

24 May 2018

White Horse Berhad 1Q18 Disappoints

1Q18 CNL (core net loss) of RM4.2m missed our/consensus FY18E CNP estimates of RM13m/RM12m due to lower-than-expected tiles demand leading to lower-than-expected revenue. No dividends declared as expected. Cut FY18/19E estimates by 48/42% in view of slower tiles demand. Maintaining MP with lower TP of RM1.75.

1Q18 missed expectations. 1Q18 CNL (core net loss) of RM4.2m missed our/consensus FY18E CNP estimates of RM13m/RM12m due to lower-than-expected tiles demand in Malaysia and Vietnam leading to lower-than-expected revenues. No dividends declared as expected. We derive our CNL estimate after reversing out unrealized FX gains of RM8.0m.

Results highlight. 1Q18 CNL of RM4.2m narrowed **QoQ** (from 4Q17 CNL of RM8.1m) despite the lower revenue (-14%) due to the absence of inventories write-off which 4Q17 suffered (write-off of c.RM20m). 1Q18 CNL was down from a CNP position of RM1.1m **YoY** despite revenue being relatively flat as total group EBITDA margin contracted by 3ppt. The contraction of the EBITDA margin **YoY** was a combination of weaker ASPs from the stiffer competition and higher operating costs i.e. natural gas.

Outlook. For FY18, we believe prospects for the tiles industry will 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 cut. We cut our FY18/19E earnings estimates by 48%/42% to RM6.7m/RM9.5m after accounting for weaker plant utilization and weaker ASPs in view of the slower industry demand leading to stiffer competition.

Maintain MARKET PERFORM with a lower TP of RM1.75 (from RM1.80) based on an unchanged FY18E PBV of 0.56x (implying 5-year historical low PBV) post earnings cut. We believe our 0.56x PBV valuation is fair as we remain cautious due to: (i) the subdued property market which would suppress demand for tiles, (ii) potential write-down in inventories from slow moving goods, and (iii) rising energy (natural gas) and labour costs, which make up a substantial portion of operating costs at c.40%.

MARKET PERFORM ↔

Price:	RM1.86	
Target Price:	RM1.75	↓
Expected Capital Gain:	-RM0.11	-5.9%
Expected Divd. Yield:	RM0.07	3.8%
Expected Total Return:	-RM0.04	-2.2%

KLCI Index 1,804.25

Stock Information

Bloomberg Ticker	WHIT MK Equity
Bursa Code	5009
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	228.9
Market Cap (RM m)	425.7
Par value per share (RM)	1.00
52-week range (H)	2.05
52-week range (L)	1.81
Free Float	72%
Beta	0.5
3-mth avg daily vol:	6,773

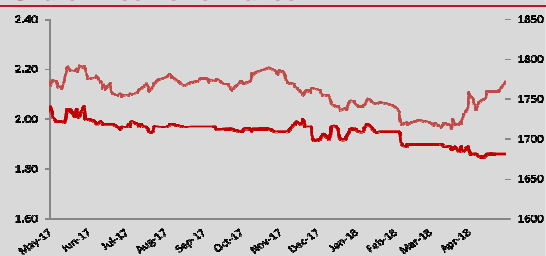
Major Shareholders

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	648.9	662.1
EBIT	13.6	15.2	18.2
PBT	6.8	9.6	12.7
Net Profit	-0.8	6.7	9.5
Core PATAMI	-0.8	6.7	9.5
Consensus	n.a.	12.0	18.4
Earnings Revision	n.a.	-48%	-42%
Core EPS (sen)	-0.4	2.9	4.1
Core EPS growth (%)	-102%	-907%	41%
NDPS (sen)	7.0	7.0	7.0
NTA per share (RM)	3.26	3.21	3.15
Price to NTA (x)	0.57	0.58	0.59
PER (x)	-511.9	63.4	44.8
Debt-to-Equity ratio (x)	0.15	0.14	0.16
Return on Asset (%)	-0.1%	0.6%	0.9%
Return on Equity (%)	1.9%	0.9%	1.3%
Net Div. Yield (%)	3.8%	3.8%	3.8%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-2.4%	-3.9%	-9.3%
Relative (%)	-2.9%	-4.0%	-11.1%

