

21 November 2019

## White Horse Berhad 9MFY19 Below Expectations

9MFY19 CNL of RM32.8m came in below our/consensus expectations at 92%/89% of full-year estimates largely due to weaker-than-expected revenue and higher-than-expected effective tax rate. No dividend was announced as expected. Maintain UP with a lower TP of RM0.950 (from RM1.00) based on unchanged 0.40x Fwd. PBV pegged to lower FY20E BV/share of RM2.43 (from RM2.49).

**Below expectations.** Excluding one-off unrealised forex gain (RM1.2m), loss of disposal of PPE (RM0.4m) and write-down of inventory (RM0.1m), 9MFY19 CNL of RM32.8m came below our/consensus expectation at 92%/89% of full-year estimates. This was mainly due to weaker-than-expected sales demand from both local and oversea market and higher-than-expected effective tax rate recorded in 9MFY19. No dividend was announced as expected.

**Results highlight.** YoY, 9MFY19 CNL widened drastically to RM32.8m, compared to RM1.8 in 9MFY18, mainly due to: (i) lower revenue contribution by 16% caused by poor tiles demand from both local and oversea markets (Malaysia and Vietnam's sales dropped by 17% and 7%, respectively), (ii) widened loss margin to 7% (from 1% in 9MFY18) largely due to higher production and operation costs. QoQ, 3QFY19 recorded higher CNL of RM14.5m (+50%) mainly due to higher tax expense of RM3.0m compared to tax income in 3QFY18, the impact was partly offset by slight improvement in revenue to RM131.1m (+2%) and lower loss margin of -6% compared to -13% in the immediate preceding quarter.

**Outlook.** WTHORSE's business terrain remains challenging due to stiff market competition, high production and operation costs, fluctuation in foreign currencies and pricing strategy. Moving forward, we remain cautious over the company's outlook which heavily relies on construction, property development and renovation industries, which are currently undergoing slower growth and challenging business environment.

**Earnings estimate.** Post results, we widen our FY19E and FY20E CNL estimates by 17% and 21%, respectively, to reflect weaker sales demand from both local and oversea markets in view of slower market pace in both construction and property development as well as adjusting our margin and effective tax rate.

**Maintain UNDERPERFORM with a lower Target Price of RM0.950** (from RM1.00) based on unchanged 0.40x Fwd. PBV pegged to lower FY20E BV/share of RM2.43 (from RM2.49). Our valuation is below the current trough level of 0.5x, which we believe is justified due to the followings; (i) the company has recorded losses for six consecutive quarters since 2Q18, and (ii) slower pace in the construction and property development sectors.

**Risks to our call include** sharp rises in ASPs and production volume.

## UNDERPERFORM ↔

**Price:** RM1.12  
**Target Price:** RM0.950 ↓

**Expected Capital Gain:** -RM0.17 -15.2%  
**Expected Divd. Yield:** RM0.00 0.0%  
**Expected Total Return:** -RM0.17 -15.2%

**KLCI Index** 1,601.14

### Stock Information

Bloomberg Ticker	WHIT MK Equity
Bursa Code	5009
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	228.0
Market Cap (RM m)	255.3
Par value per share (RM)	1.00
52-week range (H)	1.60
52-week range (L)	1.02
Free Float	26%
Beta	0.4
3-mth avg daily vol:	6,927

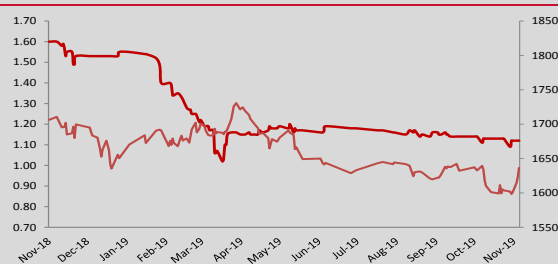
### Major Shareholders

Liao Yuan Shun	12.3%
Urusharta Jamaah Sdn Bhd	9.9%
Teo Swee Teng	5.7%

### Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	610.5	520.8	524.8
EBIT	-25.2	-41.9	-44.4
PBT	-28.4	-45.6	-48.1
<b>Net Profit</b>	<b>-32.1</b>	<b>-41.5</b>	<b>-43.3</b>
<b>Core PATAMI</b>	<b>-23.7</b>	<b>-41.5</b>	<b>-43.3</b>
Consensus	N.A.	-36.7	N.A.
Earnings Revision	N.A.	-17%	-21%
Core EPS (sen)	-10.4	-18.1	-18.9
Core EPS growth (%)	-1131	75	4
NDPS (sen)	0.0	0.0	0.0
NTA per share (RM)	3.00	2.73	2.43
Price to NTA (x)	0.4	0.4	0.5
PER (x)	N.A.	N.A.	N.A.
Debt-to-Equity ratio (x)	0.15	0.16	0.29
Return on Asset (%)	-2.3	-4.4	-4.9
Return on Equity (%)	-0.6	-6.6	-7.8
Net Div. Yield (%)	0.0	0.0	0.0

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	0.9%	-2.6%	-30.0%
Relative (%)	-0.8%	-2.5%	-24.4%

