

## Eksons Corporation

EKSON MK / EKSJN.KL

➤ **Market Cap**  
**US\$68.73m**  
 RM230.4m

➤ **Avg Daily Turnover**  
**US\$0.03m**  
 RM0.11m

➤ **Free Float**  
**39.0%**  
 164.2 m shares

Current **RM1.41**  
 Target **RM1.50**  
 Prev. Target **RM1.54**  
 Up/Downside **6.4%**

## 2QFY15 RESULTS NOTE

### STOCK RATING

ADD

**HOLD**

REDUCE

### CIMB Analyst(s)



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### Share price info

Share price perf. (%)	1M	3M	12M
Relative	6.5	3.5	12.3
Absolute	7.6	2.2	14.6
Major shareholders		% held	
Tay Hua Sin			46.9
Faizal bin Abdul Aziz			12.3
EPF			1.8

## Backed by cash

At only 29% of our FY15 core net profit, Eksons's annualised 1H FY15 core net profit was below our expectation mainly due to weak plywood prices. But 1H15 net profit rose 230% due to EI gain from "The Atmosphere" land sale. We raise our FY15 EPS forecast to reflect the EI gain but cut FY16/17 EPS for the weak plywood price outlook. Our target price, based on an unchanged 20% discount to adjusted SOP/share, falls to RM1.50. The SOP discount reflects its small market capitalisation and tight trading liquidity. The stock remains a Hold. We advise switching to MyEG for exposure to the small-cap sector.

### 1H15 net profit up 230% ➤

1H15 revenue rose 95% and net profit surged 230%. This was mainly due to RM51m net profit gain from "The Atmosphere" land sale (sold for RM140.3m cash). However, 1H15 core net profit was RM7m (-56% yoy) due to weak timber and property earnings. No interim DPS was declared, which was in line with our expectations. However, we are disappointed that the company did not reward shareholders with a special bonus using proceeds from "The Atmosphere" land sale. 2Q15 timber net profit came in at only RM3.2m (-43% qoq) due to higher log costs, while plywood prices remained flat.

### Challenging market conditions ➤

The outlook looks challenging for tropical plywood over the next few quarters. Japan, the world's largest importer of tropical plywood, is going through a soft patch. The country is in recession after the government raised sales tax from 5% to 8%. Domestic demand and housing starts are likely to be affected by Japan's weak economy. To make matters worse, the yen has depreciated against the US\$ over the past few months. ¥-US\$ was at 101 a few months ago compared to 117 currently. This could lead to slower plywood purchases by Japanese customers over the next few quarters.

### Cash rich ➤

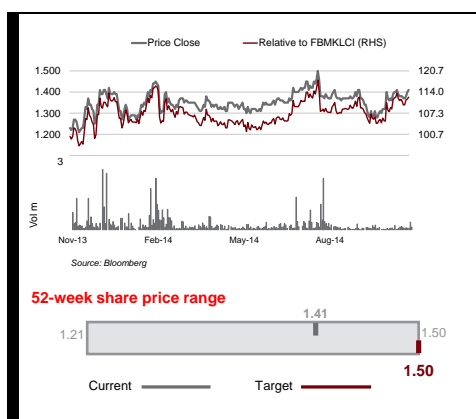
The company's balance sheet is cash rich – RM137m net cash or RM0.83 net cash per share as at end-Sep. Cash currently contributes 57% of its share price. The company has indicated that it plans to use the cash to expand its property landbank, likely somewhere in the Klang Valley. With the completion of "The Atmosphere" project, the company is looking to launch a residential development project in Bukit Serdang, with a GDV of above RM100m.