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24 May 2018

Results Highlights								
YE Dec (RM m)	1Q18	4Q17	QoQ	1Q17	YoY	1Q18	1Q17	YoY
Revenue	145.8	169.1	-14%	142.6	2%	145.8	142.6	2%
EBITDA	13.4	-10.3	230%	17.1	-22%	13.4	17.1	-22%
Depreciation	-7.1	-7.2	0%	-10.1	30%	-7.1	-10.1	30%
EBIT	6.3	-17.5	136%	7.0	-10%	6.3	7.0	-10%
Finance expense	-1.5	-1.6	9%	-1.6	5%	-1.5	-1.6	5%
PBT	4.8	-19.1	125%	5.4	-11%	4.8	5.4	-11%
Tax	-1.0	4.2	-124%	-1.2	15%	-1.0	-1.2	15%
PAT	3.8	-14.9	126%	4.2	-10%	3.8	4.2	-10%
Unrealized FX (gains)/loss	-8.0	6.8	-218%	-3.1	-157%	-8.0	-3.1	-157%
CNP	-4.2	-8.1	48%	1.1	-475%	-4.2	1.1	-475%
MARGINS								
EBITDA	9%	-6%		12%		9%	12%	
OP	4%	-10%		5%		4%	5%	
PBT	3%	-11%		4%		3%	4%	
PAT	3%	-9%		3%		3%	3%	
CNP	-3%	-5%		1%		-3%	1%	
ETR	-21%	-22%		-22%		-21%	-22%	

Source: Company, Kenanga Research

Segmental								
Segmental Breakdown	1Q18	4Q17	QoQ	1Q17	YoY	1Q18	1Q17	YoY
Segmental Revenue								
Malaysia	110	118	-7%	109	1%	110.1	109.3	1%
Vietnam	19	34	-44%	20	-5%	18.8	19.8	-5%
Others	17	17	0%	14	25%	16.9	13.5	25%
Total	146	169	-14%	143	2%	145.8	142.6	2%
Segmental PBT								
Malaysia	8	-13	161%	7	11%	7.9	7.1	11%
Vietnam	-4	-6	36%	-1	-211%	-3.6	-1.2	-211%
Others	1	1	-17%	0	1713%	0.8	0.0	1713%
Elims	0	-1	83%	0	49%	-0.2	-0.5	49%
Total	5	-19	125%	5	-11%	4.8	5.4	-11%
PBT margins								
Malaysia	7%	-11%		6%		7%	6%	
Vietnam	-19%	-16%		-6%		-19%	-6%	

Source: Company, Kenanga Research

24 May 2018

Peer Comparison

Company Name	Price (23/5/2018)	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)	FY17A	FY18E	FY19E				FY17A	FY18E	FY19E				
CORE COVERAGE															
ANN JOO RESOURCES BHD	2.62	1,351	6.6	6.1	5.6	8.2%	15.6%	1.1	205.0	228.0	249.0	11%	9%	3.45	OUTPERFORM
LAFARGE MALAYSIA BHD	3.62	3,076	(13.9)	(12.9)	(14.9)	0.0%	2.8%	1.1	(224.0)	(238.0)	(207.0)	6%	-13%	3.05	UNDERPERFORM MARKET PERFORM
PRESS METAL BERHAD	4.70	17,708	28.7	24.4	17.4	2.0%	12.0%	8.1	602.0	720.0	1,010.0	20%	40%	5.00	PERFORM
UNITED U-LI CORP BHD	1.64	238	11.8	10.0	8.0	4.9%	11.8%	2.0	20.2	23.8	29.7	18%	25%	2.05	OUTPERFORM MARKET PERFORM
WHITE HORSE BHD	1.86	426	(511.9)	63.4	44.8	3.8%	1.9%	0.6	(0.8)	6.7	9.5	-938%	42%	1.75	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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