EA Technique (EATECH MK)

Not Rated

Transport - Shipping

Market Cap: USD98m

IPO Price: MYR0.65

Sailing On Clear Earnings Visibility

Macro	◆◆
Risks	◆
Growth	◆◆◆
Value	◆◆

We value EAT at MYR0.75, using DCF valuation (WACC: 7%). This gives an implied FY15 P/E and P/BV of 12.8x and 1.3x respectively. The tanker shipping and tugboat provider has clear earnings visibility with an orderbook size of MYR1.28bn, equivalent to 10.6x its FY13 revenue. Its expanding fleet and lower charter-in costs ahead means recurring earnings CAGR for FY13-16 is projected at 20.3%.

- **Background.** EA Technique (EAT) is a provider of tanker shipping, and tugboat and mooring services at several ports in Malaysia. With a fleet count of 6 product tankers, the company is ranked as the fourth-largest product tanker operator locally with an 8% market share. It also owns two fast crew boats (for offshore support), a floating storage unit (FSU) and two liquefied petroleum gas (LPG) tankers. In its tugboat and mooring division, its fleet comprises 16 tugboats and five mooring boats.
- **Mid- to long-term revenue visibility.** As at 31 Oct, EAT's orderbook visibility stood at MYR830.7m with an optional extension period (an additional 1-5 years contract extension) amounting up to MYR452m. Combining both existing orderbook and its extensions, EAT's orderbook to FY13 revenue ratio amounts to 10.6x, thus ensuring revenue visibility over the mid to longer term.
- **Potential contract wins from the Pengerang Integrated Petroleum Complex (PIPC).** We potentially see demand for domestic tankers being propelled by the upcoming development of the PIPC, which is slated to commence by 2019. As EAT is already providing towage and mooring services for the current liquefied natural gas (LNG) Regasification Terminal off Sungai Udang Port, we think there is a high chance for it to secure similar contracts for the Pengerang Regasification Terminal.
- **IPO to raise MYR74.1m.** With an offering size of 114m shares, EAT intends to raise MYR74.1m at the IPO to fund capex, working capital and debt repayments. In addition, there will be an offer for sale of 15m shares by the promoters.
- **Valuation.** We like EAT's strong earnings visibility and 3-year earnings FY13-16 CAGR of 20.3%, banking on the potential job wins from the upcoming PIPC. Given its long term charter agreements, we value EAT at MYR0.75 based on DCF (7% WACC). This gives an implied FY15F P/E of 12.8x, EV/EBITDA of 8.6x and P/BV of 1.3x, in line with offshore support vessel (OSV)/tanker players listed in Malaysia with similar charter duration profile.

Forecasts and Valuations	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover (MYRm)	103	121	138	163	185
Reported net profit (MYRm)	19	57	15	29	32
Recurring net profit (MYRm)	17	18	18	29	32
Recurring net profit growth (%)	172.8	8.9	(3.4)	64.8	9.5
Recurring EPS (MYR)	0.04	0.05	0.04	0.06	0.06
DPS (MYR)	0.07	-	-	-	0.02
Recurring P/E (x)	15.0	13.7	18.4	11.2	10.2
P/B (x)	2.0	1.4	1.2	1.1	1.0
P/CF (x)	5.4	8.6	7.3	5.8	5.9
Dividend Yield (%)	10.7	-	-	-	2.9
EV/EBITDA (x)	9.2	9.6	8.9	8.0	6.6
Return on average equity (%)	14.3	11.9	7.8	10.3	10.3
Net debt to equity (%)	175.0	131.3	86.5	111.1	89.2
Our vs consensus EPS (adjusted) (%)			-	-	-

Source: Company data, RHB

Listing date:	11 Dec 2014
Total offering size:	114m new shares (22.6% of enlarged share capital) - 25.2m to eligible employees (5%) - 78.8m to public (15.6%) - 10m to institutional (2%) Also includes offer for sale of 15m shares
Use of proceeds of MYR74.1m	- Repayment of borrowings (40.5%) - Capex (39.4%) - Working capital (13.4%) - Listing expenses (6.7%)
Promoters and substantial shareholders:	Sindora (50.6% post IPO) Dato' Ir Abdul Hak Md Amin (18.0% post IPO) Datin Hamidah Omar (5.8% post IPO)

Ahmad Maghfur Usman +603 9207 7654
Ahmad.Maghfur.Usman@rhbgroup.com

IPO Structure

At MYR0.65, with an offering size of 114m shares representing approximately 22.6% of the enlarged issued and paid-up capital, EAT intends to raise MYR74.1m at its IPO to fund for its capex, working capital and borrowing repayments. The exercise also entails an offer for sale of a further 15m shares owned by CEO Dato' Abdul Hak Md Amin (5.1m shares) and wife Datin Hamidah Omar (9.9m shares).

Figure 1: Utilisation of IPO proceeds

Details of utilisation	Estimated timeframe for utilisation upon listing	MYRm	Percentage of gross proceeds
Repayment of bank borrowings	Within 1 month	30.0	40.5%
Capital expenditures	Within 24 months	29.2	39.4%
Working capital	Within 12 months	9.9	13.4%
Estimated listing expenses	Within 3 months	5.0	6.7%
	Total	**74.1**	**100.0%**

Source: Company data

Figure 2: Selling shareholders

		Before the IPO		Shares offered pursuant to the offer for sale		After the IPO	
Selling shareholders	**Material relationship with EA Technique**	**No of shares (m)**	**%**	**No of shares (m)**	**%**	**No of shares (m)**	**%**
Dato' Hak	Promoter, Managing director and substantial shareholder	96.0	24.6	5.1	1.0	90.9	18.0
Datin Hamidah	Promoter and substantial shareholder	39.0	10.0	9.9	2.0	29.1	5.8

Source: Company data

Figure 3: Promoters and substantial shareholders

		Before IPO				After IPO			
Promoters and substantial shareholders	**Nationality/ Country of incorporation**	**Direct No of shares**	**%**	**Indirect No of shares**	**%**	**Direct No of shares**	**%**	**Indirect No of shares**	**%**
Sindora	Malaysia	255	65.4	-	-	255	50.6	-	-
Dato' Hak	Malaysian	96	24.6	39	10	90.9	18	29.1	5.8
Datin Hamidah	Malaysian	39	10	96	24.6	29.1	5.8	90.9	18
Kulim	Malaysia			255	65.4	-	-	255	50.6
Other substantial shareholder									
Jcorp	Malaysia	-	-	255	65.4	-	-	255	50.6

Source: Company data

Company Profile

Background. EAT is principally an owner and operator of marine vessels. It has been in business since 1993 and its business scope can be broken down into two core segments:

i. **Marine transportation and offshore storage operations.** This division is involved in downstream activities, specifically in the charter of various tankers for the transportation and offshore storage of oil & gas (O&G) products. In its fleet are six product tankers – tankers that carry refined petroleum products, two fast crew boats for offshore support, a FSU and two (Liquefied Petroleum Gas) LPG tankers. EAT's product tankers and LPG tankers transport oil around ASEAN coastal waters. These include Malaysia, Singapore, Indonesia and Vietnam. Meanwhile its FSU and OSVs operate around Malaysian coastal waters.

ii. **Port marine services.** This division provides port marine services such as towing, mooring and dockside mooring for vessels at various petrochemical, bulk and containerised ports in Malaysia. The list of ports that EAT provides services in are: i) Kertih Port (O&G), ii) Sungai Udang Port (O&G), iii) LNG Regasification Terminal off Sungai Udang Port (O&G), and iv) Northport (bulk and containerised). The division's fleet comprises 16 tugboats and five mooring boats.