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### Results Comparison

FYE Mar (RM m)	2QFY15	2QFY14	yoy % chg	qoq % chg	2QFY15 cum	2QFY14 cum	yoy % chg	Prev. FY15	Comments
<b>Revenue</b>	<b>172.6</b>	<b>50.3</b>	<b>243.1</b>	<b>110.7</b>	<b>254.5</b>	<b>130.2</b>	<b>95.5</b>	<b>338.3</b>	Below, if exclude land sale
Operating costs	(168.0)	(40.6)	313.8	122.8	(243.3)	(100.5)	142.1	(282.3)	Below, if exclude land sale
EBITDA	4.6	9.7	(52.6)	(29.2)	11.2	29.7	(62.3)	48.2	Below, weak timber earnings
EBITDA margin (%)	2.7	19.3	(86.2)	(66.4)	4.4	22.8	(80.7)	14.2	Below, higher cost pressures and weak plywood prices
Depn & amort.	(2.8)	(2.8)	-	0.0	(5.6)	(5.6)	-	(15.2)	In line, no major capex yet
EBIT	1.8	6.9	(73.9)	(51.4)	5.6	24.1	(76.8)	33.0	Below, plywood industry hit by slowdown in Japan's economy
Interest expense	-	-	-	-	-	-	-	-	RM137m net cash or RM0.83 net cash/share
Interest & invt inc	1.2	1.1	9.1	200.0	1.6	1.6	0.0	4.5	In line, mainly from interest income
Exceptionals	114.0	-	-	-	114.0	-	-	-	Gain from "The Atmosphere" commercial land for RM140.3m cash
<b>Pretax profit</b>	<b>117.0</b>	<b>8.0</b>	<b>nm</b>	<b>2,753.7</b>	<b>121.2</b>	<b>25.7</b>	<b>371.6</b>	<b>37.5</b>	<b>Above, mainly due to land sale gain</b>
Tax	(28.0)	(0.2)	nm	13,900.0	(28.2)	(4.4)	nm	(5.6)	Above, taxation from land sale gain
Tax rate (%)	23.9	2.5	nm	390.6	23.3	17.1	35.9	14.9	Above, taxation from land sale gain
Minority interests	(37.0)	0.3	nm	(9,350.0)	(36.6)	(4.2)	nm	(5.6)	Above, mainly due to land sale gain
<b>Net profit</b>	<b>52.0</b>	<b>8.1</b>	<b>542.0</b>	<b>1,109.3</b>	<b>56.4</b>	<b>17.1</b>	<b>229.8</b>	<b>26.3</b>	<b>Above but operating conditions remain weak</b>
EPS (sen)	31.7	4.9	542.0	1,109.3	34.3	10.4	229.8	16.0	Above, land sale gain
Core EPS (sen)	2.0	4.9	(59.2)	25.4	4.6	10.4	(55.8)	16.0	Below, weak plywood prices

SOURCE: CIMB, COMPANY REPORTS



### Financial Summary

	Mar-13A	Mar-14A	Mar-15F	Mar-16F	Mar-17F
Revenue (RMm)	338.7	248.1	344.5	245.0	275.6
Operating EBITDA (RMm)	30.4	34.4	137.7	30.7	36.9
Net Profit (RMm)	19.30	20.30	60.40	17.00	22.27
Core EPS (RM)	0.12	0.12	0.37	0.10	0.14
Core EPS Growth	(49%)	5%	198%	(72%)	31%
FD Core P/E (x)	12.00	11.41	3.83	13.62	10.40
DPS (RM)	0.030	0.040	0.040	0.040	0.040
Dividend Yield	2.13%	2.84%	2.84%	2.84%	2.84%
EV/EBITDA (x)	6.95	6.84	1.11	4.96	4.02
P/FCFE (x)	NA	NA	1.79	32.16	22.11
Net Gearing	(12.1%)	(6.4%)	(27.6%)	(27.2%)	(27.1%)
P/BV (x)	0.57	0.55	0.49	0.48	0.46
ROE	4.9%	4.9%	13.6%	3.6%	4.5%
% Change In Core EPS Estimates			130%	(43%)	(32%)
CIMB/consensus EPS (x)			2.30	0.58	0.68

