

16 October 2017 | Corporate Update

## Vivocom Holdings International Berhad

### Tapping Directly into the OBOR Network

**Maintain BUY**  
**Adjusted Target Price (TP): RM0.395**

#### INVESTMENT HIGHLIGHTS

- Encouraging flurry of news
- Tapping directly into the OBOR network
- Positive impact to VIHB's construction expertise
- Nonetheless, we maintain our BUY call with a TP of RM0.395 per share

**Encouraging flurry of news.** VIHB's major shareholders Golden Oasis Sdn. Bhd and Ang Li Hann reportedly has inked an indicative term sheet agreement to sell their stakes to CNQC International Holdings Ltd. (CNQC) totalling to 970.27m shares - amounting to 29.15% of its total shareholding. We believe that CNQC will finance the purchase of the VIHB's shares via share swap. The news comes as a pleasant surprise as CNQC is now roped in to support VIHB's growth in the construction segment.

**Tapping directly into the OBOR network.** CNQC Holdings Ltd. is listed in the Hong Kong Stock exchange with a market capitalisation of RM2.2bn (13.10.17). CNQC was established in in 1993 as a specialist sub-structure contractor in Hong Kong. The company is a part of Qinjiang Group's network in Mainland China established in 1952 with strong project accomplishments such as Qingdao Olympic Sailing Centre and Qingdao Liuting International Airport. Currently, CNQC's network is extensive covering real estate development and construction across Singapore, Indonesia, Hong Kong, Macau, Indonesia and Vietnam. The company's project in Singapore covers almost 600,000 sq. m. of saleable floor area. Since last March, CNQC has delivered 32,000 residential units in Singapore. Amongst its notable completed projects in Singapore are The Minton in Hougang, HDB Punggol Spring in Punggol, Bellewoods in Woodlands and Ecopolitan in Punggol.

**Positive impact to VIHB's construction expertise.** We view the news as a positive influence on VIHB to expand its capacity and capabilities. CNQC is expected to compliment VIHB construction team in areas such as sub-structure, water infrastructure construction, real estate financing and residential development. All in, with the cross-pollination of expertise, we estimate that construction margin will improve by +1.2% in FYE18/FYE19 due to the slated expansion of the project team to undertake higher volume of construction activities. Furthermore, CNQC's track record will strengthen VIHB's expertise to bid for higher-scaled project such as the East Coast Railway Link.

**Recommendation.** Altogether, we maintain our BUY call with an adjusted TP of RM0.395 per share based on discounted cash flow (DCF) with WACC of 7.4%.

RETURN STATS	
Price (13 Oct 2017)	RM0.145
Target Price	RM0.395
Expected Share Price Return	+182.1%
Expected Dividend Yield	+0.0%
<b>Expected Total Return</b>	<b>+182.1%</b>

STOCK INFO	
KLCI	1,755.2
Bursa / Bloomberg	0069/VIVO MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	2587
Par Value (RM)	1.00
Market cap. (RM'm)	482.66
Price over NA	1.06
52-wk price Range	RM0.11– RM0.19
Beta (against KLCI)	0.5
3-mth Avg Daily Vol	20.4
3-mth Avg Daily Value	RM2.83m
Major Shareholders (%)	
Golden Oasis S/B	22.75
Ang Li Hann	10.24
JP Morgan Chase	2.54
Soo Ching Kung	1.38

## SOP VALUATION

Segments	Basis	Indicative Value (RM'm)	Per Share (RM)
Construction	DCF at 7.4%	806.85	0.249
Aluminium Manufacturing	DCF at 7.4%	192	0.059
Telecommunication Assets	DCF at 7.4%	240	0.074
<b>Total Sum of Parts</b>		1238	<b>0.381</b>
Net Cash (Current)		47	0.0145
<b>SOP Per Share</b>			<b>0.3955</b>
No of Shares (mil)			3249

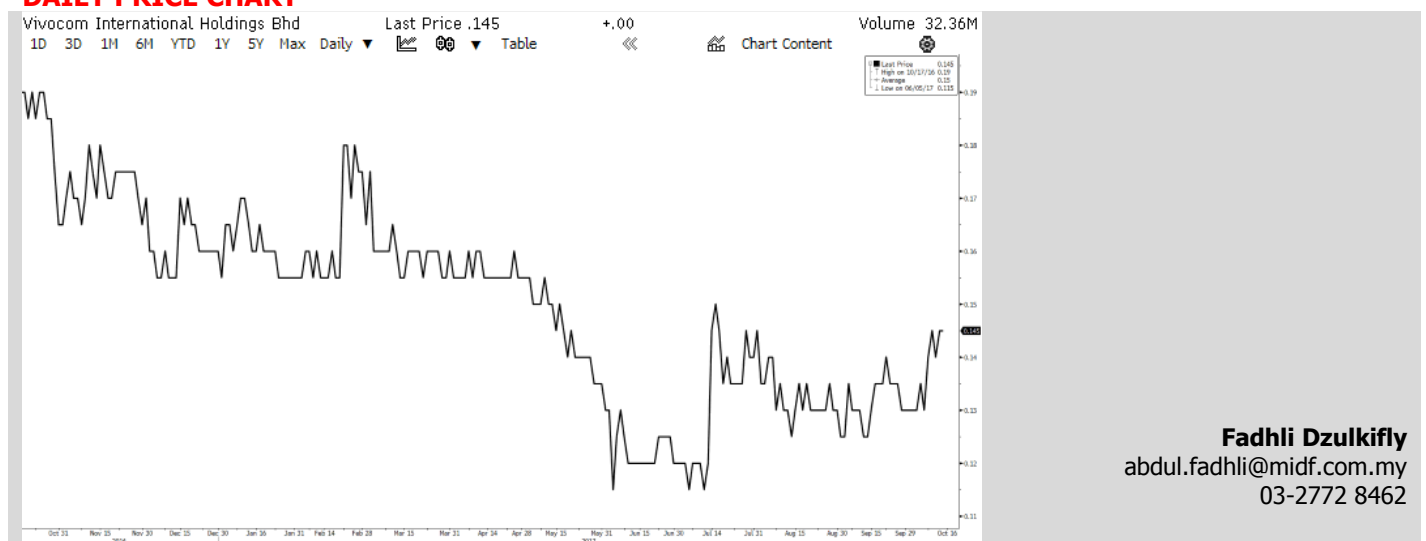
Source: MIDFR

## INVESTMENT STATISTICS

FYE DEC (RM m)	2014	2015	2016	2017F	2018F
Revenue	66	182	365	908.1	650
Gross Profit	13.9	46.7	104.2	378	165.5
Net Profit	3.7	12.5	53.9	99.9	78
EPS (Sen)	0.01	0.02	0.024	0.034	0.024
EPS (Growth)(%)	-86	100	20	42	-29
PER	201.2	2	8	15.7	5.6

Source: MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.