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## Cypark's 4QFY15 core net profit rises 49%

**Cypark Resources Bhd**  
(Jan 4, RM1.79)

**Maintain add with a lower target price of RM2.30:** Cypark Resources Bhd's fourth quarter ended Oct 31, 2015 (4QFY15) core net profit rose 49% year-on-year (y-o-y) to RM9.5 million. With the exception of the maintenance division, all other divisions contributed higher earnings in 4QFY15 compared with the previous year.

The earnings before interest and tax (Ebit) of the environmental engineering division rose 32% y-o-y to RM9.2 million, while that of the landscaping and infrastructure division rose 11% y-o-y to RM1.9 million. The Ebit of the renewable energy division also more than doubled to RM2.5 million in the quarter from RM1 million in the previous year's corresponding quarter.

However, the maintenance division posted a loss of RM300,000 in the quarter, against an Ebit of RM100,000 in the previous year. No revenue was recorded in this division as Cypark was still awaiting instructions from its clients for the extension of maintenance services.

We project a 1% growth in net profit for FY16. However, we believe there is an upside to our earnings forecast as we have not factored in the contribution from the first phase of the waste-to-energy (WTE) project in Tanah Merah, Negeri Sembilan, due to the lack of details about its operating cost structure. We gathered that the site had started to re-

ceive waste material and begun to generate revenue.

The first phase of the WTE project consists of a landfill that is designed to handle more than 1,000 tonnes of waste per day. Assuming a tipping fee of RM30 per tonne and a pre-tax margin of 50%, the landfill could boost our FY16 earnings per share (EPS) by around 8% if it was running at full capacity.

**As the government is promoting renewable energy, we believe it is likely that more WTE projects will be developed in the country.**

Cypark is Malaysia's first and currently only WTE operator. As the government is promoting the development of green and renewable energy, we believe it is likely that more WTE projects will be developed in the country. As the pioneer in this field, Cypark has an advantage over other new entrants to secure more WTE projects. The potential of positive earnings surprises arising from the tipping fees for receiving waste in Tanah Merah and news flows about more WTE projects are the key rerating catalysts for Cypark's share price. We maintain our "add" rating. — *CIMB Research, Jan 3*