Figure 4: EAT's fleet detail

Product tankers				
Vessel name	**Age**	**Type**	**Owner**	**Deadweight tonne (DWT)**
MT Nautica Kota Tinggi	6	Clean product tanker	EAT	4,497
MT Nautica Batu Pahat	6	Clean product tanker	EAT	4,497
MT Nautica Maharani	6	Product tanker (fuel oil)	EAT	9,800
MT Nautica Johor Bahru	7	Clean product tanker	EAT	5,500
MT Princess Sofea	22	Clean product tanker	EAT	3,298
LPG tanker		**Number of vessels**	**Total DWT**	
All are chartered in from external parties		2	7,824	
OSV				
Vessel name	**Age**	**Type**	**Owner**	**Break horse power (BHP)**
MV Nautica Tg Puteri IV	9	High speed passenger craft	EAT	4,200
MV Nautica Tg Puteri V	9	High speed passenger craft	EAT	4,200
FSU and FSO				
Vessel name	**Age**	**Type**	**Owner**	**Deadweight tonne (DWT)**
MT Nautica Muar	22	Product tanker (FSU)	EAT	39,788
MT FOIS Nautica Tembikai	18	Oil tanker (FSO)	EAT	47,172
This oil tanker is in the midst of being converted into a FSO				
Harbour and utility tugboats				
Vessel name	**Age**	**Type**	**Owner**	**Bollard pull (tonnes)**
MV Nautica Tg Puteri I	9	Harbour tug	EAT	40.0
MV Nautica Tg Puteri II	9	Harbour tug	EAT	40.0
MV Nautica Tg Puteri XI	4	Harbour tug	EAT	40.0
MV Nautica Tg Puteri XII	4	Harbour tug	EAT	40.0
MV Nautica Tg Puteri XV	4	Utility tug	EAT	40.0
MV Nautica Tg Puteri XVI	4	Utility tug	EAT	25.0
MV Nautica Tg Puteri XVII	3	Harbour tug	EAT	50.0
MV Nautica Tg Puteri XIX	1	Harbour tug	EAT	40.0
MV Nautica Tg Puteri XX	1	Harbour tug	EAT	40.0
Mooring boats				
Vessel name	**Age**	**Type**	**Owner**	**Designed draft (m)**
MV Nautica Tg Puteri VII	5	Mooring boat	EAT	0.78
MV Nautica Tg Puteri VIII	5	Mooring boat	EAT	0.78
MV Nautica Tg Puteri IX	5	Mooring boat	EAT	1.30
MV Nautica Tg Puteri X	5	Mooring boat	EAT	1.30
MV Nautica Tg Puteri XVIII	2	Mooring boat	EAT	1.10

Source: Company data

Figure 5: EAT's historical fleet

	2011		2012		2013		5M-2014	
	Own	Third party vessel	Own	Third party vessel	Own	Third party vessel	Own	Third party vessel
Marine transportation and offshore storage operations								
Product tankers	7	-	7	-	6	-	6	
OSV - fast crew boats	2	1	2	-	2	-	2	
FSU	-	-	-	-	1	-	1	
LPG tankers	-	-	-	-	-	1	-	2
Port Marine services								
Tugboats	2	4	5	6	7	9	9	7
Mooring boats	4	-	4	-	5	-	5	-
Total	**15**	**5**	**18**	**6**	**21**	**10**	**23**	**9**

Source: Company data

Shipbuilding, ship repair and minor fabrication. Set up in 2008, this division is not a significant contributor to revenue but acts as a supporting arm for EAT's two core divisions above, thus allowing for cost synergies. Located at Hutan Melintang, Perak, the company's shipyard fronts a 250m coast line with a quayside water depth of 4m at low tide and up to 7m at high tide. The shipyard has a dead weight tonnage (DWT) capacity of up to 10,000DWT, or six tugboats at one time. It has a solid track record in constructing seven vessels comprising one product tanker, four tugboats and two mooring boats.

Figure 6: EAT's vessels built at shipyard

Year of registration	Vessel name	Vessel type	Size
2010	MV Nautica Tg Puteri IX	Mooring boat	1.3 designed draft
2010	MV Nautica Tg Puteri X	Mooring boat	1.3 designed draft
2011	MT Nautica Maharani*	Tanker	9,800 DWT
2012	MV Nautica Tg Puteri XI	Harbour tug	40 Bollard pull tonnes
2012	MV Nautica Tg Puteri XII	Harbour tug	40 Bollard pull tonnes
2012	MV Nautica Tg Puteri XV	Utility tug	40 Bollard pull tonnes
2013	MV Nautica Tg Puteri XVI	Utility tug	25 Bollard pull tonnes

*Note: *Johor Shipyard & Engineering SB was involved in the design and construction of this 9,800 DWT double hull product tanker under a license held by a third party*
Source: Company data

Revenue Profile

Mid- to long-term revenue visibility. Most of EAT's revenue is predominantly on a time chartered basis, ranging from 30 days to as long as 10 years. Two of its product tankers are on 10-year charters whilst its smaller vessels, such as the fast crew boats, are on a much shorter charter period. Locking in most of its revenue stream on term charters gives EAT earnings visibility. As at 31 Oct, its orderbook visibility stood at MYR830.7m with an optional extension period (an additional 1-5 years contract extension) amounting up to MYR452m. Combining both existing orderbook and its extension to a total sum of MYR1.28bn, its orderbook to revenue ratio amounts to 10.6x, thus ensuring revenue visibility over the mid-term.

Figure 7: Firm contract period

		Contract period range	Contract expiry	Remaining contract sum as at 31 Oct 2014 ('000)
Marine transportation and offshore storage operations				
Charter of product tankers	a)	6 months	2015	MYR2,867
	b)	5 years	2018	MYR5,780
	c)	10 years	2020	MYR166,759
	d)	10 years	2021	MYR84,056
Charter of OSV		30 to 70 days	2014	MYR352
Charter of FSU/FSO	a)	4 years	2017	USD16,553 (MYR54,351)
	b)	4 years (expected to commence in April 2015)	2019	USD41,975 (MYR137,825)
Charter of LPG tankers		3 years	2017	USD16,225 (MYR53,275)
Port marine services				
Charter of tugboats	a)	2 years	2014	MYR426
	b)	6 months to 3 years	2015	MYR16,349
	c)	1.5 years (to commence in January 2016, once the Sarawak floating LNG Liquefaction plant is completed)	2017	USD4,686 (MYR15,386)
	d)	10 years	2020	MYR79,080
	e)	10 years	2024	MYR61,530
	f)	10 years	2025	MYR137,530
Charter of mooring boats	a)	2 years	2015	MYR410
	b)	7 years	2016	MYR2,341
	c)	10 years	2020	MYR11,658
Dockside of mooring services	a)	7 years	2015	MYR293
	b)	7 years	2016	MYR447
				MYR830,714

Source: Company data

Figure 8: Optional extension period

	Optional range period	Potential contract sum assuming the vessels achieved 100% utilisation rate for the remaining subsequent period ('000)
Marine transportation and offshore storage operations		
Charter of product tankers	3 years	MYR125,377
Charter of OSV	-	-
Charter of FSU/FSO	1 to 2 years	USD26,463 (MYR86,890)
Charter of LPG tankers	2 years	USD13,200 (MYR43,342)
Port marine services		
Charter of tugboats	1 to 5 years	USD27,466 (MYR90,185) and MYR96,233
Charter of mooring boats	1 to 3 years	MYR10,001
Dockside of mooring services	-	-
		MYR452,028

Source: Company data

Are daily rates on optional extension period higher than firm contractual period? The only comparison that we can make (based on the two tables above) on a day rate basis between the firm contract and the optional extension periods is the charter of its LPG tankers. In the optional extension period, the daily rate works out at USD18,082/day. This is 22% higher than the day rate of the firm contract period of USD14,817/day. As such, this concludes that all of EAT's optional extension period are likely to have factored in a rate step-up.

Customer profile. Having been in the business over the past 17 years, EAT's customer profile has been concentrated on Petronas and its related companies. Together, they contributed 80.4%/76.3%/63% of FY11/FY12/FY13 revenue respectively. The declining trend in revenue contribution reflects EAT's diversification strategy to other clients. Its notable new sizeable clients are Northport and MTC Engineering SB, which combined contributed 13.4% of FY13 revenue.

