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Cypark profit up 22% on higher EE contribution

| ▶ CYPARK RESOURCES BHD | | | | |
|---------------------------------|-------|-------|-------|-------|
| FYE OCT | 2017A | 2018F | 2019F | 2020F |
| REVENUE (RM mil) | 301.7 | 371.2 | 391.6 | 391.6 |
| CORE NET PROFIT (RM mil) | 62.8 | 79.4 | 83.2 | 85.6 |
| EPS (sen) | 22.5 | 31.4 | 32.9 | 33.9 |
| PE (x) | 10.5 | 7.6 | 7.2 | 7.0 |

► **Recommendation:**
Outperform
TARGET Price: RM2.62
 by Public Investment Bank Bhd (Jan 2)

Highlights

CYPARK Resources Bhd reported a 4QFY17 net profit of RM18.2m (+40.3% YoY), bringing its full-year FY17 net profit to RM57.6m (+11.4% YoY).

Excluding one-off employee stock option scheme (ESOS) expense, its full-year core net profit jumped 21.5% YoY to RM62.8m due to higher contribution from environmental engineering (EE) segment.

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 income.

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 (LTM) project.

As such, we forecast FY18F earnings to expand by 26.3% YoY. Given the upside potential of 10.5% to our unchanged SOP-target price of RM2.62, we upgrade our call to 'Outperform'.

Its FY17 revenue increased by 6.6% YoY mainly driven by higher contribution from its EE-related segment to RM222.3m due to newly secured projects in the division.

Nevertheless, it was partially off-set by lower landscaping and infrastructure segment, which declined by 32.3% YoY to RM26.4m due to completion of certain projects since 3QFY17 and lower work activities for new projects.

Its FY17 net profit jumped by 11.4% YoY, mainly due to better margin generated from new projects. Excluding one-off

ESOS expense of RM5.2m in 2QFY17, full-year FY17 net profit jumped by 21.5% YoY, contributed by higher EE 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 was made for non-tax-exempted projects during the year.

Further growth seen in RE in FY18. Cypark's earnings are expected to improve in FY18, from the sale of electricity of through its 20MW biomass and 5MW biogas capacities upon completion of LTM project by the end of CY17.

Going forward, we also expect further improvement in RE division from recent acceptance of the 30MWac of 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.