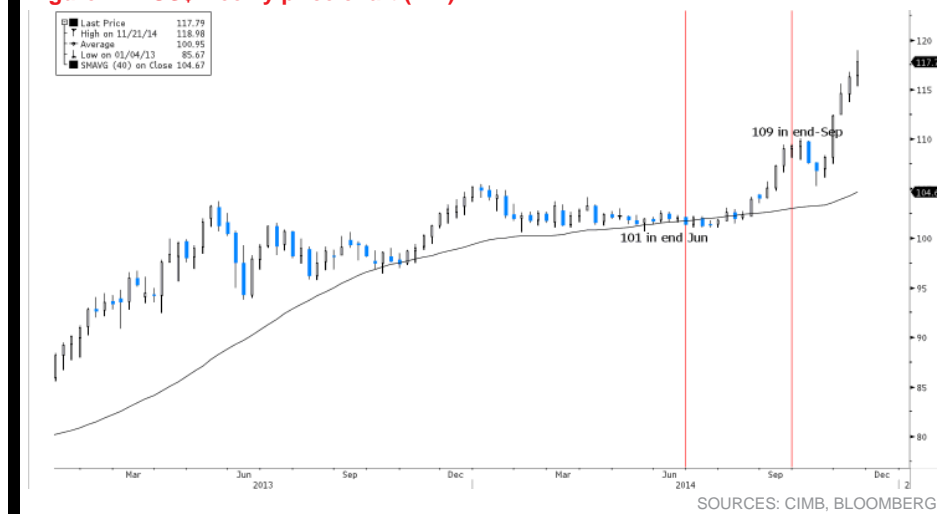
SOURCE: CIMB, COMPANY REPORTS

### Figure 1: Eksons's SOP/share (RM)

Assets	Value (RMm)	Per share (RM)
Net cash	137.0	0.83
Replacement cost of its plywood business	170.0	1.04
Total	307.0	1.87
<b>SOP/share (RM)</b>	<b>1.87</b>	

SOURCES: CIMB

### Figure 2: ¥-US\$ weekly price chart (117)



### Figure 3: Sector comparisons

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2013	CY2014		CY2013	CY2014	CY2013	CY2014	CY2013	CY2014		
Eksons Corporation	EKSON MK	HOLD	1.41	1.50	69	11.5	9.3	5.8%	0.6	0.5	5.0%	5.8%	6.5	4.2	2.7%	2.8%
Jaya Tiasa Holdings	TAH MK	HOLD	2.56	2.36	780	36.8	15.2	36.5%	1.4	1.3	4.2%	9.0%	15.1	9.0	0.5%	1.3%
Ta Ann	TAH MK	HOLD	3.8	4.66	449	35.4	12.7	9.2%	1.5	1.3	4.4%	8.6%	11.7	7.0	1.3%	3.7%
<b>Sector average</b>						<b>27.9</b>	<b>12.4</b>	<b>17.2%</b>	<b>1.2</b>	<b>1.0</b>	<b>4.5%</b>	<b>7.8%</b>	<b>11.1</b>	<b>6.7</b>	<b>1.5%</b>	<b>2.6%</b>

SOURCES: CIMB, COMPANY REPORTS

### Profit & Loss

(RMm)	Mar-14A	Mar-15F	Mar-16F	Mar-17F
<b>Total Net Revenues</b>	<b>248.1</b>	<b>344.5</b>	<b>245.0</b>	<b>275.6</b>
<b>Gross Profit</b>	<b>248.1</b>	<b>344.5</b>	<b>245.0</b>	<b>275.6</b>
<b>Operating EBITDA</b>	<b>34.4</b>	<b>137.7</b>	<b>30.7</b>	<b>36.9</b>
Depreciation And Amortisation	(11.4)	(12.0)	(15.2)	(15.2)
<b>Operating EBIT</b>	<b>23.0</b>	<b>125.7</b>	<b>15.5</b>	<b>21.7</b>
Financial Income/(Expense)	4.3	3.3	4.5	4.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>27.3</b>	<b>129.0</b>	<b>20.0</b>	<b>26.2</b>
Exceptional Items	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>27.3</b>	<b>129.0</b>	<b>20.0</b>	<b>26.2</b>
Taxation	(3.3)	(29.6)	(3.0)	(3.9)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>24.0</b>	<b>99.4</b>	<b>17.0</b>	<b>22.3</b>
Minority Interests	(3.7)	(39.0)	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>20.3</b>	<b>60.4</b>	<b>17.0</b>	<b>22.3</b>
Recurring Net Profit	20.3	60.4	17.0	22.3
<b>Fully Diluted Recurring Net Profit</b>	<b>20.3</b>	<b>60.4</b>	<b>17.0</b>	<b>22.3</b>

### Balance Sheet

(RMm)	Mar-14A	Mar-15F	Mar-16F	Mar-17F
Total Cash And Equivalents	58.9	171.3	171.9	175.8
Total Debtors	31.7	41.0	43.0	43.0
Inventories	146.8	75.0	75.0	77.0
Total Other Current Assets	104.2	104.2	104.2	104.2
<b>Total Current Assets</b>	<b>341.6</b>	<b>391.5</b>	<b>394.1</b>	<b>400.0</b>
Fixed Assets	119.4	132.4	142.2	152.0
Total Investments	62.3	65.9	65.9	65.9
Intangible Assets	26.8	26.8	26.8	26.8
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
<b>Total Non-current Assets</b>	<b>208.5</b>	<b>225.1</b>	<b>234.9</b>	<b>244.7</b>
Short-term Debt	30.0	21.1	21.1	21.1
Current Portion of Long-Term Debt				
Total Creditors	53.0	32.0	34.0	34.0
Other Current Liabilities	1.9	5.4	5.4	5.4
<b>Total Current Liabilities</b>	<b>84.9</b>	<b>58.5</b>	<b>60.5</b>	<b>60.5</b>
Total Long-term Debt	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	14.4	14.4	14.4	14.4
<b>Total Non-current Liabilities</b>	<b>14.4</b>	<b>14.4</b>	<b>14.4</b>	<b>14.4</b>
Total Provisions	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>99.3</b>	<b>72.9</b>	<b>74.9</b>	<b>74.9</b>
Shareholders' Equity	418.4	472.2	482.6	498.3
Minority Interests	32.7	71.7	71.7	71.7
<b>Total Equity</b>	<b>451.1</b>	<b>543.9</b>	<b>554.3</b>	<b>570.0</b>

