

PublicInvest Research Results Review
Tuesday, August 30, 2022

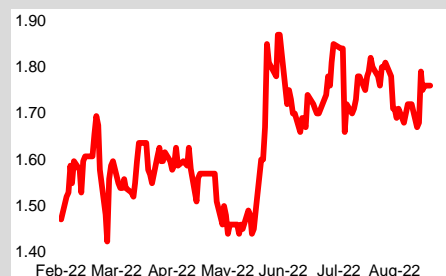
KDN PP17686/03/2013(032117)

CHIN WELL HOLDINGS BERHAD
Outperform
DESCRIPTION

An investment holdings company involved in the manufacturing and trading of carbon steel fastening and wire products.

12-month Target Price RM2.00
Current Price RM1.76
Expected Return 13.6%

Market Main
Sector Industrial Products
Bursa Code 5007
Bloomberg Ticker CWH MK
Shariah-compliant Yes

SHARE PRICE CHART


52 Week Range (RM) 1.22-1.98
 3-Month Average Vol ('000) 318.6

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-2.2	18.1	9.6
Relative Returns	-2.8	13.0	13.6

KEY STOCK DATA

Market Capitalisation (RMm) 492.8
 No. of Shares (m) 286.5

MAJOR SHAREHOLDERS

	%
Benua Handal SB	57.1
Samarang Asset Mgmt SA	9.9
Andbanc Investments SIF	9.9

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Solid Finish

Chin Well Holdings' (Chin Well) 4QFY22 net profit jumped over four-fold YoY to RM27.6m on higher revenue and better profit margin following the increase of its average selling price. Full-year FY22 results meet our and beat consensus expectations, accounting for 96% and 112% of estimates respectively. We remain positive on the Group's outlook. While demand from export markets may be somewhat dampened by ongoing geopolitical tensions and increase in global interest rates, near term growth is likely to be underpinned by the re-starting of major construction projects in Malaysia next year. We make no change to our forecasts and retain our **Outperform** call with an unchanged target price of RM2.00 based a 7.0x P/E multiple to its FY23E EPS. The Group declared a single tier second interim dividend of 8sen, bringing year-to-date payout to 13.4sen.

§ **4QFY22 revenue improved by 50% YoY** to RM196.9m, driven by higher revenue of RM162.1m (+65% YoY, +25.6% QoQ) from the Fasteners products division. Higher exports to Europe and America were also seen owing to a rebound in demand from both markets, consequently becoming main contributors to the higher revenue in this quarter. Wire division posted revenue of RM34.8m (+9% YoY, -9% QoQ) this quarter, lower compared to the immediate preceding quarter due to slow down in local demand as some infrastructure projects did not commence as expected.

§ **4QFY22 net profit jumped over four-fold YoY.** Chin Well reported a net profit of RM27.6m, largely due to higher revenue and better profit margin enjoyed by both the Fasteners and Wire divisions following the increase of wire rod price which led to higher average selling prices. In addition, there was a reversal of impairment in receivable for RM0.65m this quarter though it was offset by a write-off of deposit amounting to RM1.1m, paid for purchase of raw material to a supplier who defaulted.

§ **Outlook.** We remain positive on Chin Well's long-term prospects given the resilient demand for its products. Moving forward, we expect Chin Well to focus on products in the downstream market for better growth and profit margins. In addition, the Group remains committed to continue investing and transforming its production processes with more automation to iron out long-term solutions on workforce-related challenges.

