

BUY

Last Traded Price (21 Feb 2018): RM0.97 (KLCI : 1,858.17)

Price Target 12-mth: RM1.48 (53% upside) (Prev RM1.48)

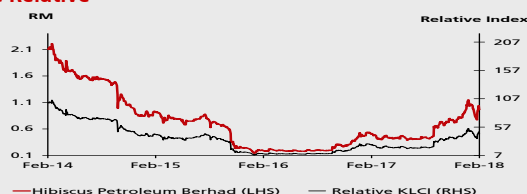
Analyst

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What's New

- In-line 2QFY18 results; expect a phenomenal 2HFY18
- 2QFY18 results affected by planned major turnaround and unplanned downtime but mitigated by higher sales volume and oil price
- Earnings to double in FY19 from full-year inclusion of North Sabah EOR PSC and enhancement works at Anasuria Cluster
- Reiterate BUY with TP of RM1.48

Price Relative



Forecasts and Valuation

| FY Jun (RM m) | 2017A | 2018F | 2019F | 2020F |
|--------------------------|-------|-------|-------|-------|
| Revenue | 261 | 418 | 906 | 948 |
| EBITDA | 163 | 241 | 574 | 616 |
| Pre-tax Profit | 146 | 155 | 435 | 477 |
| Net Profit | 106 | 117 | 292 | 323 |
| Net Pft (Pre Ex.) | 29.4 | 117 | 292 | 323 |
| Net Pft Gth (Pre-ex) (%) | nm | 297.4 | 150.5 | 10.3 |
| EPS (sen) | 7.51 | 7.05 | 15.4 | 17.0 |
| EPS Pre Ex. (sen) | 2.08 | 7.05 | 15.4 | 17.0 |
| EPS Gth Pre Ex (%) | (115) | 239 | 119 | 10 |
| Diluted EPS (sen) | 2.08 | 7.05 | 15.4 | 17.0 |
| Net DPS (sen) | 0.0 | 0.0 | 0.0 | 0.0 |
| BV Per Share (sen) | 52.5 | 71.9 | 78.1 | 95.2 |
| PE (X) | 12.9 | 13.7 | 6.3 | 5.7 |
| PE Pre Ex. (X) | 46.4 | 13.7 | 6.3 | 5.7 |
| P/Cash Flow (X) | 16.0 | 5.7 | 3.0 | 4.2 |
| EV/EBITDA (X) | 7.9 | 4.3 | 1.3 | 0.8 |
| Net Div Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Book Value (X) | 1.8 | 1.3 | 1.2 | 1.0 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH |
| ROAE (%) | 16.0 | 12.1 | 21.9 | 19.6 |
| Earnings Rev (%) | | 0 | 0 | 0 |
| Consensus EPS (sen): | | 11.4 | 20.0 | 21.3 |
| Other Broker Recs: | | B: 2 | S: 0 | H: 1 |

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

Stay tuned for next quarter

Our sector's top pick. We believe earnings will be significantly stronger in 2HFY18, supported by the completion of recent enhancement works on Anasuria Cluster and an ongoing oil price rebound. Moreover, the impending completion of the acquisition of North Sabah EOR PSC, slated for end-3QFY18, will more than double its earnings in FY19 and this will provide further icing on the cake to our FD core EPS CAGR forecast of 102% over FY17-20F. As a pure oil & gas exploration and production player, Hibiscus is the best Malaysian proxy to rising oil prices

Where we differ. We have a higher target price than consensus as we believe the street has not fully priced in the acquisition of North Sabah EOR PSC and recent enhancement works on the Anasuria Cluster. We believe the impending completion of Sabah EOR PSC will act as a near-term share price catalyst.

Further potential catalysts. Further enhancement projects for the Anasuria Cluster will potentially raise production from 3,200 bbl/day currently to 5,000 bbl/day in FY20. We also do not rule out similar enhancement projects for North Sabah EOR PSC upon completion of its acquisition or development of Hibiscus' Australian oil fields when oil prices surge further towards the USD70/bbl mark.

Valuation:

Our TP of RM1.48 is derived using the DCF method which only accounts for its active upstream production assets namely the Anasuria Cluster and North Sabah EOR PSC but excludes Hibiscus' Australian assets.

Key Risks to Our View:

Non-completion of North Sabah EOR PSC acquisition. The non-completion of North Sabah EOR PSC acquisition, which will be the key earnings growth driver for FY19-FY20, will be detrimental to Hibiscus. However, we view this risk as low and believe the acquisition will be completed as planned in FY18.