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<b>Results Highlights</b>								
<b>FYE Dec (RM'm)</b>	<b>3QFY19</b>	<b>2QFY19</b>	<b>QoQ</b>	<b>3QFY18</b>	<b>YoY</b>	<b>9MFY19</b>	<b>9MFY18</b>	<b>YoY</b>
<b>Turnover</b>	<b>131.1</b>	<b>128.2</b>	<b>2%</b>	<b>168.5</b>	<b>-22%</b>	<b>386.3</b>	<b>459.7</b>	<b>-16%</b>
EBITDA	-2.5	-7.8	-68%	-1.0	156%	-4.2	18.3	-123%
Depreciation	-5.3	-8.3	-36%	-7.4	-29%	-22.0	-22.0	0%
<b>EBIT</b>	<b>-7.8</b>	<b>-16.1</b>	<b>-52%</b>	<b>-8.4</b>	<b>-7%</b>	<b>-26.1</b>	<b>-3.7</b>	<b>604%</b>
Interest inc/(exp)	-1.7	-1.5	15%	-2.0	-15%	-4.9	-5.0	-3%
Associates/JV	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Exceptional items	-1.0	3.1	-133%	4.7	-121%	-0.7	3.7	-120%
Forex gain/(loss)	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
<b>Pretax profit</b>	<b>-10.5</b>	<b>-14.5</b>	<b>-28%</b>	<b>-5.7</b>	<b>83%</b>	<b>-31.7</b>	<b>-5.1</b>	<b>525%</b>
Taxation	-3.0	1.8	-265%	0.1	-2356%	-0.3	-0.4	-5%
Deferred tax	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
<b>Profit after tax</b>	<b>-13.5</b>	<b>-12.7</b>	<b>6%</b>	<b>-5.6</b>	<b>141%</b>	<b>-32.1</b>	<b>-5.4</b>	<b>489%</b>
Minority interest	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
<b>PATAMI</b>	<b>-13.5</b>	<b>-12.7</b>	<b>6%</b>	<b>-5.6</b>	<b>141%</b>	<b>-32.1</b>	<b>-5.4</b>	<b>489%</b>
<b>Core PATAMI</b>	<b>-14.5</b>	<b>-9.6</b>	<b>50%</b>	<b>-0.9</b>	<b>1485%</b>	<b>-32.8</b>	<b>-1.8</b>	<b>1748%</b>
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	-6%	-13%		-5%		-7%	-1%	
Pretax margin	-8%	-11%		-3%		-8%	-1%	
NP margin	-8%	-11%		-3%		-8%	-1%	
CNP margin	-11%	-7%		-1%		-8.5%	0%	
EPS (sen)	-5.9	-5.6		-2.4		-14.1	-2.4	
Core EPS(sen)	-6.3	-4.2		-0.4		-14.4	-0.8	
BV/share (RM)	3.0	3.0		3.2		3.0	3.2	
Net gearing (x)	0.2	0.2		0.2		0.2	0.2	
Effective tax	-29%	13%		2%		-1%	-7%	

Source: Company, Kenanga Research

<b>Segmental</b>								
<b>Segmental Breakdown</b>	<b>3QFY19</b>	<b>2QFY19</b>	<b>QoQ</b>	<b>3QFY18</b>	<b>YoY</b>	<b>9MFY19</b>	<b>9MFY18</b>	<b>YoY</b>
<b>Segmental Revenue</b>								
Malaysia	89.7	91.7	-2%	120.4	-25%	274.2	330.9	-17%
Vietnam	27.4	24.7	11%	31.5	-13%	72.4	78.2	-7%
Others	14.0	11.8	18%	16.6	-16%	39.7	50.6	-22%
<b>Total</b>	<b>131.1</b>	<b>128.2</b>	<b>2%</b>	<b>168.5</b>	<b>-22%</b>	<b>386.3</b>	<b>459.7</b>	<b>-16%</b>
<b>Segmental PBT</b>								
Malaysia	-7.3	-7.3	-1%	-2.5	197%	-17.6	3.8	-563%
Vietnam	-3.3	-4.7	-31%	-3.2	3%	-11.3	-9.1	-23%
Others	0.7	-0.3	-362%	-0.4	-274%	0.1	0.9	-87%
Elims	-0.6	-2.2	-75%	0.3	-281%	-2.9	-0.7	-349%
<b>Total</b>	<b>-10.5</b>	<b>-14.5</b>	<b>-28%</b>	<b>-5.7</b>	<b>83%</b>	<b>-31.7</b>	<b>-5.1</b>	<b>525%</b>
<b>PBT margins</b>								
Malaysia	-8%	-8%		-2%		-6%	1%	
Vietnam	-12%	-19%		-10%		-16%	-12%	

Source: Company, Kenanga Research

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## Peer Comparison

Name	Last Price	Market	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				Cap (RM'm)	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)	
<b>BUILDING MATERIALS UNDER COVERAGE</b>																		
ANN JOO RESOURCES BHD	1.06	549.5	Y	12/2019	-19.4%	12.5%	-124.9%	702.4%	4.5	N.A.	127.5	0.4	0.4	-2.4%	0.0%	1.10	UP	
PRESS METAL ALUMINIUM HOLDINGS BHD	4.70	18,979.1	Y	12/2019	-1.5%	10.4%	-16.5%	61.5%	27.9	33.4	20.7	5.7	5.1	15.4%	1.0%	5.50	OP	
UNITED U-LI CORP BHD	0.525	114.3	Y	12/2019	-21.6%	-9.6%	-158.8%	543.1%	30.9	N.A.	26.3	0.4	0.4	-0.8%	0.0%	0.400	UP	
WHITE HORSE BHD	1.12	255.3	Y	12/2019	-14.7%	0.8%	-57.2%	-95.8%	N.A.	N.A.	N.A.	0.4	0.4	-6.6%	0.0%	0.950	UP	
<b>Simple Average</b>					<b>-14.3%</b>	<b>3.5%</b>	<b>-89.3%</b>	<b>302.8%</b>	<b>21.1</b>	<b>33.4</b>	<b>58.1</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5%</b>	<b>0.2%</b>			

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%

**\*\* The Expected Total Return might contain rounding discrepancy.**

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

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