

28 February 2020

White Horse Berhad FY19 Within Expectations

FY19 CNL of RM41.9m came in within our (101%) but below consensus expectations at 107% of estimates. No dividend was announced as expected. Upgrade to MP with higher TP of RM0.970 (from RM0.95) based on 0.40x Fwd. PBV pegged to FY20E BV/share of RM2.43.

Within expectations. Excluding one-off gain on disposal of PPE (RM0.6m), write-down of inventory (RM10.5m) and impairment of PPE (RM12.1m), FY19 CNL of RM41.9m came within our at 101%, but below consensus at 107%, of estimates. No dividend was announced as expected.

Results' highlight. YoY, FY19 CNL further deteriorated to RM41.9m (+92%), compared to RM21.8m in FY18, mainly due to: (i) lower revenue contribution by 13%, caused by poor tiles demand from both local and overseas markets (Malaysia and Vietnam sales dropped by 14% and 8%, respectively), (ii) widened loss margin to 15% (from 4% in FY18) largely due to higher production and operation costs. QoQ, 4QFY19 recorded lower CNL of RM9.1m (-37%) mainly due to increase in revenue by 11% compared to the preceding quarter as the company usually has higher turnover at the year end.

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 amid a challenging business environment. However, we are positive on the liquidation of PT. WH Ceramic Indonesia, a wholly-owned subsidiary of the company, as we believe the discontinuation of the subsidiary will contribute positively to the company's results.

Earnings estimate. Post results, we maintain FY20E CNL of RM43.3m and introduce FY21E revenue of RM528.4m and CNL of RM35.8m based on slightly higher margin assumption in view of cost saving measures taken by the company.

Upgrade to MARKET PERFORM with higher Target Price of RM0.970 (from RM0.95) based on unchanged 0.40x Fwd. PBV (which is at the current trough level) pegged to unchanged FY20E BV/share of RM2.43. We believe this is justified due to the followings; (i) the company has been in loss-making position since 2QFY18, and (ii) slower pace in the construction and property development sectors.

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

MARKET PERFORM ↑

| | | |
|-------------------------------|----------------|------------------------------------|
| Price: | RM0.965 | |
| Target Price: | RM0.970 | ↑ |
| Expected Capital Gain: | RM0.005 | 0.5% |
| Expected Divd. Yield: | RM0.000 | 0.0% |
| Expected Total Return: | RM0.005 | 0.5% |

KLCI Index 1,505.59

Stock Information

| | |
|--------------------------|----------------|
| Bloomberg Ticker | WHIT MK Equity |
| Bursa Code | 5009 |
| Listing Market | Main Market |
| Shariah Compliant | Yes |
| Shares Outstanding | 227.8 |
| Market Cap (RM m) | 219.8 |
| Par value per share (RM) | 1.00 |
| 52-week range (H) | 1.34 |
| 52-week range (L) | 0.91 |
| Free Float | 26% |
| Beta | 0.4 |
| 3-mth avg daily vol: | 6,248 |

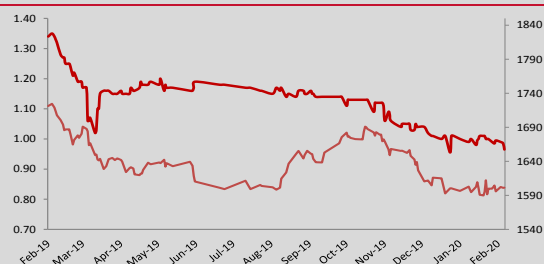
Major Shareholders

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

Summary Earnings Table

| FY Dec (RM m) | 2019A | 2020E | 2021E |
|--------------------------|--------------|--------------|--------------|
| Turnover | 531.9 | 524.8 | 528.4 |
| EBIT | -77.5 | -44.4 | -36.1 |
| PBT | -61.8 | -48.1 | -39.8 |
| Net Profit | -63.9 | -43.3 | -35.8 |
| Core PATAMI | -41.9 | -43.3 | -35.8 |
| Consensus | N.A. | -39.3 | -26.6 |
| Earnings Revision | N.A. | 0% | N.A. |
| Core EPS (sen) | -18.3 | -18.9 | -15.6 |
| Core EPS growth (%) | 93% | 4% | -17% |
| NDPS (sen) | 0.0 | 0.0 | 0.0 |
| NTA per share (RM) | 2.73 | 2.43 | 2.18 |
| Price to NTA (x) | 0.35 | 0.40 | 0.44 |
| PER (x) | -5.3 | -5.1 | -6.2 |
| Debt-to-Equity ratio (x) | 0.16 | 0.29 | 0.43 |
| Return on Asset (%) | -4.4 | -4.9 | -4.3 |
| Return on Equity (%) | -6.8 | -7.8 | -7.2 |
| Net Div. Yield (%) | 0.0 | 0.0 | 0.0 |

Share Price Performance



| | | | |
|--------------|-------|--------|---------|
| | 1 mth | 3 mths | 12 mths |
| Absolute (%) | -2.5% | -5.4% | -28.0% |
| Relative (%) | 0.4% | -0.3% | -15.4% |

