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Cypark secures RM15.2m landfill job in Pajam

Cypark Resources Bhd
 (Jan 25, RM2.22)

Maintain outperform call with an unchanged target price of RM2.64: Cypark announced overnight that it has successfully secured a landfill closure and restoration contract in Pajam, Negeri Sembilan, valued at RM15.2 million (inclusive of a 6% goods and services tax). The contract is for a 14-month period and is expected to be completed by early April 2018.

This is indeed a positive development as it will enable the group to plant up further solar capacity on this particular site post-completion which already houses 13mw adjacent to it, further augmenting its renewable energy-based earnings going forward.

We make no adjustments to our earnings estimates as this work

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forms part of our replenishment assumption in the construction-based non-environmental engineering business, though there will be incremental contributions from the additional solar capacity which we have not yet accounted for.

We continue to like Cypark premised on its pioneering position and technical expertise in green technol-

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FYEOCT (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)	10.5	10.8	8.9	5.9	5.6	
DPS (sen)	5.0	5.0	7.3	10.9	11.6	
Dividend yield (%)	2.3	2.3	3.4	5.0	5.3	

Sources: Company, PublicInvest Research estimates

ogy. We expect Cypark's earnings under its renewable energy (RE) segment to improve from financial year 2018, coming from additional biomass and biogas income subsequent to the completion of its Ladang Tanah Merah (LTM) project by end-2017. To recap, 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 in Negeri Sembilan is completed by end 2017 (with a 25-year concession period).

This is expected to generate

about RM65 million in additional revenue per year from the biomass plant, translating to a profit of about RM15 million. The sanitary landfill site in LTM is fully operational and has already been collecting tipping fees from the government for every tonne of municipal solid waste (MSW) received. The company targets to receive about 1,000 tonnes of MSW per day. We estimate the tipping fees to be at around RM30 per tonne.

The Energy Commission had introduced the large scale solar project and will be tendering out 200mw every year from 2017 to 2020, in view of the quota under the feed-in tariff allocations likely to plateau soon amid aims to substantially increase the amount of electricity generated from RE sources to 2,080mw by 2020. — PublicInvest Research, Jan 25