Figure 9: Revenue breakdown by customers

	Years of relationship	FY11 revenue	% share	FY12 revenue	% share	FY13 revenue	% share	5M14 revenue	% share
Petronas Trading Corporation	17 years	62.0	64.5	59.4	57.8	52.8	43.6	21.0	33.5
Sungai Udang Port SB	8 years	15.3	15.9	19.0	18.5	23.5	19.4	12.8	20.3
MTC Engineering SB	1 year					11.4	9.4	7.8	12.4
Northport	1 year					4.8	4.0	7.3	11.6
Petronas Dagangan (PETD MK, NR)	17 years							6.5	10.3
Others		18.8	19.6	24.3	23.7	28.6	23.6	7.4	11.8
Total Revenue		**96.1**	**100.0**	**102.7**	**100.0**	**121.1**	**100.0**	**62.8**	**100.0**

Source: Company data

Geographical contribution. Despite sailing across ASEAN coastal waters for its product tankers and LPG carriers, 100% of its revenues are from Malaysia. In our view, this is because these shipments are Petronas' international seaborne goods. We expect this trend to be consistent moving forward.

Competition And Strategy

Where does EAT stand against its competitors? There are a total 65 product tankers serving the Malaysian waters (and Malaysian flagged), according to Vital Factor Consulting (VFC). No single shipping operator in the product tanker space has more than a 20% market share and, as at October, it is estimated that there are 25 operators of locally registered product tankers. With a total fleet size of six product tankers, EAT is ranked fourth amongst the top tier product tanker operators with a total market share of 8% (based on number of vessels). In VFC's market research report, it states that there are only four top tier players that own at least five product tankers, with the lower second tier players owning fewer than five.

In the towing space, VFC predicts that EAT has a market share of 2% while its market share in the LPG, FSU and OSV spaces are also understood to be small.

Figure 10: Product tanker rankings

Ranking	Top 4 operators of product tankers	No of tankers	Total DWT
1	Orkim SB	11	85,850
2	Semua Shipping SB	8	70,000
3	Gagasan Carriers SB	7	61,659
4	EAT	5	27,592

Source: Vital Factor Consulting, Maritime-connector.com

Figure 11: Number of selected vessels registered in Malaysia

	2009	2010	2011	2012	2013	CAGR 2009-2013
Oil tankers	205	193	209	215	206	0.1
LNG and LPG carriers	47	45	43	41	40	-4.0
Chemical / Product tankers	52	51	66	63	53	0.5
OSV	218	207	251	249	256	4.1
Tugboats	966	904	1042	1077	1058	2.3

Source: Ministry of Transport Malaysia

Figure 12: Licenses issued by the Domestic Shipping Licensing Board for selected types of cargo to Malaysian- and foreign-registered vessels

	2009	2010	2011	2012	2013	CAGR 2009-2013
Petroleum/diesel						
Malaysian registred	195	200	214	211	204	1.1
Foreign registred	370	470	542	686	731	18.6
Towing services						
Malaysian registred	507	547	587	622	634	5.7
Foreign registred	590	578	496	601	561	-1.3
Exploration work equipment						
Malaysian registred	100	153	161	172	191	17.6
Foreign registred	417	557	585	902	908	21.5

Source: Ministry of Transport Malaysia

EAT's business strategy and competitive advantage

EAT has a strong track record and reputation amongst its major customers. This ensures recurring term charter renewals. The strong background and reputation also enables the company to secure new contracts and customers.

EAT is also a Petronas licensed provider. This allows the vessel owner to bid directly for jobs provided by the national oil company, and product sharing contract (PSC) and risk service contract (RSC) operators in Malaysia. This acts as a high barrier for potential new entrants into the sector. Furthermore, the existing cabotage policy that requires vessels operating within Malaysia to have at least 51% of the directors and shareholdings of the companies that own them to be Malaysians eliminates the threat of foreign players entering the market.

A conservative approach in expansion. Having been in the business for close to two decades, EAT has taken a conservative approach towards fleet expansion. The company will only acquire new vessels upon securing a commercially viable mid- to long-term charter. As mentioned earlier, the company's outstanding and extended orderbook amounts to a total of MYR1.28bn, ie 10.6x the size of its FY13 revenue.

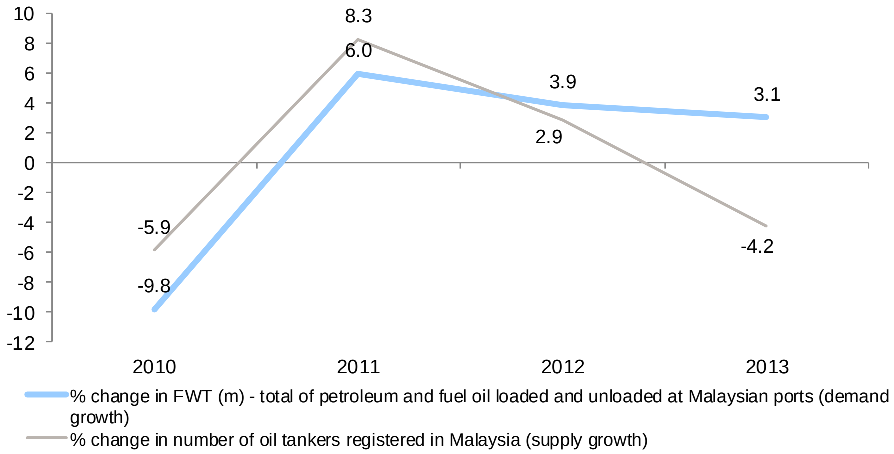
In-house shipyard provides costs synergies. Our observation on EAT's Top 3 competitors' websites reveals that none own a shipyard. The company's shipyard division functions as a supporting role to provide cost synergies, whereby it eliminates the need for its vessel repair and dry-docking activities to be undertaken at external third-party shipyards. Furthermore, with its own shipyard, EAT can save capex costs by constructing its own vessel newbuilds instead of sourcing from third-party shipbuilders.

Industry And Company Outlook

Tanker demand and supply dynamics. In view of the cabotage policy and the need of a Petronas license to ship O&G products, the tanker demand and supply dynamics in Malaysia should not be compared with the global tanker demand and supply situation.

As depicted in Figure 13 below, the supply of tankers has remained tight over the past five years, with the growth in the vessel supply of tankers, and LNG and gas carriers coming in flat. This is likely due to scrapping of older vessels that are no longer economically viable to operate. Meanwhile, the domestic tonnage of liquid bulk cargo throughput, which gauges demand for product tankers, has been growing by a CAGR of 4.1% over the same period. With demand outstripping supply, this suggests that the freight rate environment in Malaysia could likely be deemed profitable for vessel owners in the past.

Figure 13: Demand vs supply growth



Source: RHB, Ministry of Transport Malaysia

Figure 14: Number of selected vessels registered in Malaysia

	2009	2010	2011	2012	2013	CAGR 2009-2013
Oil tankers	205	193	209	215	206	0.1
LNG and LPG carriers	47	45	43	41	40	-4.0
Chemical / Product tankers	52	51	66	63	53	0.5
OSV	218	207	251	249	256	4.1
Tugboats	966	904	1042	1077	1058	2.3

Source: Ministry of Transport Malaysia

Figure 15: Petroleum and fuel oil loaded and unloaded at Malaysian ports

	2009	2010	2011	2012	2013	CAGR 2009-2013
Loaded	11.7	11.4	10.5	10.2	11.3	-0.87
Unloaded	18	15.4	17.9	19.3	19.1	1.49
Total	29.7	26.8	28.4	29.5	30.4	0.58

Source: Ministry of Transport Malaysia

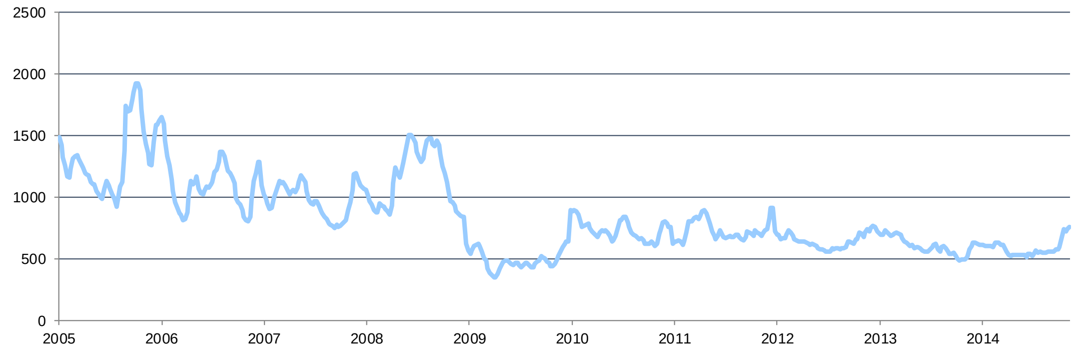
Figure 16: Production quantity of selected refined petroleum products in Malaysia that can be transported by product tankers ('000 tonnes)

	2009	2010	2011	2012	2013	CAGR 2009-2013
Kerosene	3,403	3,350	3,560	3,504	3,270	-1.0
Fuel oil	2,269	2,087	2,790	3,226	2,399	1.4
Diesel/ gas oil	9,495	8,585	10,000	11,755	11,234	4.3
Gasoline (motor spirit)	4,375	4,175	5,510	5,543	5,331	5.1
Blended lubricating oil	101	109	148	148	154	11.1
Naphta	4,190	3,936	3,397	4,163	3,969	-1.3
Total	23,833	22,242	25,405	28,339	26,357	2.5

Source: Department of Statistics Malaysia

While rates may have likely been historically stable in Malaysia on tight supply, this, however, has not been the case in the same period for the global tanker space, where rates for clean tankers have dropped since the global financial crisis due to the oversupply of vessels.