At A Glance

| | |
|---|-------------|
| Issued Capital (m shrs) | 1,588 |
| Mkt. Cap (RMm/US\$m) | 1,533 / 392 |
| Major Shareholders (%) | |
| Dr Kenneth Gerard Pereira | 15.3% |
| Datuk Michael Tang Vee Mun | 10.2% |
| Mohd Zulkefli bin Mohd Abdah | 6.3% |
| Free Float (%) | 68% |
| 3m Avg. Daily Val (US\$m) | 11.8 |
| ICB Industry : Oil & Gas / Oil Equipment, Services & Dist | |

WHAT'S NEW**Bright and imminent prospects**

2QFY18 earnings in line with our forecast. Hibiscus reported revenue of RM76m (+21% y-o-y, +31% q-o-q) and headline profit of RM11m (+3% y-o-y, +2% q-o-q). Core net profit stood at RM8.3m (-2% y-o-y, -15% q-o-q) after adjusting for RM1.5m reversal of impairments of receivables and RM1.2m reversal of impairments pertaining to JV in Australia

1HFY18 met 16% of our estimate, but we deemed this to be in-line as we expect a stronger 2HFY18, thanks to the completion of recent enhancement works on Anasuria Cluster, oil price rebound, and the completion of the acquisition of North Sabah EOR PSC. However, 1HFY18 earnings came in below consensus estimate by forming just 11% of FY18 forecast; and we believe consensus earnings estimates will be cut going forward.

Revenue was higher y-o-y and q-o-q as Anasuria Cluster sold 274,644 bbls of crude oil at an average realised oil price of USD62.93/bbl in 2QFY18 compared to 246,132 bbls at USD51.54/bbl in 1QFY18 and 298,909 bbls at USD41.7/bbl in 2QFY17. Despite the higher revenue, earnings were lower due to lower uptime performance of 57% in 2QFY18 (1QFY18: 70%, 2QFY17:84%). The lower uptime performance was due to; 1) 16 days major offshore turnaround in Oct 2017, 2) an unplanned production interruption at the Cook-P1 well in Oct 2017 as gas for injection into Guillemot field was affected, and 3) temporary failure of gas compression facility in Dec 2017 on Anasuria FPSO.

It should be noted that both the issues on the Cook-P1 well and the gas compressor have been resolved in Dec 2017 and Jan 2018 respectively; and production rates are back at expected levels.

Opex spiked to USD34/boe due to lower production in 2QFY18 and additional expenditure of RM19m due to the unplanned interruption costs. We believe opex will improve from 3QFY18 as average uptime normalises to historical levels and increased in oil production to the 3,500 bbl/day level.

Anasuria Cluster contributed quarterly PAT of RM20m in 1QFY18 and 2QFY18, which meets 39% of our full year PAT forecast from Anasuria Cluster of RM104m. 2QFY18's PAT contribution from Anasuria Cluster would have been RM39m without additional opex due to unplanned disruption. We are maintaining our forecast at this juncture as we believe 2HFY18's contribution from Anasuria cluster will be stronger supported by stronger oil prices (our Brent assumption is at USD60/bbl), normalisation of average uptime and increase in oil production to 3,500 bbl/day.

Anasuria Cluster operational statistics

| Asset | 2QFY18 | 1QFY18 | 2QFY17 |
|--------------------------------|---------|---------|---------|
| Brent price/bbl | USD60.6 | USD52.5 | USD50.9 |
| Average realised oil price/bbl | USD62.9 | USD51.5 | USD41.7 |
| Oil production (bbl/day) | 2,071 | 2,576 | 3,934 |
| Total oil sold (bbl) | 274,644 | 246,132 | 298,909 |
| Opex/boe | USD34.3 | USD23.6 | USD13 |
| Average uptime | 57% | 70% | 84% |
| USDMYR | 4.16 | 4.26 | 4.32 |

Source: Company, AllianceDBS

For 2HFY18, Hibiscus is focusing its resources on:

- Completion of the North Sabah EOR PSC acquisition – this transaction is scheduled to be completed on 31 March 2018. Post completion, Hibiscus will focus on lowering unit production costs. We expect North Sabah EOR PSC to contribute RM32m PAT in FY18.
- Drilling of the GUA-P2 side-track in Anasuria Cluster –. The drilling of this side-track is to enhance production from the Anasuria Cluster to a volume of c.5000 bbls/day by end-2020. By using the existing GUA-P2 well as a donor well for the side-track, Hibiscus plans to realise enhanced production as soon as the drilling programme is completed around mid-2018. This project is also forecasted to realise net proved and probable (2P) reserves of 1.01 MMbbls. The capex allocated for this enhancement is GBP10m (RM54m).

