

01 March 2018

White Horse Berhad FY17 Below Expectation

FY17 CNL of RM0.8m missed our CNP estimates of RM14m due to weaker-than-expected top-line from lower-than-expected tiles demand coupled with unexpected write-down in slow moving inventories worth c.RM20m. A 2.0 sen dividend was declared; bringing FY17 dividend to 7.0 sen - below our 10.0 sen estimate. Slash FY18E earnings by 24% to RM13m and introduce FY19E earnings of RM16m. Maintain MP with lower TP of RM1.80 on unchanged 0.56x FY18E PBV (-1SD).

Below expectations. FY17 CNL (core net loss) of RM0.8m missed our CNP estimates of RM14m due to weaker revenue from lower-than-expected tiles demand in Malaysia and Vietnam coupled with unexpected write-down in slow moving inventories worth c.RM20m in 4Q17. A 2.0 sen final dividend was declared; bringing FY17 dividend to 7.0 sen - below our 10.0 sen estimate. We highlight that WTHORSE has been consistently dishing out 10.0 sen dividend/annum since 2009 and we view the current non-payment negatively. We derive our CNL estimate after reversing out unrealized FX gains of RM6.2m.

Results highlight. FY17 CNL of RM0.8m dipped into the red (vs. FY16 CNP of RM37.5m) due to: (i) weaker revenue (-8%) from slower sales in Malaysia, and (ii) write-down of slow moving inventories worth c.RM20m causing EBITDA margin to contract 4ppt. 4Q17 CNL of RM8.1m also sank into the red **QoQ** due to similar reasons stated above.

Outlook. Moving into FY18, we believe the tiles industry would remain challenging due to: (i) rising cost pressures i.e. hike in natural gas and labour cost (minimum wage review in FY18), (ii) weak tiles demand owing to the subdued property market, and (iii) increasing competition from local importers given that MYR has strengthened against the USD providing wider import opportunities for local traders.

Earnings estimate. We cut our FY18E earnings estimates by 24% to RM13m after accounting for weaker revenue from Vietnam and Malaysia due to the slower demand. Subsequently, we introduce our FY19E CNP of RM16m. Note that we have also trimmed our FY18E DPS assumption to 7.0 sen (from 10.0 sen).

Maintain MARKET PERFORM with a lower TP of RM1.80 (from RM1.90) based on unchanged FY18E PBV of 0.56x (5 years -1.0SD). We believe our 0.56x PBV valuation at -1.0SD is fair as we remain cautious with; (i) the property market which would suppress demand for tiles, (ii) potentially further write down in inventories, and (iii) rising energy (electricity, natural gas) and labour costs, which make up a substantial portion of operating costs at c.40%.

MARKET PERFORM ↔

Price: RM1.94
Target Price: RM1.80 ↓

Expected Capital Gain: -RM0.14 -7.2%
Expected Divd. Yield: RM0.07 3.6%
Expected Total Return: -RM0.07 -3.6%

KLCI Index 1,856.20

Stock Information

Bloomberg Ticker	WHIT MK Equity
Bursa Code	5009
Listing Market	Main Market
Shariah Compliant	Yes
Issued shares	228.9
Market Cap (RM m)	444.1
Par value per share (RM)	1.00
52-week range (H)	2.05
52-week range (L)	1.91
Free Float	72%
Beta	0.5
3-mth avg daily vol:	6,203

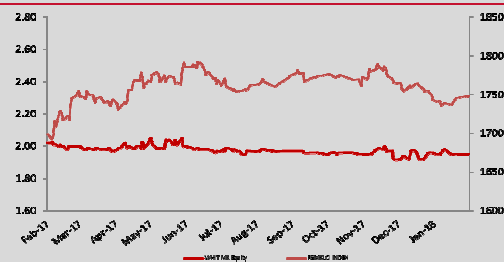
Major Shareholders

Yuan Shun Liao	12.3%
Lembaga Tabung Haji	9.8%
Swee Teng Teo	5.9%

Summary Earnings Table

FY Dec (RM m)	2017A	2018E	2019E
Turnover	642.8	665.6	678.9
EBIT	13.6	28.7	27.2
PBT	6.8	23.1	21.7
Net Profit	-0.8	13.0	16.3
Core PATAMI	-0.8	13.0	16.3
Consensus	n.a.	n.a.	n.a.
Earnings Revision	n.a.	-24%	n.a.
Core EPS (sen)	-0.4	5.7	7.1
Core EPS growth (%)	-102%	-1659%	26%
NDPS (sen)	7.0	7.0	7.0
NTA per share (RM)	3.26	3.23	3.20
Price to NTA (x)	0.60	0.60	0.61
PER (x)	-534.0	34.3	27.3
Debt-to-Equity ratio (x)	0.15	0.15	0.15
Return on Asset (%)	-0.1%	1.2%	1.5%
Return on Equity (%)	1.9%	1.8%	2.2%
Net Div. Yield (%)	3.6%	3.6%	3.6%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-1.0%	-1.0%	-3.5%
Relative (%)	-3.5%	-5.0%	-12.8%

