

30 May 2019

# Eversendai Corporation

## Below Expectations

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1Q19 CNP of RM4.7m came below our/consensus estimates (at 8%/7%), due to slower-than-expected billings progress from the Middle East, and unexpected losses from its oil and gas division. No dividends declared as expected. Ceasing coverage due to rationalisation of our research coverage. Previous recommendation as follows: **UNDERPERFORM**; Target Price: **RM0.490**.

**Below expectations.** 1Q19 CNP of RM4.7m came below our/consensus estimates (at 8%/7%), due to slower-than-expected billings progress from the Middle East, and unexpected losses from its oil and gas division. No dividends declared as expected. We derive our CNP after stripping out: (i) unrealized forex gains of RM2.7m, and (ii) reversal of losses of RM3.1m.

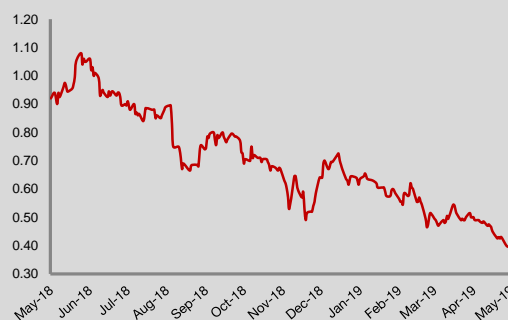
**Results highlight.** 1Q19 CNP came down by 69%, YoY, mainly due to margin compression, as its operating margin declined to 5.3% (-1.7ppt) dragged down by its oil and gas division which registered losses of RM7.6m vis-à-vis profit of RM1.1m in 1Q18. **QoQ**, 1Q19 CNP came off by 70% mainly due to lower revenue (-19%) coupled with compression in operating margin. The decline in revenue was due to slower billings from all of its divisions, while the compression in operating margin was also due to similar reasons.

**Cease Coverage.** We are ceasing coverage on the stock due to rationalisation of our coverage universe. Our last recommendation for SENDAI was **UNDERPERFORM** with a Target Price of RM0.490 based on 7x FY20E PER.

## CEASE COVERAGE

Price : **RM0.430**  
Target Price : **N.A.**

### Share Price Performance



KLCI	1,623.67
YTD KLCI chg	-4.0%
YTD stock price chg	5.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	EVSD MK Equity
Market Cap (RM m)	324.1
Issued shares	781.0
52-week range (H)	1.09
52-week range (L)	0.39
3-mth avg daily vol:	8,222,434
Free Float	50%
Beta	1.4

### Major Shareholders

Vahana Holdings Sdn Bhd	44.2%
Urusharta Jamaah Sdn Bhd	5.2%
Lim Ooi Wah	0.6%

### Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	1705.8	1580.6	1530.6
EBIT	126.3	104.2	91.9
PBT	77.1	61.5	59.8
<b>Net Profit</b>	<b>70.1</b>	<b>56.1</b>	<b>54.9</b>
<b>Core PATAMI</b>	<b>62.9</b>	<b>56.1</b>	<b>54.9</b>
Consensus (NP)	n.a.	62.1	61.0
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	8.1	7.2	7.0
Core EPS growth (%)	-8%	-11%	-2%
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	1.2	1.3	1.4
Price to NTA (x)	0.3	0.3	0.3
PER (x)	5.3	6.0	6.1
Debt-to-Equity ratio (x)	1.2	1.2	1.1
Return on Asset (%)	2%	2%	2%
Return on Equity (%)	7%	5%	5%
Net Div. Yield (%)	0%	0%	0%

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<b>Result Highlight</b>					
	<b>1Q19</b>	<b>4Q18</b>	<b>QoQ</b>	<b>1Q18</b>	<b>YoY</b>
<b>FYE Dec (RM'm)</b>					
<b>Turnover</b>	<b>399.6</b>	<b>492.5</b>	<b>-19%</b>	<b>391.3</b>	<b>2%</b>
EBITDA	36.0	52.0	-31%	41.1	-12%
Depreciation	-14.7	-15.4	-4%	-13.8	7%
<b>EBIT</b>	<b>21.3</b>	<b>36.6</b>	<b>-42%</b>	<b>27.3</b>	<b>-22%</b>
Interest inc/(exp)	-16.3	-16.7	-3%	-10.9	49%
Associates/JV	0.0	0.0	n.m.	0.0	n.m.
Exceptional items	5.8	-0.6	-1121%	3.2	83%
Forex gain/(loss)	0.0	4.6	-100%	8.4	-100%
<b>Pretax profit</b>	<b>10.8</b>	<b>23.9</b>	<b>-55%</b>	<b>28.0</b>	<b>-61%</b>
Taxation	-0.3	-2.8	-89%	-0.5	-40%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.
<b>Profit after tax</b>	<b>10.5</b>	<b>21.0</b>	<b>-50%</b>	<b>27.5</b>	<b>-62%</b>
Minority interest	0.0	-1.4	-100%	-0.9	-100%
<b>PATAMI</b>	<b>10.5</b>	<b>19.6</b>	<b>-46%</b>	<b>26.6</b>	<b>-61%</b>
<b>Core PATAMI</b>	<b>4.7</b>	<b>15.6</b>	<b>-70%</b>	<b>15.0</b>	<b>-69%</b>
DPS (sen)	0.0	0.0		0.0	
EBIT margin	5.3%	7.4%		7.0%	
Pretax margin	2.7%	4.8%		7.2%	
NP margin	2.6%	4.0%		6.8%	
CNP margin	1.2%	3.2%		3.8%	
EPS (sen)	1.3	2.5		3.4	
Core EPS(sen)	0.6	2.0		1.9	
BV/share (RM)	1.1	1.2		1.1	
Net gearing (x)	1.1	1.1		1.1	
Effective tax	3%	12%		2%	