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| Results Highlights | | | | | | | | |
|---------------------------|---------------|---------------|-------------|---------------|-------------|--------------|--------------|-------------|
| FYE Dec (RM m) | 4QFY19 | 3QFY19 | QoQ | 4QFY18 | YoY | FY19 | FY18 | YoY |
| Turnover | 145.7 | 131.1 | 11% | 153.1 | -5% | 531.9 | 612.8 | -13% |
| EBITDA | -38.3 | -2.5 | 1441% | -77.0 | -50% | -42.5 | -58.7 | -28% |
| Depreciation | -13.0 | -5.3 | 146% | 56.8 | -123% | -35.0 | 34.8 | -200% |
| EBIT | -51.3 | -7.8 | 560% | -20.2 | 154% | -77.5 | -23.9 | 224% |
| Interest inc/(exp) | -1.5 | -1.7 | -12% | -0.7 | 113% | -6.3 | -5.7 | 11% |
| Associates/JV | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Exceptional items | 22.8 | -1.0 | -2373% | -0.1 | -40056% | 22.0 | 3.6 | 511% |
| Forex gain/(loss) | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Pretax profit | -30.0 | -10.5 | 187% | -20.9 | 43% | -61.8 | -26.0 | 137% |
| Taxation | -1.8 | -3.0 | -40% | 1.0 | -277% | -2.1 | 0.7 | -429% |
| Deferred tax | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| Profit after tax | -31.8 | -13.5 | 137% | -19.9 | 60% | -63.9 | -25.4 | 152% |
| Minority interest | 0.0 | 0.0 | N.M. | 0.0 | N.M. | 0.0 | 0.0 | N.M. |
| PATAMI | -31.8 | -13.5 | 137% | -19.9 | 60% | -63.9 | -25.4 | 152% |
| Core PATAMI | -9.1 | -14.5 | -37% | -20.0 | -55% | -41.9 | -21.8 | 92% |
| DPS (sen) | 0.0 | 0.0 | | 0.0 | | 0.0 | 0.0 | |
| EBIT margin | -35% | -6% | | -13% | | -15% | -4% | |
| Pretax margin | -21% | -8% | | -14% | | -12% | -4% | |
| NP margin | -21% | -8% | | -14% | | -12% | -4% | |
| CNP margin | -6% | -11% | | -13% | | -7.9% | -3.6% | |
| EPS (sen) | -14.0 | -5.9 | | -8.7 | | -28.0 | -11.1 | |
| Core EPS(sen) | -4.0 | -6.3 | | -8.8 | | -18.4 | -9.5 | |
| BV/share (RM) | 2.8 | 3.0 | | 3.0 | | 2.8 | 3.0 | |
| Net gearing (x) | 0.2 | 0.2 | | 0.2 | | 0.2 | 0.2 | |
| Effective tax | -6% | -29% | | 5% | | -3% | 3% | |

Source: Company, Kenanga Research

| Segmental | | | | | | | | |
|----------------------------|---------------|---------------|--------------|---------------|------------|--------------|--------------|-------------|
| Segmental Breakdown | 4QFY19 | 3QFY19 | QoQ | 4QFY18 | YoY | FY19 | FY18 | YoY |
| Segmental Revenue | | | | | | | | |
| Malaysia | 95.4 | 89.7 | 6% | 96.7 | -1% | 369.6 | 427.6 | -14% |
| Vietnam | 29.7 | 27.4 | 9% | 32.3 | -8% | 102.1 | 110.4 | -8% |
| Others | 20.5 | 14.0 | 46% | 24.1 | -15% | 60.2 | 74.7 | -19% |
| Total | 145.7 | 131.1 | 11% | 153.1 | -5% | 531.9 | 612.8 | -13% |
| Segmental PBT | | | | | | | | |
| Malaysia | -24.5 | -7.3 | -236% | -8.8 | 177% | -42.2 | -5.0 | 736% |
| Vietnam | -4.8 | -3.3 | -46% | -3.4 | 39% | -16.1 | -12.6 | -28% |
| Others | -0.5 | 0.7 | -172% | -2.6 | -81% | -0.4 | -1.7 | -79% |
| Elims | -0.2 | -0.6 | -58% | -6.0 | -96% | -3.2 | -6.7 | -52% |
| Total | -30.0 | -10.5 | -187% | -20.9 | 43% | -61.8 | -26.0 | 137% |
| PBT margins | | | | | | | | |
| Malaysia | -26% | -8% | | -9% | | -11% | -1% | |
| Vietnam | -16% | -12% | | -11% | | -16% | -11% | |

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. | |
| BUILDING MATERIALS UNDER COVERAGE | | | | | | | | | | | | | | | | | |
| ANN JOO RESOURCES BHD | 1.09 | 588.2 | Y | 12/2020 | -1.6% | 4.4% | -1154.5% | -110.0% | N.A. | N.A. | N.A. | 0.5 | 0.5 | -1.0% | 0% | 0.850 | UP |
| PRESS METAL ALUMINIUM HOLDINGS BHD | 4.80 | 19,382.9 | Y | 12/2020 | -10.3% | 27.5% | 25.4% | 44.8% | 28.5 | 34.1 | 21.1 | 5.3 | 4.8 | 16.7% | 1.3% | 5.50 | OP |
| UNITED U-LI CORP BHD | 0.475 | 103.5 | Y | 12/2019 | 2.7% | 3.0% | 375.0% | 50.0% | N.A. | 2.5 | 1.7 | 0.4 | 0.4 | 0.8% | 0% | 0.400 | UP |
| WHITE HORSE BHD | 0.965 | 219.8 | Y | 12/2020 | -1.3% | 0.7% | -96.8% | -120.9% | N.A. | N.A. | N.A. | 0.3 | 0.4 | -7.8% | 0% | 0.970 | MP |
| Simple Average | | | | | -2.6% | 8.9% | -212.7% | -34.0% | 28.5 | 135.8 | 89.7 | 1.6 | 1.5 | 2.3% | 1.3% | | |

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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