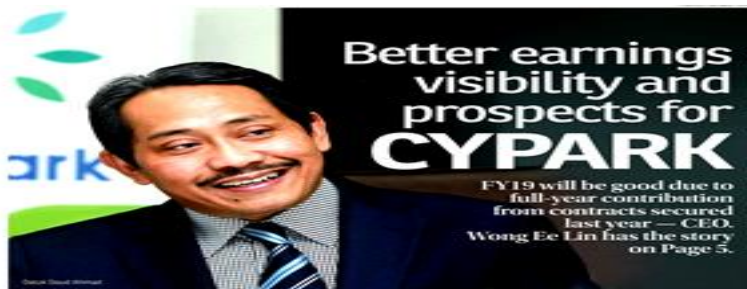




Media Title : The Edge Financial Daily
 Headline : Better earnings visibility prospects for Cypark
 Date : 29 January 2018
 Page : 5
 Size : 21.0x16.1,26.1x20.7



Better earnings visibility, prospects for Cypark

FY19 will be good due to full-year contribution from contracts secured last year — CEO

BY WONG EE LIN

KUALA LUMPUR: Cypark Resources Bhd, which just bagged a RM260.51 million contract for works related to a large-scale solar photovoltaic (PV) plant last week, the certain that its earnings visibility of its renewable energy (RE) operation is getting better starting next financial year ending Oct 31, 2019 (FY19).

Its group chief executive officer (CEO) Datuk Daud Ahmad is expecting its FY19 to be a good year as the company will be seeing a full-year contribution from its contracts secured last year.

In addition, the newly secured RM260.51 million contract from Cove Suria Sdn Bhd for a large scale solar PV Plant of 30mwac in Negeri Sembilan, is also expected to add fuel to sustain Cypark's earnings growth soon as in FY20.

The contract is for the engineering, procurement, construction and commissioning of the plant of about 180 acres (72.8ha) and will take effect for 24 months. The contract is also for the operation and maintenance (O&M) of the plant, which will be effective 21 years from the commercial operation date confirmed by Tenaga Nasional Bhd.

According to Daud, Cypark is confident of achieving double-digit profit growth in FY18 after it posted a 11.4%

increase in net profit to RM57.6 million in FY17 from RM51.7 million the year before. Its revenue increased 6.6% to RM301.68 million in FY17 versus RM282.93 million.

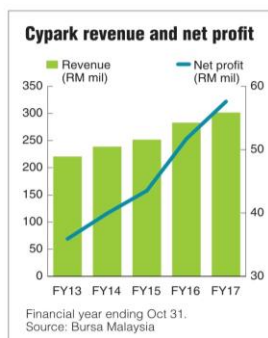
"For 2019, we are expecting a big chunk [of] earnings. And we are also expecting it to continue going up while tendering for other projects," said Daud, noting that Cypark will continue to see a recurring income from its O&M after the completion of the plant development.

Daud explained that the Ladang Tanah Merah plant is expected to have full-year contribution in FY19 of about RM80 million of revenue annually for the next 21 years, and roughly another RM25 million of revenue annually for 21 years for the large-scale PV plant of 30mwac in Negeri Sembilan.

Additionally, Cypark has also a 15mwac plant in Negeri Sembilan, which will contribute about RM10 million revenue annually for 21 years.

"These types of projects have a high Ebitda (earnings before interest, taxes, depreciation and amortisation) because of its RE, as the government provides incentive for green energy," said Daud, adding that the operational cost is low for RE.

CIMB Research analyst Ngo Siew Teng had forecast Cypark's revenue to be about RM495.7 million and RM531.8 million in FY18 and FY19 respectively. She anticipates



the company's net profit to be about RM82.32 million, or 32 sen per share, and RM87.29 million or 34 sen per share for FY18 and FY19 respectively.

"We expect Cypark's earnings to jump significantly in FY18, as Phase 1 of its waste-to-energy (WTE) project should commence operations in 1QCY18 (first quarter of calendar year 2018)," said Ngo in a research note dated Jan 2, adding that the completion of the WTE plant would be a key milestone for Cypark as the plant is the single-largest investment that it has ever undertaken.

Ngo added that Cypark also aims to raise RE revenue to RM300 million by FY20, from RM50 million in FY17.

Meanwhile, PublicInvest Research analyst Nur Farah Syifaa has a lower revenue projection of RM371.2 million and RM391.6 million in FY18 and FY19 respectively. Her net profit forecast is RM79.4 million, or 31.4 sen per share, for FY18 and RM83.2 million, or 32.9 sen per share, for FY19.

Nur Farah, however, pointed out that the earnings projection had not accounted for the recent acceptance of the 30mwac of large-scale solar project through a consortium with Revenue Vantage Sdn Bhd, pending further clarity on the terms of the project.

Listed on the Main Market of Bursa Malaysia in 2010, from a pure construction player, Cypark has today transformed itself into an integrated environmental engineering and technology provider, which Daud deemed it as "resilient to any other economic cycle".

Daud highlighted that the company had undergone a business transformation shortly after its listing. Cypark had diversified into environmental engineering and solutions, renewable energy — WTE and solar, as well as green technology.

He noted that Cypark's focus on research and development to create more innovative products over the years has borne fruit. Hence, the company has been consistently securing contracts over a couple of years.

"We have to stay competitive and be innovative with our products as even big companies such as Petronas, MRCB, and Malakoff want to enter this industry," said Daud, adding that Cypark will be replicating the floating solar plant model, and it aims to bring down the cost of making it by 10%.

Due to the scarce availability of land, Daud opined that Cypark wants to offer something that is very sustainable. "As a tropical country, we are blessed with a lot of reservoirs and they have no economic use," said Daud. Hence, Cypark had offered to lease the space from the reservoirs, from the local authorities, and dams to place its floating solar plant.

When asked about the effect of consecutive rainy days in Malaysia, Daud explained that Cypark calculates its solar generation by annual sun hours not daily. With the long historical weather data, Daud noted that the daily rainy versus sunny days variable does not affect its annual projections.

With a target to achieve a capacity of 200mwac, Daud said Cypark has a capacity of 30mwac as at end 2017, and will be achieving a capacity of 70mwac and 115mwac as of end 2018 and end 2019 respectively.

Currently, Cypark has a tender book of RM1.5 billion, while its construction and O&M order book stands at RM650 million.