

Media Title : The Edge Financial Daily
 Headline : Cypark registers 45% y-o-y increase in net profit
 Date : 4 January 2017
 Page : 10
 Size : 10.5x20.9



Cypark registers 45% y-o-y increase in net profit

Cypark Resources Bhd
(Jan 3, RM2.09)

Outperform call with an increased target price (TP) of RM2.64:

Cypark Resources Bhd reported fourth quarter ended Oct 31, 2016 (4QFY16) net profit of RM11.9 million (increase of 45.3% year-on-year [y-o-y]), bringing its full-year FY16 net profit to RM50.7 million (increase of 16.5% y-o-y).

Growth came as a result of higher contribution from the Environmental Engineering segment (+19.3%), new tipping fee income generated from its landfill operation and partially due to favourable foreign exchange movement.

The reported numbers were within expectations, accounting for 103.8% and 102.3% of our revenue and net profit estimates respectively.

We expect Cypark's earnings under its renewable energy (RE) segment to improve from FY18, coming from additional biomass and biogas income subsequent to the completion of its Ladang Tanah Merah (LTM) project in Negeri Sembilan by the end of 2017.

We roll over our sum-of-parts valuation to FY18 which increases our TP to RM2.64 (previously RM2.56). Our "outperform" call on Cypark is maintained.

Revenue for FY16 increased

by 12.3% y-o-y to RM282.9 million, driven by higher contribution from its environmental engineering segment (+43.9% y-o-y) due to increased work activities in LTM.

Meanwhile, its Green Tech and RE segment revenue surged by 17.3% to RM46.5 million due to additional revenue from new tipping fee income from the landfill operation in LTM.

Its landscaping and infrastructure segment contracted by 46.7% y-o-y to RM39.1 million however as certain projects had been completed since the second quarter of 2016, while new projects were at early stages.

Net profit increased by 16.5% to RM50.7 million for FY16 due to higher gross profit from the environmental engineering (+19.3% y-o-y) and Green Tech and RE (+25.6% y-o-y) segments.

Favourable foreign exchange movement also partially aided the improvements.

Cypark's earnings are expected to improve going forward, from the sale of electricity through its 20MW biomass and 5MW biogas capacities once the LTM project is completed by the end of 2017.

It is expected to generate about RM65 million in additional revenue per year from biomass, and profits of about RM15 million.

— *PublicInvest Research, Jan 3*

Cypark Resources Bhd

FYE OCT (RM MIL)	2015A	2016A	2017F	2018F	2019F	CAGR (%)
Revenue	251.9	282.9	295.8	371.2	392.9	11.8
Operating profit	63.9	71.5	91.9	124.9	128.2	19.0
Pre-tax profit	50.9	58.7	73.0	102.5	108.7	20.9
Net profit	43.5	50.7	61.9	92.3	97.5	22.3
EPS (sen)	20.7	20.0	24.5	36.5	38.5	16.8
PER (x)	10.0	10.4	8.5	5.7	5.4	
DPS (sen)	5.0	5.0	7.3	10.9	11.6	
Dividend yield (%)	2.4	2.4	3.5	5.3	5.6	

Sources: Company, PublicInvest Research estimates