

24 August 2018

White Horse Berhad 1H18 Deemed In Line

WTHORSE's 1H18 Core Net Loss (CNL) at RM0.9m is deemed in line with FY18E consensus' CNP RM4.8m and our forecast of RM6.7m. No dividend was announced, as expected. Maintain MARKET PERFORM and TP RM1.75 based on unchanged FY18E PBV 0.56x valuation.

1H18 deemed in line. Excluding one-off unrealised forex gain (RM1.1m), Property Plant and Equipment (PPE) write-down (RM0.04m) and loss on disposal of PPE (RM0.02m), 1H18 CNL of RM0.9m is deemed in line with both consensus CNP RM4.8m and our CNP forecast of RM6.7m. No dividend was announced as expected.

Results highlight. YoY, 1H18 registered CNL of RM0.9m from a CNP position of RM5.4m owing to weaker performance from both of its Malaysia and Vietnam operations due to weak market demand coupled with stiff pricing competition. Furthermore, Malaysia's festive season in June 2018 also affected sales volume, as heavy vehicles were not allowed on the road thus, affecting the distribution activities. QoQ, 2Q18 registered CNP of RM3.6m (after reversal of unrealised forex loss of RM7.2m) vis-à-vis CNL of RM4.2m in 1Q18. We believe that the improvement came from Vietnam backed by its revenue growth of 48%.

Challenging outlook. Management noted that its Malaysian operations will remain challenging owing to the slowing down of property and construction jobs in the market affecting its sales volume, coupled with rising cost pressure, i.e. hike labour cost (minimum wage). However, management expects performance in 2H18 to improve due to the absence of major festive celebrations and we believe that the group will be able to maintain its improved 2Q18 performance in anticipation of better sales from both Malaysia and Vietnam.

No changes in earnings. Post results, we made no changes to our FY18-19E earnings.

Maintain MARKET PERFORM and TP of RM1.75 based on an unchanged FY18E PBV of 0.56x (implying 5-year historical low PBV). We believe our 0.56x PBV valuation is fair as we remain cautious due to: (i) the subdued property market suppressing 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: RM1.75
Target Price: RM1.75 ↔

Expected Capital Gain: RM0.00 0.0%
Expected Divd. Yield: RM0.07 4.0%
Expected Total Return: RM0.07 4.0%

KLCI Index 1,810.87

Stock Information

Bloomberg Ticker	WHIT MK Equity
Bursa Code	5009
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	228.7
Market Cap (RM m)	400.2
Par value per share (RM)	1.00
52-week range (H)	2.00
52-week range (L)	1.72
Free Float	72%
Beta	0.5
3-mth avg daily vol:	12,466

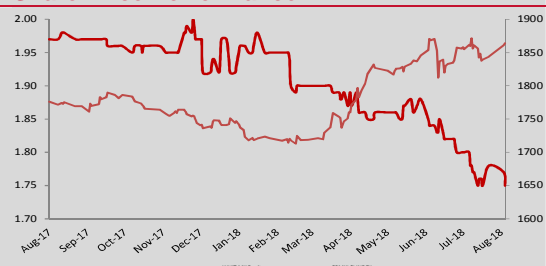
Major Shareholders

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.	4.8	10.5
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	-0.4	2.9	4.1
Core EPS growth (%)	n.m.	n.m.	41%
NDPS (sen)	7.0	7.0	7.0
NTA per share (RM)	3.26	3.21	3.15
Price to NTA (x)	0.54	0.55	0.56
PER (x)	-481.7	59.7	42.2
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 (%)	4.0%	4.0%	4.0%

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-4.3%	-4.3%	-10.2%
Relative (%)	-5.1%	-0.7%	89.8%