Quarterly / Interim Income Statement (RMm)

| FY Jun | 2Q2017 | 1Q2018 | 2Q2018 | % chg yoy | % chg qoq |
|-------------------------|-------------|-------------|-------------|---------------|--------------|
| Revenue | 62.8 | 58.2 | 76.1 | 21.1 | 30.6 |
| Cost of Goods Sold | (17.6) | (19.0) | (37.7) | 114.3 | 98.4 |
| Gross Profit | 45.2 | 39.2 | 38.4 | (15.2) | (2.2) |
| Other Oper. (Exp)/Inc | (25.9) | (24.8) | (24.4) | (5.7) | (1.5) |
| Operating Profit | 19.3 | 14.5 | 14.0 | (27.9) | (3.4) |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | 0.0 | nm | nm |
| Associates & JV Inc | (0.1) | (0.4) | (0.2) | (171.4) | (47.5) |
| Net Interest (Exp)/Inc | (6.3) | (5.3) | (3.4) | 46.2 | 36.7 |
| Exceptional Gain/(Loss) | 2.16 | 0.98 | 2.73 | 26.2 | 178.5 |
| Pre-tax Profit | 15.1 | 9.72 | 13.1 | (13.4) | 34.8 |
| Tax | (4.5) | 1.06 | (2.1) | (53.7) | (294.4) |
| Minority Interest | 0.0 | 0.0 | 0.0 | nm | nm |
| Net Profit | 10.7 | 10.8 | 11.0 | 3.4 | 2.4 |
| Net profit bef Except. | 8.51 | 9.81 | 8.32 | (2.3) | (15.2) |
| EBITDA | 40.7 | 27.9 | 25.7 | (37.0) | (8.0) |
| Margins (%) | | | | | |
| Gross Margins | 72.0 | 67.4 | 50.5 | | |
| Opg Profit Margins | 30.8 | 24.8 | 18.3 | | |
| Net Profit Margins | 17.0 | 18.5 | 14.5 | | |

Source of all data: Company, AllianceDBS

CRITICAL DATA POINTS TO WATCH

Critical Factors

Enhancement works on Anasuria Cluster to boost daily production.

In FY17, Hibiscus’ net production came in at an average of c.3,500 boe/day (oil: c.3,200 bbl/day and gas: 356 boe/day). It aims to increase its net oil production to 3,500 bbl/day in FY18.

Management is now working on enhancement projects throughout 2018-2019 with a budgeted capex of GBP40m; to be funded by internally generated funds and proceeds from its recent private placement. The estimated net oil production after completion of the enhancement projects is at 5,000 bbl/day. A 1% rise in total output for the Anasuria Cluster will boost profit by 1.4% in FY18.

Earnings accretion from North Sabah EOR PSC to double profit from FY19.

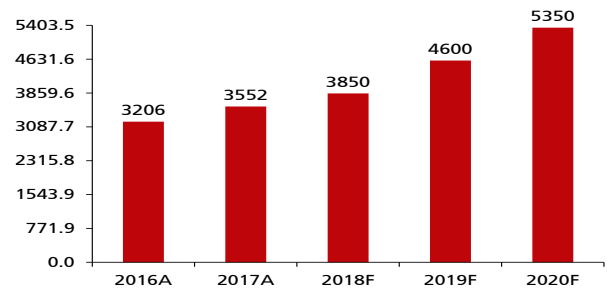
We expect the acquisition completion date to be at end-March 2018. Thus, we assume North Sabah EOR PSC to only start contribution in 4QFY18. We expect PAT contributions from North Sabah EOR PSC to grow at a 2-year CAGR of 68% from FY18-FY20. North Sabah EOR PSC’s PAT contribution will grow from 27% in FY18 to c.46% in FY19. Similar to Anasuria, we believe Hibiscus will carry out enhancement projects on North Sabah EOR PSC in the future to increase its oil production rate, thus providing potential positive earnings surprises. Furthermore, a large 2C reserve of 79mmstb may be exploited in the future subject to capex and oil price. Overall, we are sanguine about the prospects of the North Sabah EOR PSC, which can provide the group with immediate access to proven and probable oil and gas reserves with future potential upside.

Managing opex levels. Core net margin rose to 43% in FY17 from -178% in FY16. But we expect margins to stabilise around the 30% level after the inclusion of the North Sabah EOR PSC in FY18 and to improve gradually to 35% in FY20. Going forward, we forecast core net margins and opex to gradually improve from FY18 to FY20 for both Anasuria Cluster and North Sabah EOR PSC.

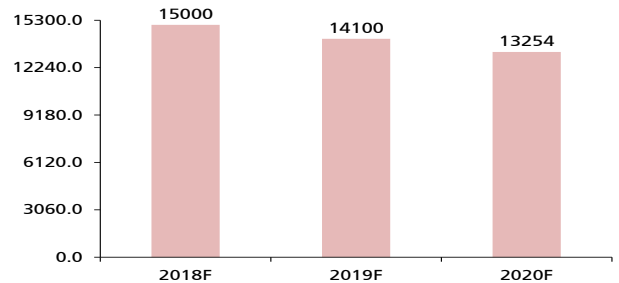
Upside from potential development in Australia. The group has a development licence in VIC/L31 field whereby a field development plan has been approved with the production licence obtained. Any development work has been halted since November 2014. Nonetheless, given the recent rebound in oil price above the USD60/bbl mark, we do not rule out that the development project at this field may be restarted once the acquisition of the North Sabah EOR PSC is completed and as oil prices remain robust.