Figure 17: Baltic Clean Tanker Index



Source: Bloomberg

Banking on Pengerang. Moving forward, aside from being underpinned by Malaysia's economic growth and its O&G discoveries, we potentially see demand for domestic tankers being propelled by the upcoming development of the PIPC in Johor. With the substantial increase in refinery and storage capacities that it brings, we are of the opinion that the PIPC could potentially become a leading oil transhipment point. This ought to bode well for demand for Malaysia's domestic seaborne trade, given that the facility could potentially replace the need for refined chemical products being sourced directly from overseas. These would be carried mostly by foreign flagged vessels.

The Malaysian Government is planning to build close to 10m cu m of storage capacity by 2020 at the PIPC development from a total of ~3m cu m currently. Inspired to be the Amsterdam-Rotterdam-Antwerp (ARA) of Asia, this marks an ambitious undertaking as this would be larger than VTTI BV's current combined global storage capacity of 8.5m cu m and about a third of Konninklijke Vopak's (Royal Vopak) (VPK NA, NR) global capacity of 31m cu m.

Amongst the developments at the PIPC that is expected to propel the need for domestic seaborne product tanker shipments are:

i. **Refinery and Petrochemical Integrated Development (RAPID).** Due to commence by 2019 with a total capacity of 300,000 barrels (bbls)/day, which is 56% of the current existing refinery capacity in Malaysia

ii. **Pengerang Independent Deepwater Petroleum Terminal (PIDPT).** The MYR5bn PIDPT is a joint-venture (JV) between the Johor State Secretary Incorporated, Dialog (DILG MK, BUY, TP: MYR2.00) and Royal Vopak of the Netherlands. It is expected to offer a total 5m cu m storage capacity by 2020.

iii. **Tanjung Bin.** 100% owned by VTTI, this is expected to provide 3m cu m of storage capacity by 2020 from the current 893,000 cu m.

iv. **Tanjung Langsat, which had been taken up by JV.** The partners in this venture are MISC (MISC MK, BUY, TP: MYR8.15), Dialog and Puma Energy, a subsidiary of Trafigura Beheer BV (Trafigura) – the world's third-largest oil trader. It is expected to house a total of 2m cu m in storage capacity by 2020.

Towage and mooring services demand. The industry demand for towage and mooring services is dependent on port throughput activities. These can comprise container, liquid bulk and break bulk throughputs.

In 2013, EAT secured a 10-year charter period contract from Northport to provide six tugboat services worth a total MYR260m. Potential new contracts dished out will be driven by the increase in port handling capacity and the setup of new terminals/ports, of which we see this potentially coming from the PIPC.

As EAT is already currently providing towage and mooring services for the current LNG Regasification Terminal off Sungai Udang Port, which is owned by Petronas Gas (PTG MK, NEUTRAL, TP: MYR21.98), we think there is a high chance for EAT to likely secure similar contracts for the Pengerang Regasification Terminal that is owned by a consortium comprising Dialog, Petronas Gas and the Johor State Government. Essentially, any other possible expansion of new terminals that will be developed by the national oil company could see EAT as a top candidate for job wins. As such, we see the development of the PIPC as a strong potential for more contract wins for the company.

Figure 18: Number of ships calling by selected ports

	2009	2010	2011	2012	2013	CAGR 2009-2013
All ports in Malaysia	60,393	63,942	64,607	66,848	62,669	0.9
Klang	15,356	17,910	18,117	17,808	16,724	2.2

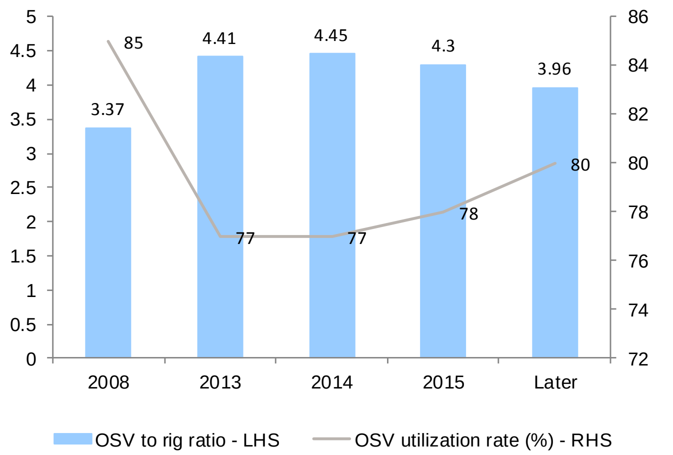
Source: Company data

O&G activity outlook

Domestic capex will to continue. We expect Malaysia's upstream domestic capex spending to be sustainable, given Petronas' role as the national oil company. The inclusion of the deepwater Gumusut-Kakap's first production since early October, which has an expected peak production of 135,000 bbls per day (bpd), will boost Malaysia's crude oil production from 650,000bpd as at Sep 2014. Petronas remains committed to its maintenance capex. It is also spending on ongoing projects to manage its production targets as numerous other fields will naturally face declines in the production profile without further drilling or enhanced oil recovery programmes.

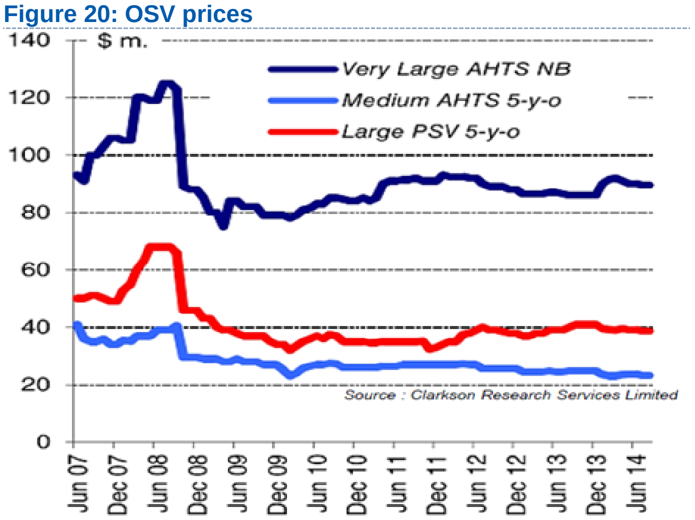
OSV. 1H14 was a difficult period for the OSV segment with a lack of contract news flows. This was because of a slowdown in offshore activities and a drop in Malaysian rig count for additions/replacement to three rigs from 15 rigs in March-May. However, rig activity has been picking up towards the end of 2014 to 12 additions/replacement rigs, given that there were five committed rigs in August-November. Contract flows are expected to pick up in 2015, as we understand there are at least 20 tenders worth more than MYR200m in total awaiting results, which could be partly known by 1H15. Vessel prices, especially amongst the small- to mid-sized OSV types, have been on a declining trend YTD given the increasing supply in this segment. Nevertheless, most OSV players are embarking on fleet renewal programmes to replace their fleets with newer vessels with high-end specifications.