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Results Highlights								
YE Dec (RM m)	4Q17	3Q17	QoQ	4Q16	YoY	FY17	FY16	YoY
Revenue	169.1	171.8	-2%	174.6	-3%	642.8	695.7	-8%
EBITDA	-10.3	18.0	-158%	18.5	-156%	51.0	82.8	-38%
Depreciation	-7.2	-10.0	-29%	-10.0	-29%	-37.4	-40.0	-7%
EBIT	-17.5	7.9	-320%	8.5	-307%	13.6	42.7	-68%
Finance expense	-1.6	-1.8	-9%	-2.5	-34%	-6.8	-6.9	-1%
PBT	-19.1	6.2	-410%	6.0	-420%	6.8	35.9	-81%
Tax	4.2	-1.1	-493%	-1.4	-409%	-1.4	-8.6	-84%
PAT	-14.9	5.1	-393%	4.6	-423%	5.4	27.3	-80%
Unrealized FX (gains)/loss	6.8	-3.1	-319%	17.7	-62%	-6.2	10.2	-161%
CNP	-8.1	2.0	-508%	22.4	-136%	-0.8	37.5	-102%
MARGINS								
EBITDA	-6%	10%		11%		8%	12%	
OP	-10%	5%		5%		2%	6%	
PBT	-11%	4%		3%		1%	5%	
PAT	-9%	3%		3%		1%	4%	
CNP	-5%	1%		13%		0%	5%	
ETR	-22%	-17%		-23%		-20%	-24%	

Source: Company, Kenanga Research

Segmental								
Segmental Breakdown	4Q17	3Q17	QoQ	4Q16	YoY	FY17	FY16	YoY
Segmental Revenue								
Malaysia	118	117	1%	119	0%	458	498	-8%
Vietnam	34	40	-16%	40	-15%	126	124	1%
Others	17	14	19%	16	6%	59	74	-20%
Total	169	172	-2%	175	-3%	643	696	-8%
Segmental PBT								
Malaysia	-13	6	-336%	11	-219%	14	37	-62%
Vietnam	-6	1	-949%	1	-541%	-5	0	-5865%
Others	1	0	145%	-3	-127%	1	3	-67%
Elims	-1	0	300%	-3	-48%	-3	-4	-34%
Total	-19	6	-410%	6	-420%	7	36	-81%
PBT margins								
Malaysia	-11%	5%		9%		3%	7%	
Vietnam	-16%	2%		3%		-4%	0%	

Source: Company, Kenanga Research



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Peer Comparison

Company Name	Price (28/2/2018)	Mkt Cap	Core PER (x)			Est. Div. Yld. (%)	Historical ROE (%)	P/BV (x)	Core Net Profit (RMm)			This Year Growth (%)	Next Year Growth (%)	Target Price (RM)	Rating
	(RM)	(RMm)	FY16A	FY16E	FY17E	(%)	(%)	(x)	FY16A	FY16E	FY17E	(%)	(%)	(RM)	
CORE COVERAGE															
ANN JOO RESOURCES BHD	3.75	1,933	9.4	8.7	8.0	5.7%	15.6%	1.6	205.0	228.0	249.0	11%	9%	4.70	OUTPERFORM
LAFARGE MALAYSIA BHD	5.25	4,461	(20.1)	-72.9	525.0	0.0%	2.8%	1.6	(224.0)	-61.0	9.0	-73%	-115%	3.90	UNDERPERFORM
PRESS METAL BERHAD	5.8	21,853	35.4	23.2	18.4	2.2%	12.0%	10.0	611.0	934.0	1,182.0	53%	27%	5.85	MARKET PERFORM
UNITED U-LI CORP BHD	2.66	386	19.1	16.2	13.0	3.0%	11.8%	3.2	20.2	23.8	29.7	18%	25%	2.85	MARKET PERFORM
WHITE HORSE BHD	1.94	444	(485.0)	34.0	27.3	3.6%	4.9%	0.6	(0.8)	13.0	16.3	-1725%	25%	1.80	MARKET PERFORM

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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