Brent crude oil price has breached US\$60/bbl. We are turning optimistic on the direction of oil prices, and our average Brent crude oil price forecast for CY18 stands at US\$60-65/bbl. Taking into account realised oil price of USD57.55/bbl in 2QFY18, we assume an average oil price of USD57/bbl for the Anasuria Cluster in FY18 and a flat USD60/bbl thereafter. Any further upside to Brent crude oil price will positively correlate directly to Hibiscus’ bottom-line as it is a pure exploration and production company.

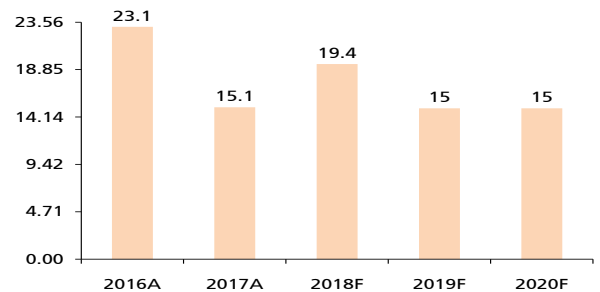
Anasuria total production (boe/day)



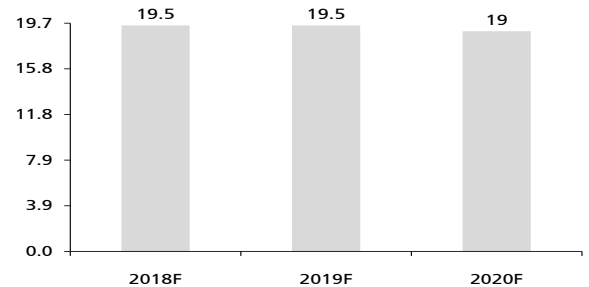
North Sabah total production (boe/day)



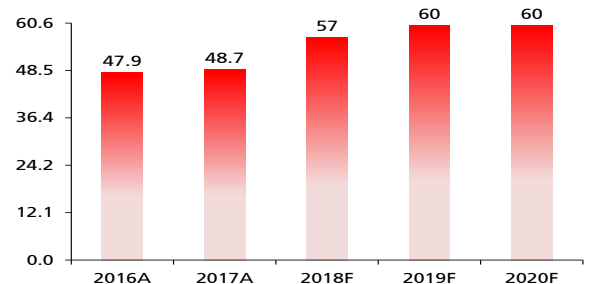
Anasuria opex (USD/boe)



North Sabah opex (USD/boe)

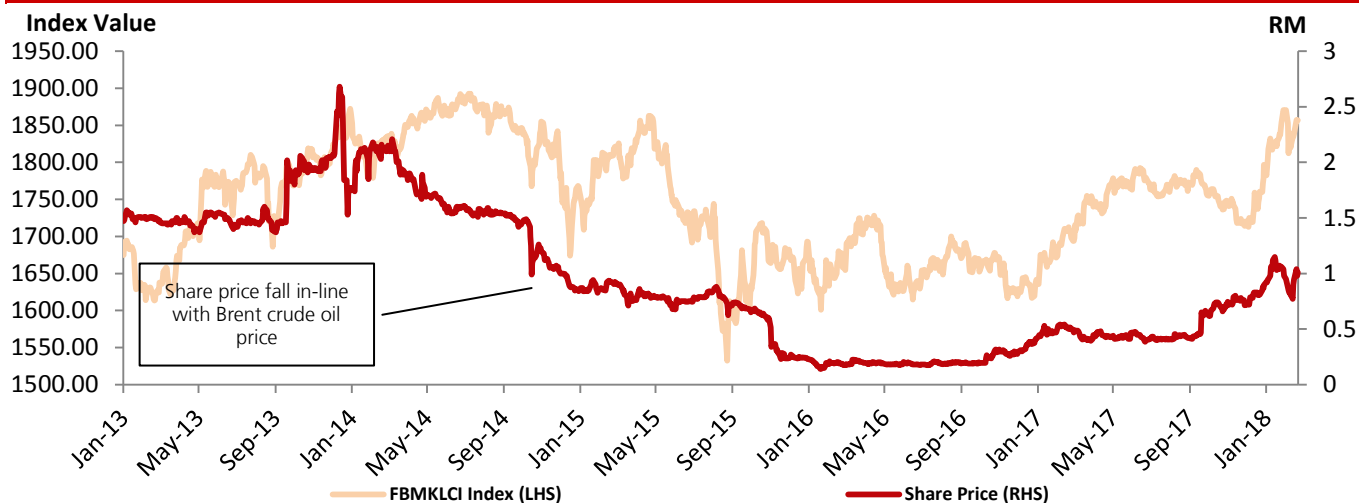


Brent crude oil price (USD/bbl)