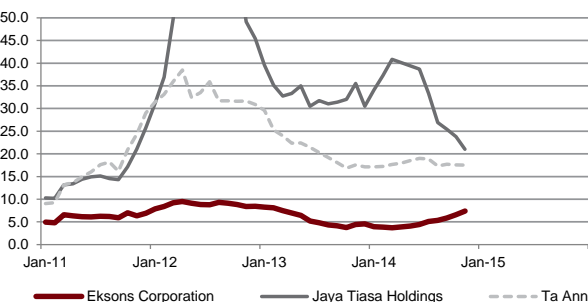
### Cash Flow

(RMm)	Mar-14A	Mar-15F	Mar-16F	Mar-17F
EBITDA	34.4	137.7	30.7	36.9
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(51.6)	41.5	0.0	(2.0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(1.2)	0.0	0.0	0.0
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(2.4)	(29.6)	(3.0)	(3.9)
<b>Cashflow From Operations</b>	<b>(20.8)</b>	<b>149.6</b>	<b>27.7</b>	<b>31.0</b>
Capex	(1.5)	(25.0)	(25.0)	(25.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(1.5)</b>	<b>(25.0)</b>	<b>(25.0)</b>	<b>(25.0)</b>
Debt Raised/(repaid)	4.3	4.5	4.5	4.5
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(6.6)	(6.6)	(6.6)	(6.6)
Preferred Dividends				
Other Financing Cashflow	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(2.3)</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(2.1)</b>
Total Cash Generated	(24.6)	122.5	0.6	3.9
<b>Free Cashflow To Equity</b>	<b>(18.0)</b>	<b>129.1</b>	<b>7.2</b>	<b>10.5</b>
<b>Free Cashflow To Firm</b>	<b>(22.3)</b>	<b>124.6</b>	<b>2.7</b>	<b>6.0</b>

### Key Ratios

	Mar-14A	Mar-15F	Mar-16F	Mar-17F
Revenue Growth	(26.7%)	38.9%	(28.9%)	12.5%
Operating EBITDA Growth	13%	300%	(78%)	20%
Operating EBITDA Margin	13.9%	40.0%	12.5%	13.4%
Net Cash Per Share (RM)	0.18	0.91	0.92	0.94
BVPS (RM)	2.55	2.88	2.94	3.03
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	12.1%	22.9%	15.0%	15.0%
Net Dividend Payout Ratio	28.0%	7.3%	33.0%	25.2%
Accounts Receivables Days	88.71	38.51	62.74	56.95
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	5.0%	24.2%	3.3%	4.4%
ROCE (%)	5.8%	24.7%	3.5%	4.5%