Adrian Ng/Nor Nazirah

adrian.ng@kenanga.com.my / nornazirah@kenanga.com.my

+603-2172 2639 / +603-2172 2652

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Results Highlights								
YE Dec (RM m)	2Q18	1Q18	QoQ	2Q17	YoY	1H18	1H17	YoY
Revenue	145.4	145.8	0%	159.3	-9%	291.2	301.9	-4%
EBITDA	4.8	13.4	-64%	26.3	-82%	18.3	43.4	-58%
Depreciation	-7.4	-7.1	-4%	-10.1	27%	-14.6	-20.3	28%
EBIT	-2.6	6.3	-141%	16.2	-116%	3.7	23.2	-84%
Finance expense	-1.6	-1.5	-7%	-1.8	13%	-3.1	-3.4	10%
PBT	-4.2	4.8	-187%	14.3	-129%	0.6	19.8	-97%
Tax	0.5	-1.0	150%	-3.3	115%	-0.5	-4.5	89%
PAT	-3.7	3.8	-196%	11.0	-133%	0.1	15.3	-99%
One off items	7.2	-8.0	190%	-6.8	207%	-1.0	-9.9	90%
CNP	3.6	-4.2	185%	4.2	-16%	-0.9	5.4	-116%
MARGINS								
EBITDA	3%	9%		16%		6%	14%	
OP	-2%	4%		10%		1%	8%	
PBT	-3%	3%		9%		0%	7%	
PAT	-3%	3%		7%		0%	5%	
CNP	2%	-3%		3%		0%	2%	
ETR	-12%	-21%		-23%		-79%	-23%	

Source: Company, Kenanga Research

Segmental								
Segmental Breakdown	2Q18	1Q18	QoQ	2Q17	YoY	1H18	1H17	YoY
Segmental Revenue								
Malaysia	100.4	110.1	-9%	113.4	-11%	210.5	222.7	-6%
Vietnam	27.9	18.8	48%	31.4	-11%	46.7	51.2	-9%
Others	17.1	16.9	1%	14.5	18%	34.0	28.0	21%
Total	145.4	145.8	0%	159.3	-9%	291.2	301.9	-4%
Segmental PBT								
Malaysia	-1.6	7.9	-120%	14.6	-111%	6.3	21.7	-71%
Vietnam	-2.4	-3.6	33%	0.6	-472%	-6.0	-0.5	-1069%
Others	0.5	0.8	-30%	-0.3	285%	1.3	-0.3	486%
Elims.	-0.7	-0.2	-192%	-0.6	-13%	-1.0	-1.1	14%
Total	-4.2	4.8	-187%	14.4	-129%	0.6	19.8	-97%
PBT margins								
Malaysia	-2%	7%		13%		3%	10%	
Vietnam	-9%	-19%		2%		-13%	-1%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BUILDING MATERIALS UNDER COVERAGE																	
ANN JOO RESOURCES BHD	2.01	1,078.7	Y	12/2018	0.6%	5.5%	-10.7%	7.1%	5.1	5.8	5.4	0.9	0.8	14.8%	8.6%	2.75	OP
LAFARGE MALAYSIA BHD	3.10	2,634.1	Y	12/2018	-1.6%	3.9%	-94.1%	-115.0%	N.A.	N.A.	N.A.	0.9	1.0	-8.8%	0.0%	2.45	UP
PRESS METAL ALUMINIUM HOLDINGS BHD	4.82	18,939.0	Y	12/2018	5.7%	3.7%	19.7%	40.2%	31.8	25.0	17.8	7.9	6.6	28.7%	1.3%	5.00	MP
UNITED U-LI CORP BHD	0.860	187.3	Y	12/2018	8.7%	8.8%	-37.8%	85.6%	9.3	15.0	8.1	0.7	0.6	4.3%	3.5%	0.850	MP
WHITE HORSE BHD	1.75	400.2	Y	12/2018	0.9%	2.0%	11.9%	41.8%	N.A.	60.3	42.7	0.5	0.5	0.9%	4.0%	1.75	MP
Simple Average					2.9%	4.8%	-22.2%	11.9%	15.4	26.5	18.5	2.2	1.9	8.0%	3.5%		

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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

This report is accessible at www.bursamids.com too.



Chan Ken Yew
Head of Research