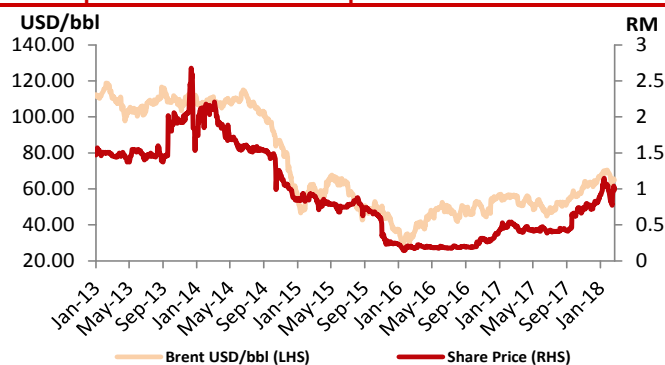
Source: Company, AllianceDBS

**Appendix 1:
Hibiscus' share price returns vs FBMKLCI Index**



Sources: AllianceDBS, Bloomberg Finance L.P

Hibiscus' share price vs Brent crude oil price



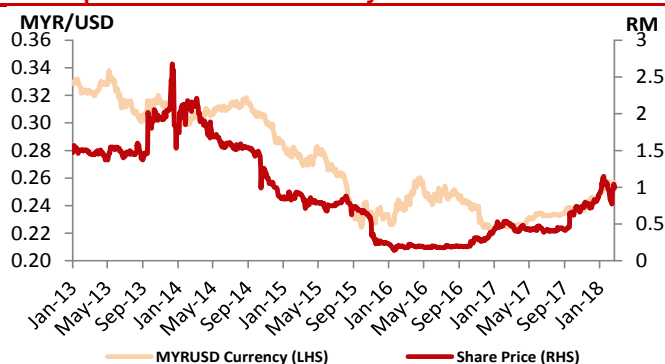
Source: Bloomberg, AllianceDBS

We found a strong correlation of 0.95x between Hibiscus' share price and Brent crude oil price movements. Looking ahead, we think Brent crude oil price could average between US\$60/bbl and US\$65/bbl for FY18.

Source: AllianceDBS

Remarks

Hibiscus' share price vs MYRUSD currency



Source: Bloomberg, AllianceDBS

Remarks

We found a strong correlation of 0.89x between Hibiscus' share price and MYRUSD fluctuations. Any further strengthening of MYR would negatively affect Hibiscus' earnings as the majority of its sales and expenses are denominated in USD. A 1% appreciation in MYR against USD would lead to a 1.6% decrease in our earnings estimate in FY18.

Source: AllianceDBS

Hibiscus Petroleum Berhad

Balance Sheet:

Strong balance sheet. Hibiscus is in a net cash position and does not have any bank borrowings as it has been funding its acquisitions and major capex by equity funding. This was partly due to difficulty in securing bank borrowings following the oil price collapse in 2014. Hibiscus' unleveraged balance sheet coupled with strong operational cash flow generation from Anasuria and North Sabah EOR PSC will allow the company to capitalise on future acquisition and/or enhancement opportunities which will enhance shareholders' return.

Share Price Drivers:

Best proxy to rising oil prices. As a full exploration and production company, its revenue is directly correlated with crude oil prices. Any further upside to Brent crude oil price will positively correlate directly to Hibiscus' bottom-line as it is a pure exploration and production company. A +/- 1% shift in Brent crude oil price will affect earnings by +/- 2% in FY18.

Completion of enhancement works in Anasuria Cluster and acquisition of North Sabah EOR PSC. Given the significant earnings boost from these two projects, any positive development will re-rate the stock.

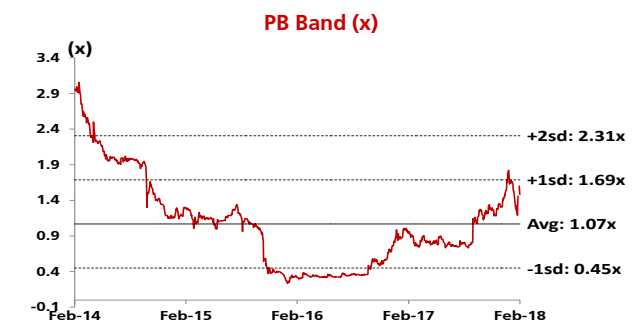
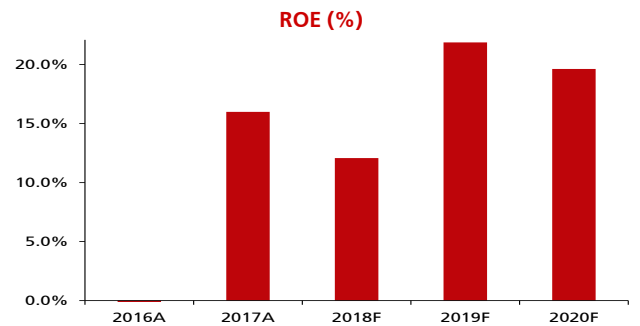
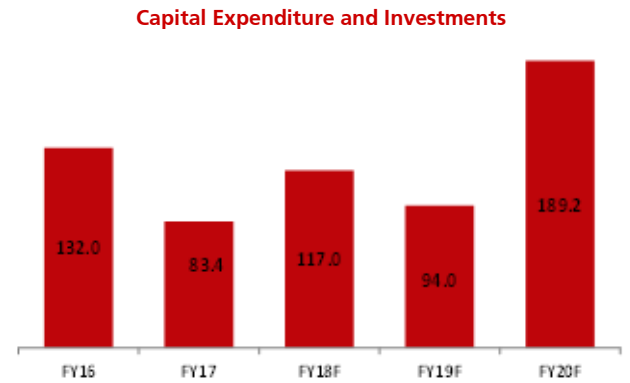
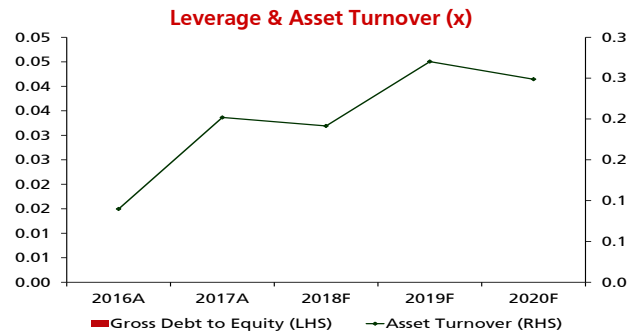
Key Risks:

Non-completion of North Sabah EOR PSC acquisition. The non-completion of the acquisition of North Sabah EOR PSC, which will be the key earnings growth driver for FY19-FY20, will be detrimental to Hibiscus. However, we view this risk as low and believe the acquisition will be completed as planned in FY18.

Unplanned maintenance shutdown. Anasuria facilities had its major mandatory shutdown for performance of compliance and general maintenance turnaround in Oct 2017. The average uptime/availability of Anasuria facilities was at 85% in FY17, and management expects the average to improve going forward after the major mandatory shutdown. While we are confident that the average uptime will at least stay at 85% in FY18-20, any unexpected shutdown will negatively affect Hibiscus' production output and bottom-line. We note that the next major turnaround for Anasuria FPSO will be in late 2019.

Company Background

Hibiscus Petroleum is Malaysia's first listed independent oil & gas exploration and production company. Its key activities are focused on growing its portfolio in the UK, Malaysia and Australia.



Source: Company, AllianceDBS

Key Assumptions

| FY Jun | 2016A | 2017A | 2018F | 2019F | 2020F |
|--|-------|-------|--------|--------|--------|
| Anasuria total production (boe/day) | 3,206 | 3,552 | 3,850 | 4,600 | 5,350 |
| North Sabah total production (boe/day) | - | - | 15,000 | 14,100 | 13,254 |
| Anasuria opex (USD/boe) | 23.1 | 15.1 | 19.4 | 15.0 | 15.0 |
| North Sabah opex (USD/boe) | - | - | 19.5 | 19.5 | 19.0 |
| Brent crude oil price (USD/bbl) | 47.9 | 48.7 | 57.0 | 60.0 | 60.0 |

Segmental Breakdown

| FY Jun | 2016A | 2017A | 2018F | 2019F | 2020F |
|-----------------------------|----------------|-------------|-------------|-------------|-------------|
| Revenues (RMm) | | | | | |
| Investment holding | 3.04 | 4.46 | 4.68 | 4.91 | 5.16 |
| Anasuria Cluster | 78.7 | 257 | 289 | 397 | 467 |
| North Sabah EOR PSC | 0.0 | 0.0 | 124 | 504 | 475 |
| 3D Oil, VIC/L31 & VIC/P57 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 81.7 | 261 | 418 | 906 | 948 |
| Core PAT (RMm) | | | | | |
| Investment holding | (80.9) | 4.06 | (7.9) | (7.1) | (6.4) |
| Anasuria Cluster | (27.8) | 50.7 | 104 | 172 | 209 |
| North Sabah EOR PSC | 0.0 | 0.0 | 32.0 | 138 | 131 |
| 3D Oil, VIC/L31 & VIC/P57 | (36.4) | (25.3) | (11.4) | (10.0) | (10.0) |
| Total | (145) | 29.4 | 117 | 292 | 323 |
| Core PAT Margins (%) | | | | | |
| Investment holding | (2,660.0) | 91.1 | (169.4) | (145.2) | (124.5) |
| Anasuria Cluster | (35.3) | 19.7 | 36.0 | 43.2 | 44.6 |
| North Sabah EOR PSC | N/A | N/A | 25.8 | 27.3 | 27.5 |
| 3D Oil, VIC/L31 & VIC/P57 | N/A | N/A | N/A | N/A | N/A |
| Total | (177.6) | 11.2 | 27.9 | 32.3 | 34.0 |

