)
EPS* (sen)	1.0	1.1	(8.6)	2.1	(50.3)

12M/ 31 Dec	FY11	FY10	yov %
Rev (RMm)	80.7	82.0	(1.6)
EBIT (RMm)	3.3	1.0	247.7
NPAT^(RMm)	4.7	2.8	67.0
EPS* (sen)	5.2	3.1	67.0

*based on 90.7 million shares

^NPATMI

Furniweb's 4Q/FY11 results (quarter ended 31st December 2011) were **within our earlier expectations**.

“Q4 – within expectations”

The group reported 4Q/FY11 revenue and NPATMI (net profit after tax and minority interest) of RM21.2 million and RM0.9 million, respectively. Group revenue was 10.9% higher y-o-y while group NPATMI was lower by 8.6% y-o-y.

In 4Q/FY11, the group's core **Webbing & Yarn** business segment recorded better revenue y-o-y, due to better market conditions. Nevertheless, weak figures during early FY11 has caused overall FY11 group revenue to drop slightly by 1.6% y-o-y.

The group's **Rubber Strips & Fabrics** business segment performed well during 4Q/FY11 with increased sales. Nevertheless, overall FY11 segment revenue showed minimal growth y-o-y.

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However, this segment recorded losses, primarily due to higher rubber prices during the year.

Overall FY11 group NPATMI was 67.0% or RM1.9 million higher y-o-y. This was aided by a strong USD against the Ringgit during FY11, which resulted in net foreign exchange gains, instead of (net foreign exchange losses recorded during FY10).

OUTLOOK/CORP. UPDATES

We remain cautious on Furniweb's overall group performance during its FY12 ending 31st December 2012. This is due to the lacklustre demand situation across a number of regions, coupled with increasing raw material prices. Additionally, the sovereign debt issue in Europe and weak growth in developed regions does impact business sentiment and trade levels, to a certain extent. We are also particularly concerned about the volatility in the USD affecting Furniweb's results.

“Cautious outlook”

Approximately 80% of Furniweb's products are for export markets, to areas as far as Europe, the Americas and Africa. The group's management plans to continue focusing on its export markets for volume growth. However, the strength of the group's exports would depend largely on the performance of the respective economies during the year. Meanwhile, the group would continue to improve on its operational efficiency and also invest in human resource development. “Webbing, yarn and furniture components” remain the main segment contributor (about 78.9%) to the group's FY11 revenues.

“IMF: Global recovery stalls”

According to the IMF's latest January 2012 **World Economic Outlook** (WEO), global growth prospects dimmed and risks sharply escalated during the fourth quarter of 2011, as the euro area crisis entered a perilous new phase.

Economic activity remained relatively robust throughout the 3rd quarter, with global GDP expanding at an annualized rate of 3.25% - slightly below earlier IMF projections.

Growth in the advanced economies surprised on the upside, as U.S. consumers unexpectedly lowered their saving rates and business fixed investment stayed strong. The bounce back from the supply-chain disruptions caused by the March 2011 Japanese earthquake was also stronger than anticipated. Additionally, relatively stable oil prices helped support consumption. However, these factors are not expected to sustain significant momentum going forward.

IMF now expects that the **Euro area economy will go into a mild recession in 2012** as a result of the rise in sovereign yields, the effects of bank de-leveraging on the real economy, and the impact of additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow because of policy tightening, the worsening external environment and a weakening of internal demand.

IMF: GDP data

Area	2010	2011	2012E	2013E
U.S.	3.0	1.8	1.8	2.2
Euro Area	1.9	1.6	-0.5	0.8
Japan	4.4	-0.9	1.7	1.6
China	10.4	9.2	8.2	8.8
India	9.9	7.4	7.0	7.3
ASEAN-5*	6.9	4.8	5.2	5.6

* Indonesia, Malaysia, Philippines, Thailand, and Vietnam

VALUATION/CONCLUSION

“High dividend yield”

A final dividend of 2.5 sen tax exempt for the group's FY10 ended 31st December 2010 was approved by the group's shareholders at its AGM held in June 2011 and was duly paid in July 2011. Dividends for its FY11 have not been proposed yet but we expect it to be the same. We note that Furniweb's FY12F **dividend yield and dividend payout is still quite attractive.**

Results Report

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Furniweb's stock has been **trading relatively range-bound** this year (+0.0% YTD) and has slightly underperformed the KLCI (+2.5% YTD) in 2012. Market conditions have also been volatile during the past year, impacted by the "Arab Spring" political uprisings in the Middle East/North Africa, sovereign debt issue in Europe, "debt ceiling" issue in the US and the Tohoku disaster in Japan. Nevertheless, as Furniweb is not a particularly large market-cap stock, this may put a dampener on its market visibility and trading volume.

“Maintain Hold Call”

Based on our forecast of Furniweb's FY12 EPS and an estimated P/E of 7 times (within its historical range), we set a **FY11-end Target Price (TP) of RM0.40**. This TP is 8.1% above its current market price. Our TP for Furniweb reflects a P/BV of just 0.5 times over its FY12F BV/share.

We note that Furniweb is in a net cash position and it also has reasonable P/E, P/BV and ROE levels. Though margins had improved in recent quarters, we are still concerned over its weak revenue and earnings growth, amidst the dismal export market environment. Furniweb also faces possible routine risks such as slower global economic growth, weak product demand, foreign exchange fluctuations, rising costs (oil and raw materials – e.g. rubber and plastics) and stiff competition from other global manufacturers.

Furniweb: Share Price



Source: NextView

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