Figure 19: OSV to rig ratio



Source: Pareto Securities

Figure 20: OSV prices



Source: Clarkson

FSU. Demand for crude oil and condensate storage is expected to rise in tandem with rising demand for refined products across the Asia-Pacific through 2012-2020. It is also expected to rise on the ramping-up of refinery capacities in regions like the Asia-Pacific and Middle East, as well as in countries like China through 2012-2016. FSUs units could appear to be an appealing choice for areas where there are too many islands or land costs are too high to justify construction of onshore floating facilities. Similarly, FSUs could be attractive as a temporary oil storage option for upstream production activities, especially in deepwater or marginal fields, given its cost savings advantage vs more expensive floating production vessels. As of Oct 2014, there are about 93 active floating, storage and offloading (FSO) units worldwide (or 91% of FSO inventory) while about 14 FSO projects are in the planning pipeline (see Figures 21, 22).

Figure 21: Planned projects by type and location (1 Oct 2014)

Type	No.	Location	No.
FPSO	135	Africa	49
Other FPS	30	Brazil	43
FLNG	34	South-East Asia	40
FSRU	20	GOM	24
FSO	14	North EU	24
		Australia/New Zealand	16
		Mediterranean	10
		South-West Asia	10
		Others	17
Total	**233**	**Total**	**233**

Source: International Maritime Associates, Oct 2014 Floating Production issue

Figure 22: FPUs in service/on order/available (1 Oct 2014)

FPU	Total	Active	On Order	Available
O&G production				
FPSO	216	163	36	17
Production barge	10	8	2	0
Production semi	48	41	2	5
Production spar	22	20	2	0
Tension Leg platform	28	24	4	0
Total	**324**	**256**	**46**	**22**
LNG processing				
FLNG	5	0	5	0
FSRU	25	13	12	0
Storage				
FSO	102	93	8	1

Source: International Maritime Associates, Oct 2014 Floating Production issue

Earnings Outlook

Fleet expansion. On the back of an orderbook visibility totalling MYR1.28bn, EAT is embarking on a fleet expansion programme with an additional 13 vessels (seven additions and six replacements) being added over FY15-16. These vessel additions are also to replace its existing charter-ins (vessels that the company leases from external parties to service its clients), thus allowing further improvement in operating margins going forward. All these vessel additions, save for one conversion of its tanker into a FSO unit, will be constructed at EAT's shipyard. This ought to also provide further capex and depreciation expense savings for the vessel operator.

While we do see potential for more jobs for EAT moving forward, notably from the upcoming development of the PIPC, we have not factored them into our near-term earnings horizon.

Figure 23: EAT's fleet expansion pipeline and capex breakdown

	Fleet:		Capex assumed amount (MYRm)			Total
	Addition	Replacement	FY14	FY15	FY16	
Acquisition of one unit of fast crew boat in 2014	1		5.1			5.1
Acquisition of one unit of fast crew boat in 2015	1			5.1		5.1
Currently constructing six tug boats that will be progressively delivered in 2014 until mid-2015 to replace current charter-ins		6 (3 and 2 as vessel replacements for the existing Northport and Kertih Port contract respectively)	9.1	9.1		18.2
Pending to construct two tug boats targeted for delivery in 2015 and commence operations by Jan 2016 (for Sarawak floating LNG liquefaction plant)	2		22.0	22.0		44.0
Possibly buying two more or replaced from its other available vessels	2			44.0		44.0
FSO conversion due to commence operation in 2015	1		30.0	65.2		95.2
Dry dock facility and slipway			10.0	10.0	10.0	30.0
Already incurred as of 5M14			35.3			35.3
Total capex			**111.6**	**155.4**	**10.0**	**277.0**

Source: RHB, Company data

Revenue drivers. Based on the aforementioned fleet expansion and the orderbook visibility as disclosed in its IPO prospectus, we estimate EAT's revenue will grow by 14%/18%/14% in FY14/FY15/FY16 respectively.

As the majority of EAT's vessels are going to be locked into long-term charters over our forecasted earnings, utilisation rate is expected to be high as its vessel will see minimal off-hire periods. Factoring in annual average dry docking days of 14 days, we estimate average utilisation rate to be at 96% for all of its vessels except for its two OSVs. We estimate a conservative 70% utilisation rate for them, given that these OSVs are on very short-duration contracts where the likelihood of off-hire periods are higher.

Our other key assumptions on the revenue model are as below:

i. New charter contract:

   a. One fast crew boat addition by end FY14 and mid-FY15

   b. FSO charter to commence by early Apr 2015 as per contract stated in EAT's orderbook

   c. Four tugboat charter to commence by early Jan 2016 as per contract stated in EAT's orderbook. This is for the towage service for the upcoming floating LNG liquefaction plant in Sarawak.

ii. For its 6-month short-term charters, we estimate that these are for its three product tankers. We assume that, in addition to the dry-docking average days of 14 days annually, EAT will also see an additional 20 days of off-hire periods. As such, the average utilisation rate for its short-term charters is assumed at a conservative 87%. We have also factored in a 5% annual increment in rates for these short-term charters.

Our FY14-16 revenue totalling MYR486.7m is still lower than the operating lease commitments that EAT will receive over the FY14-16 period of MYR502m, as stated in its IPO prospectus. This is because we have factored in a lower utilisation rate.

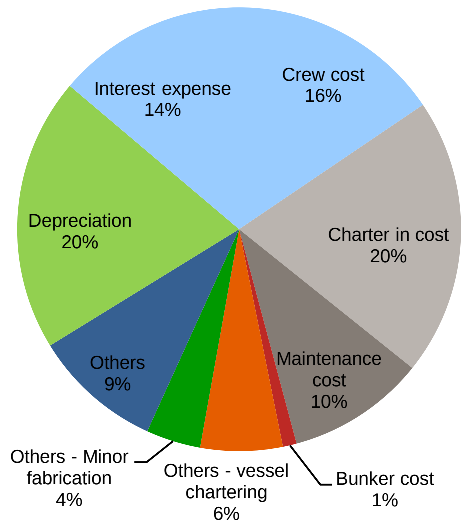
Figure 24: EAT's revenue breakdown (MYRm)

	FY11	FY12	FY13	FY14F	FY15F	FY16F
Marine transportation and offshore storage operations						
Charter of product tankers	61.67	62.67	49.08	42.00	41.08	41.87
Charter of OSVs	9.70	9.26	9.63	3.60	6.36	7.63
Charter of FSUs	-	-	7.17	13.13	38.11	46.43
Charter of LPG tankers	-	-	5.94	17.16	17.16	17.16
	71.37	**71.93**	**71.82**	**75.90**	**102.71**	**113.10**
Port marine services						
Charter of tug boats	20.68	26.63	40.63	56.77	54.59	64.50
Charter of mooring boats	3.20	3.30	3.39	4.12	4.24	4.37
Dockside mooring services	0.82	0.86	1.06	1.42	1.46	1.50
	24.70	**30.79**	**45.07**	**62.30**	**60.29**	**70.37**
Minor fabrication	-	-	4.23	-	-	2.00
Total revenue	**96.06**	**102.72**	**121.12**	**138.20**	**163.00**	**185.47**

Source: RHB, Company data

Cost components. By order of percentage of costs as of FY13, the majority of EAT's costs are from charter-ins, depreciation and crew costs. Maintenance costs are also a significant cost item, but this is largely on an ad-hoc basis. Most are likely to occur during off-hire periods. As most of EAT's vessels are on long-term charters, bunker costs will be borne by the client. However, the company can incur its own bunker costs during off-hire periods, notably when its vessels undergo dry-docking.

Figure 25: EAT's FY13 cost component percentage breakdown



Source: RHB, Company data

Figure 26: EAT's cost breakdown (MYRm)

	FY11	FY12	FY13	FY14F	FY15F	FY16F
Crew cost	13.86	12.82	16.35	13.09	17.60	21.16
Charter in cost	13.52	12.49	21.28	29.50	23.38	19.24
Maintenance cost	6.71	11.20	10.61	17.61	23.77	33.28
Bunker cost	10.73	2.47	1.06	1.41	1.63	1.98
Others - vessel chartering	8.10	5.87	6.30	5.45	5.72	6.01
Others - minor fabrication	-	-	4.18	-	-	1.70
Others	5.65	6.22	9.92	8.26	8.60	8.96
Depreciation	19.11	20.95	21.01	24.84	30.70	32.02
Interest expense	12.59	13.76	14.54	15.90	15.65	21.70
Total costs	**90.28**	**85.78**	**105.24**	**116.05**	**127.05**	**146.06**

Source: RHB, Company data

Moving forward, we expect reduced dependency on charter-ins upon the completion of its newbuild tug boats, which are currently being constructed at its shipyard. We expect vessel charter-ins to reduce to six and four by end FY15 and FY16 respectively from nine as of 5M14. This bodes well for EBITDA margins ahead. However, with EAT seeing vessel additions in its fleet count, depreciation expenses are expected to be on the rise.

