



Media Title : The Edge Financial Daily
 Headline : Higher profit seen for Cypark's renewable energy unit
 Date : 3 January 2018
 Page : 10
 Size : 26x9.9



Higher profit seen for Cypark's renewable energy unit

Cypark Resources Bhd (Jan 2, RM2.48)

Upgrade to outperform with an unchanged target price (TP) of RM2.62: Cypark Resources Bhd reported a fourth quarter ended Oct 31, 2017 (4QFY17) net profit of RM18.2 million (+40.3% year-on-year [y-o-y]), bringing its full-year FY17 net profit to RM57.6 million (+11.4% y-o-y).

FY17 revenue increased by 6.6% y-o-y mainly driven by higher contribution from its environment engineering-related segment (+13.7% y-o-y) to RM222.3 million due to newly secured projects in the division.

Nevertheless, it was partially offset by lower contributions from the landscaping and infrastruc-

Cypark Resources Bhd

FYE OCT (RM MIL)	2016A	2017A	2018F	2019F	2020F	CAGR (%)
Revenue	282.9	301.7	371.2	391.6	391.6	8.5
Operating profit	71.5	86.6	112.1	112.1	112.1	11.9
Pre-tax profit	58.7	69.6	90.9	94.1	97.4	13.5
Core net profit	50.7	62.8	79.4	83.2	85.6	14.0
EPS (sen)	20.0	22.5	31.4	32.9	33.9	14.0
PER (x)	11.8	10.5	7.6	7.2	7.0	
DPS (sen)	5.2	0.0	9.4	9.9	10.2	
Dividend yield (%)	2.2	0.0	4.0	4.2	4.3	

Sources: Company, PublicInvest Research estimates

ture segment, which declined by 32.3% y-o-y to RM26.4 million due to completion of projects since 3QFY17 and lower work activities for new projects.

FY17 net profit jumps by 11.4%

y-o-y mainly due to better margins generated from new projects.

Excluding one-off Esos (employee stock option scheme) expense of RM5.2 million in 2QFY17, full-year FY17 net profit

jumped by 21.5% y-o-y, contributed by the environment engineering segment with segmental margin increased to 65%, compared to 61% in FY16. Effective tax rate during the year was higher at 17% (versus 14% in FY16), due to additional tax provision made for projects without tax exemptions during the year.

The reported numbers were above ours and consensus expectations, accounting for 121% and 125% of net profit estimates respectively. Earnings came in higher than our forecast due to lower-than-expected finance cost and higher-than-expected other incomes.

We expect Cypark's earnings under its Renewable Energy (RE)

segment to improve from FY18 onwards, coming from additional biomass and biogas income following the completion of its Ladang Tanah Merah project. As such, we forecast FY18 earnings to expand by 26.3% y-o-y, from the sale of electricity of through its 20mw biomass and 5mw biogas capacities upon completion of the project by the end of CY17.

Going forward, we also expect further improvements in the RE division from the recent acceptance of the 30mwac large-scale solar project through a consortium with Revenue Vantage Sdn Bhd. This has yet to be accounted for, pending further clarity on the terms of project. — *PublicInvest Research, Jan 2*