### 12-month Forward Rolling FD P/E (x)



### Key Drivers

	Mar-14A	Mar-15F	Mar-16F	Mar-17F
Log ASP (% Change)	5.0%	5.0%	5.0%	5.0%
Log Vol. Sales Growth (%)	N/A	N/A	N/A	N/A
Log Utilisation Rate (%)	N/A	N/A	N/A	N/A
Plywood ASP (% Change)	3.0%	3.0%	3.0%	3.0%
Plywood Vol. Sales Growth (%)	N/A	N/A	N/A	N/A
Plywood Utilisation Rate (%)	82.0%	82.0%	82.0%	82.0%
Avg cost: natural forest log (%chg)	N/A	N/A	N/A	N/A
Avg cost: plantation log (%chg)	N/A	N/A	N/A	N/A
Average Recovery Rate (%)	52.0%	52.0%	52.0%	52.0%
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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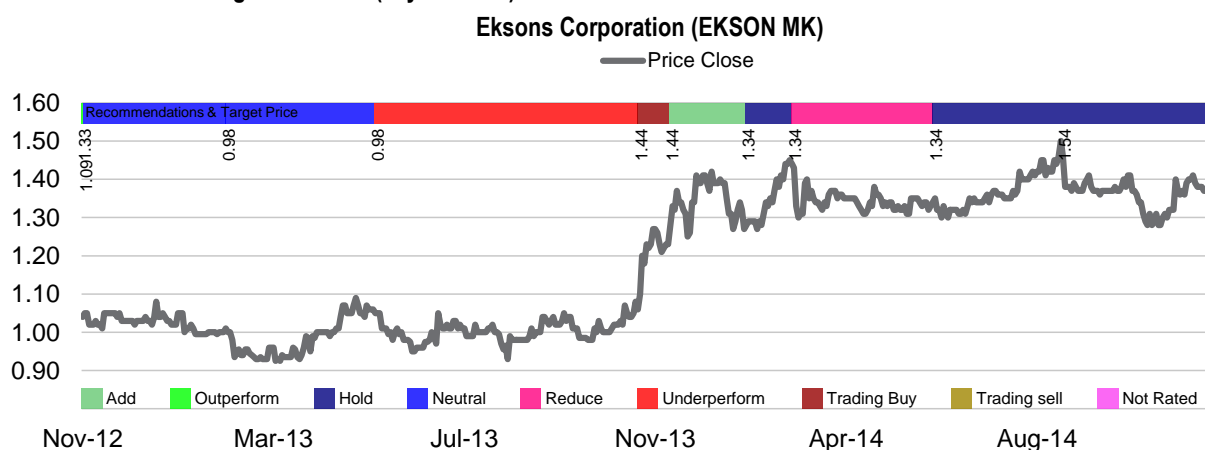
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2014		
1552 companies under coverage for quarter ended on 30 September 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	54.9%	5.0%
Hold	29.5%	2.3%
Reduce	15.6%	1.0%

**Spitzer Chart for stock being researched ( 2 year data )**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2014.**

**AAV** – Very Good, **ADVANC** – Very Good, **AEONTS** – not available, **AMATA** - Good, **ANAN** – Very Good, **AOT** – Very Good, **AP** - Good, **ASK** – Very Good, **ASP** – Very Good, **BANPU** – Very Good, **BAY** – Very Good, **BBL** – Very Good, **BCH** – not available, **BCP** - Excellent, **BEAUTY** – Good, **BEC** - Good, **BECL** – Very Good, **BGH** - not available, **BH** - Good, **BIGC** - Very Good, **BJC** – Good, **BLA** – Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** – Good, **CENDEL** – Very Good, **CHG** – not available, **CK** – Very Good, **CPALL** – not available, **CPF** – Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DEMCO** – Good, **DTAC** – Very Good, **EA** - Good, **ECL** – not available, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** – Very Good, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** – Good, **IVL** - Excellent, **JAS** – not available, **JUBILE** – not available, **KAMART** – not available, **KBANK** - Excellent, **KCE** - Very Good, **KGI** – Good, **KKP** – Excellent, **KTB** - Excellent, **KTC** – Good, **LH** - Very Good, **LPN** – Very Good, **M** - not available, **MAJOR** - Good, **MAKRO** – Good, **MBKET** – Good, **MC** – Very Good, **MCOT** – Very Good, **MEGA** – Good, **MINT** - Excellent, **OFM** – Very Good, **OISHI** – Good, **PS** – Very Good, **PSL** - Excellent, **PTT** - Excellent, **PTTEP** - Excellent, **PTTGC** - Excellent, **QH** – Very Good, **RATCH** – Very Good, **ROBINS** – Very Good, **RS** – Very Good, **SAMART** - Excellent, **SAPPE** - not available, **SAT** – Excellent, **SAWAD** – not available, **SC** – Excellent, **SCB** - Excellent, **SCBLIF** – Good, **SCC** – Very Good, **SCCC** - Good, **SIM** - Excellent, **SIRI** - Good, **SPALI** - Excellent, **STA** – Very Good, **STEC** - Good, **SVI** – Very Good, **TASCO** – Good, **TCAP** – Very Good, **THAI** – Very Good, **THANI** – Very Good, **THCOM** – Very Good, **THRE** – not available, **THREL** – Good, **TICON** – Good, **TISCO** - Excellent, **TK** – Very Good, **TMB** - Excellent, **TOP** - Excellent, **TRUE** – Very Good, **TTW** – Very Good, **TUF** - Good, **VGI** – Very Good, **WORK** – not available.

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**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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