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Cypark Resources Bhd

Target price: **RM2.72 ADD**



CGS CIMB RESEARCH (OCT 1): We believe Cypark is poised to benefit from a favourable industry outlook as the government aims to raise renewable energy capacity from 2% to 20% by 2025. Based on the projects on hand, Cypark expects its total renewable energy capacity to jump fourfold to breach 120mw by 2020. Its recent win in a large-scale solar (LSS) project is also likely to enhance its credibility and strengthen its position in the industry. We believe Cypark's earnings should continue to improve in FY18 to FY19F as Phase 1 of its waste-to-energy (WTE) project should commence operations by end-CY18. We expect the WTE plant to generate stable revenue of RM80 million per annum over the 25-year concession.

Maintain "add" with an SOP-based target price of RM2.72. The stock is also a good proxy for investors seeking exposure to the Malaysian renewable energy sector. The commissioning of the WTE plant by CY18 is the key potential re-rating catalyst. Key downside risks include weaker-than-expected earnings from its environmental engineering division and WTE plant.