Effective tax rate. Under the Shipping Act, earnings from FSU/FSO units and product tankers are tax exempt. The income from the rest will have a statutory tax rate of 25% applicable. With more earnings coming from its FSUs, we expect the effective tax rate to be lower moving forward at 25%/20%/20% in FY14/FY15/FY16 respectively.

Associates. Note that effective FY14 onwards, EAT will not see any contributions from its associates following the disposal of its equity interest in Orkim SB in Apr 2013.

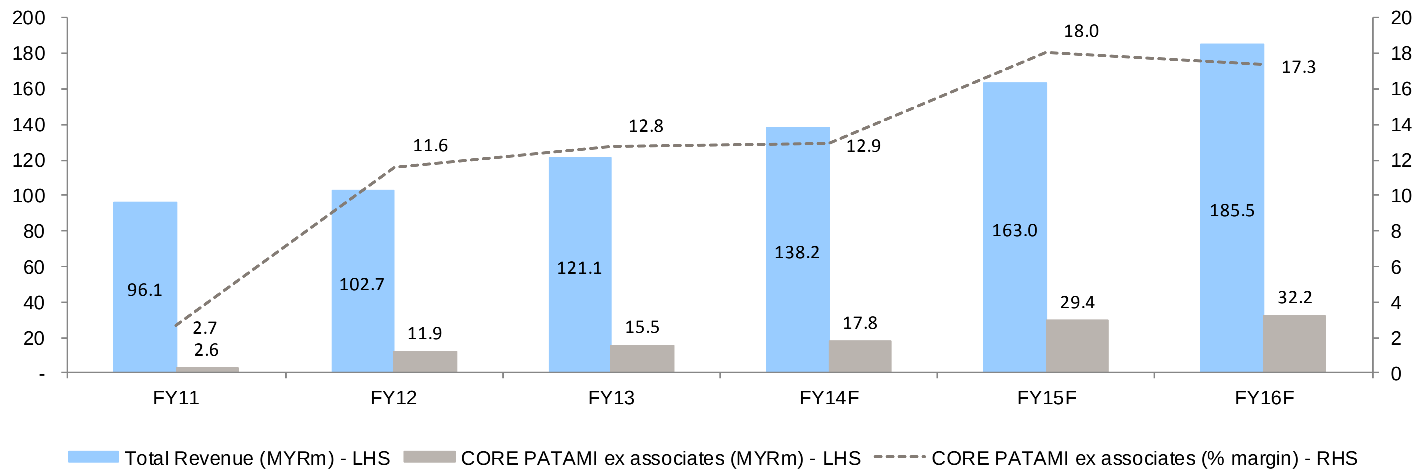
Earnings. On the premise of the above key assumptions which will be driven by the fleet expansion coupled with the lower charter-ins costs boosting operating margins, we estimate FY14/ FY15/ FY16 core earnings (excluding associates) to grow by 15%/ 65%/ 10%. This represents a 3 year CAGR of 27.5% for the FY13-FY16 period.

Figure 27: EAT's margins trend (%)

	FY11	FY12	FY13	FY14F	FY15F	FY16F
EBITDA	39.0	50.3	42.5	45.5	50.5	50.2
EBIT	19.1	29.9	25.1	27.5	31.7	33.0
PBT	12.6	23.6	49.0	14.4	22.5	21.7
Core PATAMI	6.5	16.5	15.2	12.9	18.0	17.3
CORE PATAMI ex associates	2.7	11.6	12.8	12.9	18.0	17.3

Source: RHB, Company data

Figure 28: EAT's revenue, earnings and margins trend



Source: RHB, Company data

Free cash flow. Capex in the near term will remain high, for which we have assumed a capex allocation of MYR111.6m/MYR155.4m/MYR10m for FY14/FY15/FY16 respectively. This is slightly above EAT's approved near-term capital commitments amounting to MYR213.9m. Given the higher capex in FY14/FY15, we do not foresee EAT seeing a positive free cash flow to firm until FY16 (of MYR45.5m). Assuming no new contract awards in the future (whereby fleet size is maintained as it is), EAT's free cash flow to firm, based on its existing secured contracts and the optional extension, is expected to accumulate up to MYR403.4m over the next decade.

Figure 29: EAT's capex breakdown

	Fleet: Addition	Fleet: Replacement	Capex assumed amount (MYRm) FY14	FY15	FY16	Total
Acquisition of one unit of fast crew boat in 2014	1		5.1			5.1
Acquisition of one unit of fast crew boat in 2015	1			5.1		5.1
Currently constructing six tug boats which will be progressively delivered in 2014 until mid-2015 to replace current charter-ins		6 (3 and 2 as vessel replacements for the existing Northport and Kertih Port contract respectively)	9.1	9.1		18.2
Pending to construct two tug boats targeted for delivery in 2015 and commence operations by Jan 2016 (for Sarawak floating LNG liquefaction plant)	2		22.0	22.0		44.0
Possibly buying two more or replaced from its other available vessels	2			44.0		44.0
FSO conversion due to commence operation in 2015	1		30.0	65.2		95.2
Dry-dock facility and slipway			10.0	10.0	10.0	30.0
Already incurred as of 5M14			35.3			35.3
Total capex			**111.6**	**155.4**	**10.0**	**277.0**

Source: RHB, Company data

Balance sheet. Post IPO proceeds, EAT's net gearing is expected to reduce to 86.5% by end FY14 from 131% in FY13. However, its net gearing is not expected to reduce significantly until FY16, given its massive capex allocations. We are not overly concerned on its ability to service its debt obligations, given the company's long-term revenue stream from secured term charter contracts. In absence of any onerous capex in FY16, we expect EAT to generate positive free cash flow to firm of MYR45m.

Figure 30: EAT's key balance sheet ratios

	FY11	FY12	FY13	FY14F	FY15F	FY16F
Net cash/(Net debt) - MYRm	(249.3)	(221.8)	(241.6)	(234.1)	(333.1)	(287.6)
Net gearing (net cash) (%)	227%	175%	131%	87%	111%	89%
ROE (%)	6%	14%	12%	8%	10%	10%
ROA (%)	2%	4%	4%	3%	4%	5%
Interest coverage (x)	1.46	2.23	2.09	2.39	3.30	2.82

Source: RHB, Company data

Dividends. Management has no dividend policy in place. We are not expecting any dividends until FY16, given its onerous capex commitments moving forward. Assuming dividend payout of 30%, we estimate DPS for FY16 amounting to 1.9 sen, which translates into a DPS yield of 2.9%.

Risks

EAT's company-specific key risks are:

i. **Revenue concentration heavily skewed towards the Petronas group of companies, which accounts for 63% of FY13's total revenue.** However, given that Petronas is Malaysia's national oil company, it is only natural to see sizeable revenue recognition from them, as is the case with most OSV providers as well.

ii. **Delays in delivery of newbuilds from its in-house shipyard.** This, however, is of minimal concern, noting its solid execution track record in the past. Should there be any delays, EAT can source for new charter-ins in the interim to service the term charter commitments to its clients, at least until the delivery of its newbuilds.

iii. **Currency risk.** As EAT mostly provides domestic shipping services, revenue is mostly MYR-denominated. However, turnover from its FSUs, LPG carriers and its upcoming FY16 charters for its four tugboats based at the LNG floating liquefaction plant are all denominated in USD, as per stipulated in the contract agreements. We estimate this will be equivalent to 22%/34%/40% of FY14/FY15/FY16 revenue respectively. Foreign currency-denominated purchases accounted for 11.2% and 10.5% of total purchases in FY13 and 5M14, which are mostly from charter-ins as these are typically 50% sourced from outside Malaysia. We foresee currency risks to be fairly manageable going forward. A weakening MYR against the USD of MYR0.10 per USD is also positive for earnings, in which event, we expect earnings to increase by 2.9%/3.5% in FY15/ FY16 respectively.