Income Statement (RMm)

| FY Jun | 2016A | 2017A | 2018F | 2019F | 2020F |
|-----------------------------|---------------|-------------|------------|------------|------------|
| Revenue | 81.7 | 261 | 418 | 906 | 948 |
| Cost of Goods Sold | (40.8) | (93.1) | (175) | (368) | (362) |
| Gross Profit | 40.9 | 168 | 242 | 538 | 585 |
| Other Opng (Exp)/Inc | (107) | (76.9) | (68.1) | (73.1) | (78.5) |
| Operating Profit | (65.7) | 91.3 | 174 | 465 | 507 |
| Other Non Opng (Exp)/Inc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Associates & JV Inc | (67.5) | (0.5) | 0.0 | 0.0 | 0.0 |
| Net Interest (Exp)/Inc | (8.2) | (22.0) | (19.4) | (30.1) | (30.1) |
| Exceptional Gain/(Loss) | 85.1 | 76.7 | 0.0 | 0.0 | 0.0 |
| Pre-tax Profit | (56.3) | 146 | 155 | 435 | 477 |
| Tax | (3.6) | (39.4) | (38.3) | (143) | (154) |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Preference Dividend | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | (60.0) | 106 | 117 | 292 | 323 |
| Net Profit before Except. | (145) | 29.4 | 117 | 292 | 323 |
| EBITDA | (102) | 163 | 241 | 574 | 616 |
| Growth | | | | | |
| Revenue Gth (%) | 424.2 | 219.8 | 59.9 | 116.9 | 4.6 |
| EBITDA Gth (%) | (67.9) | nm | 47.4 | 138.4 | 7.3 |
| Opg Profit Gth (%) | 58.0 | (239.0) | 90.9 | 166.7 | 9.0 |
| Net Profit Gth (Pre-ex) (%) | (112.9) | nm | 297.4 | 150.5 | 10.3 |
| Margins & Ratio | | | | | |
| Gross Margins (%) | 50.1 | 64.4 | 58.1 | 59.4 | 61.8 |
| Opg Profit Margin (%) | (80.5) | 35.0 | 41.8 | 51.3 | 53.5 |
| Net Profit Margin (%) | (73.4) | 40.6 | 27.9 | 32.3 | 34.0 |
| ROAE (%) | (10.9) | 16.0 | 12.1 | 21.9 | 19.6 |
| ROA (%) | (6.6) | 8.2 | 5.4 | 8.7 | 8.5 |
| ROCE (%) | (18.8) | 0.6 | 4.9 | 8.7 | 8.7 |
| Div Payout Ratio (%) | N/A | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Interest Cover (x) | (8.0) | 4.1 | 9.0 | 15.5 | 16.9 |

Source: Company, AllianceDBS

Quarterly / Interim Income Statement (RMm)

| FY Jun | 2Q2017 | 3Q2017 | 4Q2017 | 1Q2018 | 2Q2018 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 62.8 | 69.2 | 74.5 | 58.2 | 76.1 |
| Cost of Goods Sold | (17.6) | (22.6) | (28.7) | (19.0) | (37.7) |
| Gross Profit | 45.2 | 46.7 | 45.7 | 39.2 | 38.4 |
| Other Oper. (Exp)/Inc | (25.9) | (22.8) | (11.0) | (24.8) | (24.4) |
| Operating Profit | 19.3 | 23.9 | 34.7 | 14.5 | 14.0 |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Associates & JV Inc | (0.1) | (0.3) | (0.2) | (0.4) | (0.2) |
| Net Interest (Exp)/Inc | (6.3) | (6.0) | (3.2) | (5.3) | (3.4) |
| Exceptional Gain/(Loss) | 2.16 | (0.8) | (3.7) | 0.98 | 2.73 |
| Pre-tax Profit | 15.1 | 16.8 | 27.7 | 9.72 | 13.1 |
| Tax | (4.5) | (10.3) | (19.1) | 1.06 | (2.1) |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 10.7 | 6.49 | 8.65 | 10.8 | 11.0 |
| Net profit bef Except. | 8.51 | 7.26 | 12.3 | 9.81 | 8.32 |
| EBITDA | 40.7 | 39.2 | 52.7 | 27.9 | 25.7 |

Growth

| | | | | | |
|-----------------------------|-------|--------|------|--------|--------|
| Revenue Gth (%) | 14.8 | 10.2 | 7.5 | (21.8) | 30.6 |
| EBITDA Gth (%) | 32.9 | (3.7) | 34.3 | (47.1) | (8.0) |
| Opg Profit Gth (%) | 44.0 | 23.4 | 45.5 | (58.4) | (3.4) |
| Net Profit Gth (Pre-ex) (%) | 560.5 | (14.7) | 69.6 | (20.4) | (15.2) |

Margins

| | | | | | |
|------------------------|------|------|------|------|------|
| Gross Margins (%) | 72.0 | 67.4 | 61.4 | 67.4 | 50.5 |
| Opg Profit Margins (%) | 30.8 | 34.5 | 46.6 | 24.8 | 18.3 |
| Net Profit Margins (%) | 17.0 | 9.4 | 11.6 | 18.5 | 14.5 |