KEY FINANCIAL SUMMARY

FYE Jun (RM m)	2021A	2022A	2023F	2024F	2025F	CAGR
Revenue	491.7	657.8	725.0	768.2	771.9	11.9%
Operating Profit	36.1	123.1	107.6	100.6	105.7	30.8%
Pre-tax Profit	32.7	122.2	106.8	99.7	104.8	33.8%
Net Profit	23.4	96.0	81.1	75.8	79.7	35.8%
Core Net Profit	23.4	96.0	81.1	75.8	79.7	35.8%
EPS (Sen)	8.1	33.3	28.1	26.3	27.6	35.8%
P/E (x)	14.9	5.4	6.3	6.8	6.4	
DPS (Sen)	3.3	13.3	11.2	10.5	11.0	
Dividend Yield (%)	2.7	7.5	6.3	5.9	6.2	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Sep (RM m)	<u>4Q22</u>	<u>4Q21</u>	<u>3Q22</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY22</u>	<u>YTD FY21</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	196.9	130.3	167.6	51.0	17.4	657.8	491.7	33.8	Driven by export to Europe and America
Cost of sales	-150.3	-109.1	-125.0	37.8	20.2	-502.5	-419.1	19.9	
Gross profit	46.5	21.2	42.6	>100	9.2	155.3	72.5	>100	
Other income	1.7	2.7	3.5	-39.1	-52.4	8.3	6.5	26.2	
Admin expenses	-9.3	-9.1	-5.7	2.3	61.5	-24.6	-27.5	-10.4	
Selling and distribution	-3.6	-3.3	-2.6	9.8	39.1	-15.9	-15.1	5.0	
Operating profit	35.3	11.6	37.8	>100	-6.5	123.1	36.5	>100	
Finance cost	-0.2	-2.8	-0.2	-91.9	42.2	-0.9	-3.4	-74.2	
Pre-tax profit	35.1	8.8	37.6	>100	-6.7	122.2	33.1	>100	
Taxation	-7.5	-3.7	-7.6	>100	-1.4	-26.2	-9.7	>100	
Profit after tax	27.6	5.1	30.0	>100	-8.0	96.0	23.4	>100	Higher ASP
PATMI	27.6	5.1	29.6	>100	-6.9	95.6	25.9	>100	
EPS (sen)	9.6	1.8	10.5			33.5	8.2		
DPS (sen)	3.9	0.0	4.2			13.4	3.3		
Pre-tax Margin (%)	17.8	6.7	22.4			18.6	6.7		
Net Margin (%)	14.0	3.9	17.9			14.6	4.8		
Effective tax rate (%)	21.4	41.8	20.3			21.5	29.3		
Segmental Revenue									
Fastener products	162.1	98.5	129.1	64.6	25.6	493.3	352.4	40.0	
Wire products	34.8	31.9	38.5	8.9	-9.8	164.6	139.4	18.1	

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Jun (RM m)	2021A	2022A	2023F	2024F	2025F
Revenue	491.7	657.8	725.0	768.2	771.9
Operating Profit	36.1	123.1	107.6	100.6	105.7
Finance costs	-3.4	-0.9	-0.9	-0.9	-0.9
Pre-tax Profit	32.7	122.2	106.8	99.7	104.8
Income Tax	-9.4	-26.2	-25.6	-23.9	-25.2
Effective Tax Rate (%)	-28.6	-21.5	-24.0	-24.0	-24.0
Minorities	--	--	--	--	--
Net Profit	23.4	96.0	81.1	75.8	79.7
Growth					
Revenue (%)	-8.1	33.8	10.2	6.0	0.5
Operating Profit (%)	7.4	18.7	14.8	13.1	13.7
Net Profit (%)	4.8	14.6	11.2	9.9	10.3

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Jun (RM m)	2021A	2022A	2023F	2024F	2025F
Property, Plant & Equipment	157.2	140.8	143.8	146.6	146.3
Cash and Cash Equivalents	85.8	127.5	139.6	151.0	139.4
Trade and Other Receivables	133.7	119.1	188.5	199.7	11.8
Other Assets	338.2	410.1	324.7	339.6	577.6
Total Assets	714.9	797.5	796.6	837.0	875.1
Trade and Other Payables	34.0	39.2	43.2	45.8	46.0
Borrowings	90.1	37.8	28.3	18.3	8.3
Other Liabilities	10.4	53.2	38.4	40.7	40.9
Total Liabilities	134.5	130.2	109.9	104.8	95.2
Shareholders' Equity & Minority	580.4	667.2	686.7	732.2	780.0
Total Equity and Liabilities	714.9	797.5	796.6	837.0	875.1

Source: Company Prospectus, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Jun (RM m)	2021A	2022A	2023F	2024F	2025F
Book Value Per Share	2.0	2.2	2.4	2.5	2.7
NTA Per Share	2.0	2.2	2.4	2.5	2.7
EPS (Sen)	8.1	33.3	28.1	26.3	27.6
DPS (Sen)	3.3	13.3	11.2	10.5	11.0
Payout Ratio (%)	40.7	40.0	40.0	40.0	40.0
ROA (%)	3.3	12.0	8.3	7.6	10.0
ROE (%)	4.0	15.0	11.8	10.4	10.2

Source: Company Prospectus, PublicInvest Research 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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Published and printed by:

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