Earnings sensitivity high on utilisation rates. Utilisation rates, in our view, can be a significant moving variable, where a 1ppt positive change against our base case assumption of 96% will raise revenue by 1% and earnings by 4.5- 4.7% in FY15-16. The impact is exactly the opposite should the utilisation rate inch lower by 1ppt.

Valuation And Recommendation

We like EAT's strong earnings visibility and its high 3-year recurring earnings CAGR projected for FY13-16 (of 20.3%), and banking on the potential job wins from the upcoming PIPC. Given its long-term charter agreements, we value the stock at MYR0.75 derived from a DCF computation based on 7% WACC. This gives an implied FY15 P/E of 12.8x, FY15 EV/EBITDA of 8.6x and FY15 P/B of 1.3x. This is in line with the average tanker / OSV valuation, which has similar charter profile. Note that our DCF has no terminal value as we only assume that cash flows will only be generated from its existing fleet based on their remaining useful life. We also assume no salvage value to be conservative.

Figure 31: EAT's DCF valuation

	FY12	FY13	FY14F	FY15F	FY16F	FY17F	FY18F	FY19F
Cash flow from operations (MYRm)	46.6	29.4	45.0	56.3	55.5	47.4	52.2	58.3
(+) after tax interest expense (MYRm)	10.3	10.9	11.9	11.7	16.3	13.9	11.6	9.4
(-) Capex (MYRm)	18.2	101.8	111.6	155.4	10.0	12.0	12.6	13.2
Free cash flow to firm (MYRm)	38.7	-61.5	-54.7	-87.3	61.8	49.3	51.3	54.5
PV of free cash flow to firm (MYRm)				-81.6	54.0	40.3	39.1	38.9

	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F
Cash flow from operations (MYRm)	65.1	95.8	96.8	97.9	100.8	103.8	106.9	110.1
(+) after tax interest expense (MYRm)	7.1	4.9	4.0	3.1	0.0	0.0	0.0	0.0
(-) Capex (MYRm)	13.9	14.6	15.3	16.1	16.2	16.4	16.6	16.7
Free cash flow to firm (MYRm)	58.4	86.2	85.4	84.9	84.5	87.4	90.4	93.4
PV of free cash flow to firm	38.9	53.7	49.8	46.2	43.0	41.6	40.2	38.8

	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	FY35F
Cash flow from operations (MYRm)	113.4	116.8	120.3	124.0	127.7	131.5	135.4	139.5
(+) after tax interest expense (MYRm)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(-) Capex (MYRm)	16.9	17.1	17.2	17.4	17.6	17.8	17.9	18.1
Free cash flow to firm (MYRm)	96.5	99.8	103.1	106.5	110.1	113.7	117.5	121.4
PV of free cash flow to firm (MYRm)	37.5	36.2	35.0	33.8	32.6	31.5	30.4	29.4

PV of FCFF (MYRm)	
Total PV of FCFF (MYRm)	709.0
FY15F net debt (MYRm)	-333.1
Equity value (MYRm)	375.8
Number of shares (m)	504.0
FV per share	0.75
IPO price	0.65
Upside	14.7%
Implied FY15 P/E (x)	12.8
Implied FY15 EV/EBITDA (x)	8.6
Implied FY15 P/B (x)	1.3
Rm	10.1%
Rf	3.8%
Beta	1.10
Ke	10.7%
Kd	6.1%
Kd(1-t)	4.5%
Equity weighting	40.0%
Debt Weighting	60.0%
WACC	7.0%

Source: RHB, Company data

Strong earnings visibility puts EAT on par with Malaysian OSVs. Given EAT's strong earnings visibility and its high 3-year CAGR of 20.3 in FY13-16, and banking on the potential job wins from the upcoming development of the PIPC, its FY15 P/E could be on par with other Malaysian OSV players that have a similar set of earnings visibility, which stands at 13x, only slightly higher than the implied FY15 P/E of 12.8x on our DCF derived value for this stock.

Figure 32: Peer comparisons

		EBITDA margin (%)			Core P/E (x)			EV/EBITDA (x)			P/B (x)			ROE (%)			Net gearing (%)		
	Market cap (MYRm)	**FY13**	**FY14F**	**FY15F**	**FY13**	**FY14F**	**FY15F**	**FY13**	**FY14F**	**FY15F**	**FY13**	**FY14F**	**FY15F**	**FY13**	**FY14F**	**FY15F**	**FY13**	**FY14F**	**FY15F**
EA Technique	327.6	42.5	45.5	50.5	13.7	18.4	11.2	9.6	8.9	8.0	1.4	1.2	1.1	11.9	7.8	10.3	131.3	86.5	111.1
MISC	33,210.6	31.9	35.4	38.6	19.4	16.9	15.1	11.8	10.0	8.9	1.3	1.3	1.2	6.7	7.1	7.5	21.2	17.0	12.8
Bumi Armada	7,508.8	45.1	48.2	47.8	8.7	22.4	19.5	7.1	7.4	6.2	0.9	1.1	1.1	9.8	4.8	5.3	71.7	7.9	8.1
Perdana Petroleum	960.0	29.8	38.1	39.7	17.1	7.5	10.4	13.7	7.8	8.5	1.2	1.0	1.3	7.0	13.7	12.4	91.3	83.9	58.1
Alam Maritim	748.8	17.9	20.4	22.5	10.2	9.7	8.6	10.2	8.5	7.4	1.2	1.1	1.0	12.1	11.2	11.1	70.4	71.6	60.5
Average		**33.5**	**37.5**	**39.8**	**13.8**	**15.0**	**13.0**	**10.5**	**8.5**	**7.8**	**1.2**	**1.1**	**1.1**	**9.5**	**8.9**	**9.3**	**77.2**	**53.4**	**50.1**

Source: RHB
As of 27 Nov

Financial Exhibits

Profit & Loss (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover	103	121	138	163	185
Cost of sales	(45)	(60)	(67)	(72)	(83)
Gen & admin expenses	(27)	(31)	(33)	(39)	(41)
Operating profit	31	30	38	52	61
Operating EBITDA	52	51	63	82	93
Depreciation of fixed asset	(21)	(21)	(25)	(31)	(32)
Operating EBIT	31	30	38	52	61
Net income from investments	5	3	0	0	0
Interest income	0	2	1	1	1
Interest expense	(14)	(15)	(16)	(16)	(22)
Other non-recurring income	2	38	(3)	0	0
Pre-tax profit	24	59	20	37	40
Taxation	(5)	(2)	(5)	(7)	(8)
Profit after tax & minorities	19	57	15	29	32
Reported net profit	19	57	15	29	32
Recurring net profit	17	18	18	29	32

Source: Company data, RHB

Cash flow (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Operating profit	31	30	38	52	61
Depreciation & amortisation	21	21	25	31	32
Change in working capital	7	(16)	8	(4)	1
Other operating cash flow	(12)	(6)	(26)	(22)	(39)
Cash flow from operations	47	29	45	56	56
Capex	(18)	(102)	(112)	(155)	(10)
Other investing cash flow	1	62	0	0	0
Cash flow from investing activities	(17)	(39)	(112)	(155)	(10)
Dividends paid	(1)	(27)	0	0	0
Proceeds from issue of shares	0	16	74	0	0
Increase in debt	(20)	23	(4)	100	(50)
Other financing cash flow	0	0	0	0	0
Cash flow from financing activities	(21)	13	70	100	(50)
Cash at beginning of period	10	19	21	25	26
Total cash generated	8	3	3	1	(4)
Forex effects	0	0	0	0	0
Implied cash at end of period	19	21	25	26	21

