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# Cypark positive on more RE businesses

► CYPARK RESOURCES BHD				
FYE OCT	2014A	2015A	2016F	2017F
<b>REVENUE</b> (RM mil)	237.0	251.9	272.6	295.8
<b>NET PROFIT</b> (RM mil)	39.9	43.5	49.6	62.3
<b>EPS</b> (sen)	20.3	20.7	19.8	24.9
<b>PE</b> (x)	9.1	8.9	9.3	7.4

► **Recommendation:**  
**Outperform**  
**TARGET Price: RM2.25**  
 by Public Investment Bank  
 Bhd (Jan 4)

**Highlights**  
 CYPARK Resources Bhd reported 4QFY15 revenue of RM55.7m (12.7% YoY, -9.3% QoQ), bringing full year FY15 revenue to RM251.9m (+5.5% YoY) which met 98% of our full-year expectation.

Its 4QFY15 net profit was higher at RM8.2m (+27.3% YoY, -33.3% QoQ) attributed to increase in revenue and lower finance costs, but mitigated by higher income tax expenses due to non-tax-exempted projects.

Its FY15 net profit of RM43.5m (+8.9%) was, however, slightly short of our expectation at 89% of full-year estimate owing to higher than estimated cost of sales and income tax expenses.

Cypark is confident of securing more renewable energy (RE) projects going forward,

leveraging on its leading position in the waste-to-energy (WTE) business which is encouraged by the government and can be replicated via modular concepts. We maintain our 'Outperform' call on Cypark with a TP of RM2.25.

**FY15 revenue.** All segments except for environmental engineering (EE) recorded impressive YoY growth. EE registered 10.3% decline in revenue as Phase 2 of Ladang Tanah Merah (LTM) project only commenced in 4QFY15 upon Cypark's formalisation of appointment as engineering, procurement, construction and commissioning contractor.

The slack in EE was covered by the surge of revenue from landscaping and infrastructure projects.

**FY15 net profit.** Higher revenue recognition and savings in finance costs improved net profit, though also weighed by an increase in income tax expenses due to non-tax-ex-

empted projects. Effective tax rate for FY15 was higher at 14.5% compared to 7.1% in FY14.

Net profit margin improved in FY15 to 17.3% versus 16.7% in the previous corresponding year.

The company has a balance of 9.3MW solar quota and upcoming 25MW from its bio-mass and biogas plants.

**Solid waste management.** The company's sanitary landfill at LTM has been fully operational since the signing of concession agreement on Nov 25, 2015. The company targets to receive 1,000 tonnes of solid waste per day. We estimate the tipping fee is around RM30/tonne.

**Potential growth and new projects.** Cypark is confident of securing more RE projects, among others Taman Beringin incinerator project and utility scale solar, leveraging on leading position in the WTE business which is encouraged by the government.