Balance Sheet (RMm)

| FY Jun | 2016A | 2017A | 2018F | 2019F | 2020F |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Fixed Assets | 211 | 203 | 253 | 239 | 319 |
| Invt in Associates & JVs | 1.94 | 4.09 | 4.09 | 4.09 | 4.09 |
| Other LT Assets | 997 | 1,029 | 2,205 | 2,307 | 2,277 |
| Cash & ST Invt | 50.3 | 72.0 | 564 | 1,076 | 1,325 |
| Inventory | 5.54 | 4.00 | 8.98 | 18.9 | 18.6 |
| Debtors | 1.98 | 7.43 | 7.53 | 16.3 | 17.1 |
| Other Current Assets | 0.85 | 0.19 | 0.19 | 0.19 | 0.19 |
| Total Assets | 1,269 | 1,320 | 3,043 | 3,660 | 3,961 |
| ST Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Creditor | 88.8 | 55.0 | 135 | 284 | 280 |
| Other Current Liab | 61.8 | 70.1 | 90.1 | 164 | 176 |
| LT Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT Liabilities | 534 | 452 | 1,628 | 1,729 | 1,700 |
| Shareholder's Equity | 584 | 742 | 1,190 | 1,482 | 1,805 |
| Minority Interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Cap. & Liab. | 1,269 | 1,320 | 3,043 | 3,660 | 3,961 |
| Non-Cash Wkg. Capital | (142) | (113) | (209) | (413) | (420) |
| Net Cash/(Debt) | 50.3 | 72.0 | 564 | 1,076 | 1,325 |
| Debtors Turn (avg days) | 4.4 | 6.6 | 6.5 | 4.8 | 6.4 |
| Creditors Turn (avg days) | 2,134.3 | 1,272.2 | 319.2 | 295.6 | 406.1 |
| Inventory Turn (avg days) | 102.2 | 84.4 | 21.8 | 19.6 | 26.9 |
| Asset Turnover (x) | 0.1 | 0.2 | 0.2 | 0.3 | 0.2 |
| Current Ratio (x) | 0.4 | 0.7 | 2.6 | 2.5 | 3.0 |
| Quick Ratio (x) | 0.3 | 0.6 | 2.5 | 2.4 | 2.9 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH | CASH |
| Net Debt/Equity ex MI (X) | CASH | CASH | CASH | CASH | CASH |
| Capex to Debt (%) | N/A | N/A | N/A | N/A | N/A |
| Z-Score (X) | NA | NA | NA | NA | NA |

Source: Company, AllianceDBS

Cash Flow Statement (RMm)

| FY Jun | 2016A | 2017A | 2018F | 2019F | 2020F |
|-------------------------|--------------|---------------|--------------|---------------|--------------|
| Pre-Tax Profit | (56.3) | 146 | 155 | 435 | 477 |
| Dep. & Amort. | 30.9 | 72.5 | 66.3 | 109 | 109 |
| Tax Paid | (3.6) | (39.4) | (38.1) | (38.3) | (143) |
| Assoc. & JV Inc/(loss) | 4.10 | 0.51 | 0.0 | 0.0 | 0.0 |
| Chg in Wkg.Cap. | 95.5 | (44.2) | 95.1 | 99.9 | (4.7) |
| Other Operating CF | (8.0) | (49.7) | 0.0 | 0.0 | 0.0 |
| Net Operating CF | 62.5 | 85.2 | 278 | 605 | 438 |
| Capital Exp.(net) | (104) | (1.6) | (117) | (94.0) | (189) |
| Other Invts.(net) | (27.6) | (81.8) | 0.0 | 0.0 | 0.0 |
| Invts in Assoc. & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Div from Assoc & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Investing CF | 0.12 | 0.02 | 0.0 | 0.0 | 0.0 |
| Net Investing CF | (132) | (83.4) | (117) | (94.0) | (189) |
| Div Paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Chg in Gross Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital Issues | 92.6 | 27.8 | 331 | 0.0 | 0.0 |
| Other Financing CF | 2.65 | 14.2 | 0.0 | 0.0 | 0.0 |
| Net Financing CF | 95.2 | 42.0 | 331 | 0.0 | 0.0 |
| Currency Adjustments | (3.1) | (18.1) | 0.0 | 0.0 | 0.0 |
| Chg in Cash | 22.8 | 25.8 | 492 | 511 | 249 |
| Opg CFPS (sen) | (3.1) | 9.16 | 11.1 | 26.6 | 23.3 |
| Free CFPS (sen) | (4.0) | 5.92 | 9.75 | 27.0 | 13.1 |

Source: Company, AllianceDBS

Target Price & Ratings History



| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|-------|----------------|---------------|---------------------|--------|
| 1: | 08 Jan 18 | 0.98 | 1.48 | BUY |
| 2: | 17 Jan 18 | 1.07 | 1.48 | BUY |

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Inani Rozidin

AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 22 Feb 2018 07:54:16 (MYT)

Dissemination Date: 22 Feb 2018 07:55:33 (MYT)

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