Source: Company data, RHB

Financial Exhibits

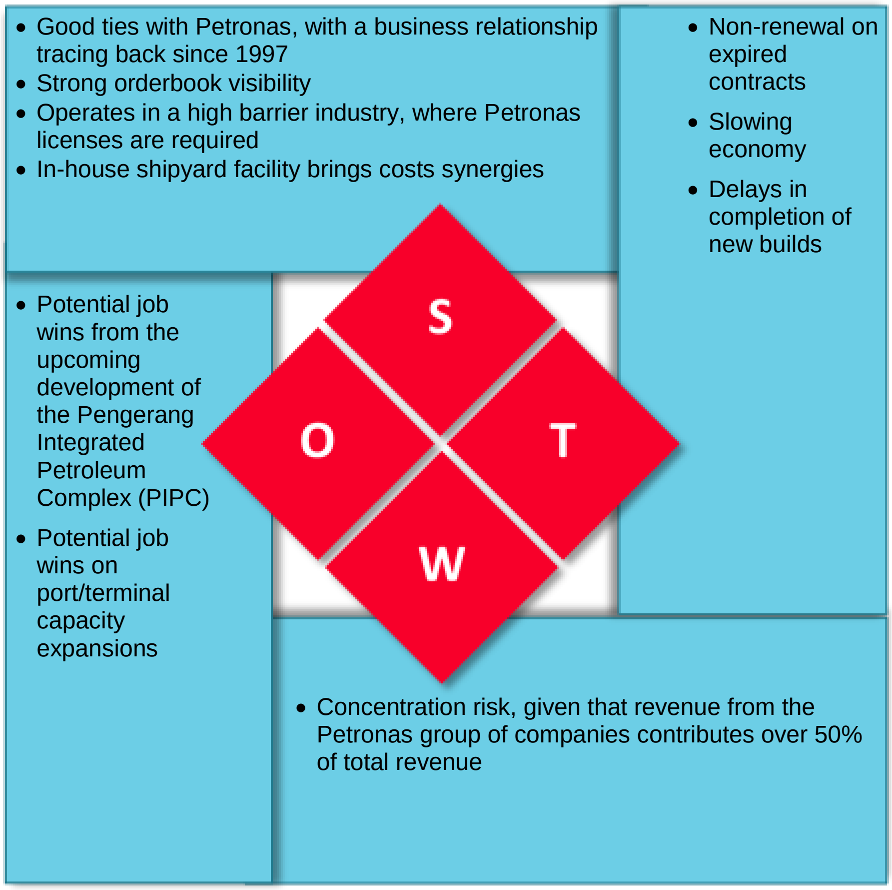
Balance sheet (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total cash and equivalents	19	21	25	26	21
Inventories	0	0	0	0	0
Accounts receivable	18	35	40	48	54
Other current assets	0	0	0	0	0
Total current assets	37	57	65	73	75
Tangible fixed assets	361	436	523	647	625
Intangible assets	0	0	0	0	0
Total other assets	26	4	4	4	4
Total non-current assets	387	440	526	651	629
Total assets	424	496	591	724	704
Short-term debt	51	45	45	45	45
Accounts payable	37	36	49	52	60
Other current liabilities	1	0	0	0	0
Total current liabilities	88	81	94	97	105
Total long-term debt	190	218	214	314	264
Other liabilities	20	13	13	13	13
Total non-current liabilities	210	231	227	327	277
Total liabilities	298	312	321	424	382
Share capital	44	98	169	169	169
Retained earnings reserve	83	87	101	131	153
Other reserves	0	0	0	0	0
Shareholders' equity	127	184	271	300	322
Minority interests	0	0	0	0	0
Total equity	127	184	271	300	322
Total liabilities & equity	424	496	591	724	704

Source: Company data, RHB

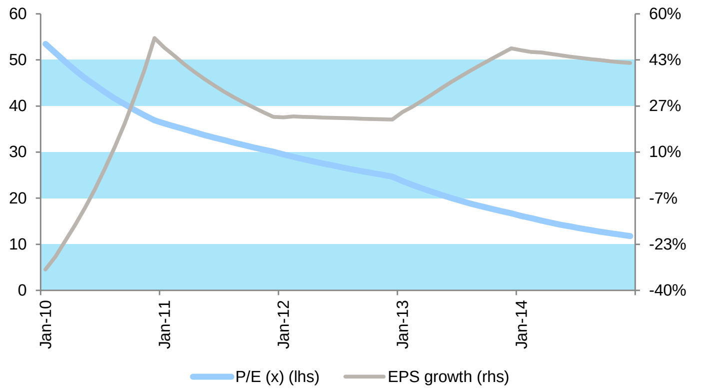
Key Ratios (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Revenue growth (%)	7	18	14	18	14
Operating profit growth (%)	67	(1)	25	36	18
Recurring net profit growth (%)	173	9	(3)	65	10
Recurring EPS growth (%)	173	9	(25)	65	10
Bv per share growth (%)	15	45	14	11	8
Operating margin (%)	30	25	28	32	33
Core profit margin (%)	17	15	13	18	17
Return on average assets (%)	4	4	3	4	5
Return on average equity (%)	14	12	8	10	10
Net debt to equity (%)	175	131	87	111	89

Source: Company data, RHB

SWOT Analysis

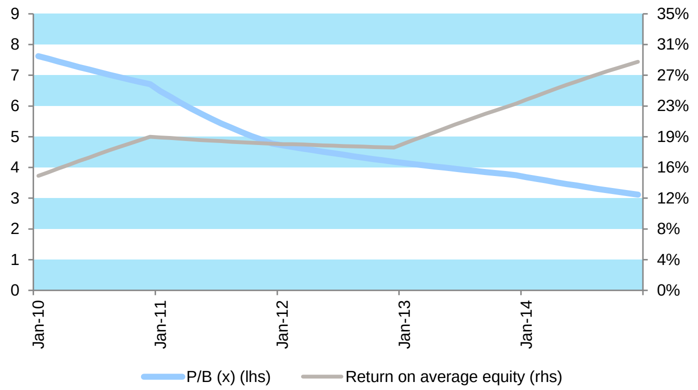


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

EA Technique (EAT) is a provider of tanker shipping as well as tugboat and mooring services at several ports in Malaysia. At a fleet count of six product tankers, it is ranked as the fourth-largest product tanker operator in the country with an 8% market share. It also owns two fast crew boats for offshore support, one floating storage unit (FSU) and two (liquefied petroleum gas) LPG tankers. In its tugboat and mooring division, EAT's fleet comprises 16 tugboats and five mooring boats.

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
Sell: Share price may fall by more than 10% over the next 12 months
Not Rated: Stock is not within regular research coverage

Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. No part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation to the clients of RHB and its related companies. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice to independently evaluate the particular investments and strategies.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

RHB, its affiliates and related companies, their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, RHB, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

RHB and its employees and/or agents do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

The term "RHB" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to RHB Research Institute Sdn Bhd, its holding company, affiliates, subsidiaries and related companies.

Malaysia

This report is published and distributed in Malaysia by RHB Research Institute Sdn Bhd (233327-M), Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, a wholly-owned subsidiary of RHB Investment Bank Berhad (RHBIB), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group) and OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB", which in turn is a wholly-owned subsidiary of RHB Capital Berhad). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited. DMG & Partners Securities Pte Ltd may have received compensation from the company covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report.

As of 28 November 2014, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd do not have proprietary positions in the securities covered in this report, except for:
a) -

As of 28 November 2014, none of the analysts who covered the securities in this report has an interest in such securities, except for:
a) -

Special Distribution by RHB

Where the research report is produced by an RHB entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd

Hong Kong

This report is published and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited ("RHBSHK") (formerly known as OSK Securities Hong Kong Limited), a subsidiary of OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB"), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

RHBSHK, RHBIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. RHBSHK, RHBIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

Risk Disclosure Statements

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. RHBSHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

Indonesia

This report is published and distributed in Indonesia by PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Thailand

This report is published and distributed in Thailand by RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

Kuala Lumpur	Hong Kong	Singapore
Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693	**RHB OSK Securities Hong Kong Ltd. (formerly known as OSK Securities Hong Kong Ltd.)** 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908	**DMG & Partners Securities Pte. Ltd.** 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211
Jakarta	**Shanghai**	**Phnom Penh**
PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia) Plaza CIMB Niaga 14th Floor Jl. Jend. Sudirman Kav.25 Jakarta Selatan 12920, Indonesia Tel : +(6221) 2598 6888 Fax : +(6221) 2598 6777	**RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.)** Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	**RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited)** No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171
	Bangkok	
	RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 862 9999 Fax : +(66) 2 108 0999	