Source: Company, Kenanga Research

<b>Segmental results (RMm)</b>					
	<b>1Q19</b>	<b>4Q18</b>	<b>QoQ</b>	<b>1Q18</b>	<b>YoY</b>
<b>External Revenue</b>					
Structural Steel & Construction:					
<i>Middle-East and CIS</i>	261.1	312.6	-16%	192.5	36%
<i>India</i>	59.9	66.0	-9%	56.2	7%
<i>South East Asia</i>	57.2	75.8	-24%	65.6	-13%
<i>Others</i>	0.4	1.5	-71%	0.0	n.m.
<i>Oil &amp; Gas</i>	21.0	36.6	-43%	77.0	-73%
PBT Segmentation					
Structural Steel & Construction:					
<i>Middle-East and CIS</i>	16.5	30.4	-46%	15.1	9%
<i>India</i>	0.3	4.6	-93%	0.4	-31%
<i>South East Asia</i>	2.9	10.5	-72%	1.3	127%
<i>Others</i>	-3.0	-16.0	-81%	7.5	-140%
<i>Oil &amp; Gas</i>	-7.6	-4.9	56%	1.1	-789%
PBT margins					
Structural Steel & Construction:					
<i>Middle-East and CIS</i>	6.3%	9.7%		7.9%	
<i>India</i>	0.5%	6.9%		0.8%	
<i>South East Asia</i>	5.1%	13.9%		2.0%	
<i>Others</i>	-707.3%	-1099.2%		n.m.	
<i>Oil &amp; Gas</i>	-36.2%	-13.3%		1.4%	

Source: Company, Kenanga Research

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### Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net DivYld (%)	Target Price (RM)	Rating
					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.			
<b>STOCKS UNDER COVERAGE</b>																	
EVERSENDAI CORP BHD	0.430	335.8	Y	12/2019	-7.3%	-3.2%	-10.9%	-2.1%	5.3	6.0	6.1	0.3	0.3	5.6%	0.0%	N.A.	CEASED
GAMUDA BHD	3.35	8,270.6	Y	07/2019	-20.8%	0.3%	-27.7%	1.3%	10.1	14.0	13.8	1.1	1.1	7.7%	3.6%	2.85	UP
GEORGE KENT (MALAYSIA) BHD	1.08	581.7	Y	01/2020	14.4%	-0.3%	4.9%	33.1%	7.7	7.3	5.5	1.2	1.1	16.0%	4.6%	1.15	UP
HOCK SENG LEE BERHAD	1.36	747.3	Y	12/2019	18.7%	15.6%	31.6%	10.3%	13.9	10.6	9.6	1.0	0.9	8.8%	1.9%	1.40	MP
IJM CORP BHD	2.01	7,288.2	Y	03/2020	22.8%	2.0%	11.0%	2.2%	17.5	15.7	15.4	0.7	0.7	4.7%	2.5%	1.80	UP
KERJAYA PROSPEK GROUP BHD	1.24	1,529.2	Y	12/2019	28.3%	-4.4%	11.5%	1.9%	11.1	10.0	9.8	1.6	1.4	14.9%	2.4%	1.20	UP
KIMLUN CORP BHD	1.39	461.3	Y	12/2019	6.0%	-5.2%	-1.2%	2.5%	7.3	7.4	7.2	0.7	0.7	9.0%	2.6%	1.35	MP
MITRAJAYA HOLDINGS BHD	0.345	306.9	Y	12/2019	-4.7%	-7.3%	-40.7%	-11.7%	6.9	11.7	13.2	0.4	0.4	3.3%	4.3%	0.200	UP
MUHIBBAH ENGINEERING (M) BHD	2.77	1,335.2	Y	12/2019	-5.8%	3.8%	-2.5%	4.7%	8.2	8.5	8.1	1.2	1.1	14.8%	2.5%	3.20	OP
SUNWAY CONSTRUCTION GROUP BHD	1.94	2,506.6	Y	12/2019	-6.1%	21.9%	-12.2%	22.3%	18.0	20.5	16.8	4.1	3.8	19.4%	2.8%	1.40	UP
WCT HOLDINGS BHD	0.905	1,250.2	Y	12/2019	6.4%	14.1%	-13.8%	19.3%	10.0	11.6	9.7	0.4	0.4	3.4%	0.0%	0.815	UP
<b>Simple Average</b>					<b>4.7%</b>	<b>3.4%</b>	<b>-4.5%</b>	<b>7.6%</b>	<b>10.5</b>	<b>11.2</b>	<b>10.5</b>	<b>1.2</b>	<b>1.1</b>	<b>9.8%</b>	<b>2.4%</b>		
<b>CONSENSUS ESTIMATES</b>																	
AHMAD ZAKI RESOURCES BERHAD	0.400	239.2	Y	12/2019	N.A.	N.A.	N.A.	N.A.	16.3	N.A.	N.A.	0.5	N.A.	N.A.	N.A.	N.A.	0.400
BINA PURI HOLDINGS BHD	0.175	66.7	Y	06/2019	N.A.	N.A.	N.A.	N.A.	128.3	N.A.	N.A.	0.2	N.A.	N.A.	N.A.	N.A.	0.180
GABUNGAN AQRS BHD	1.28	631.3	Y	12/2019	24.2%	27.3%	27.6%	27.4%	10.3	8.1	0.0	1.3	1.4	16.0%	4.5%	1.72	1.28
GADANG HOLDINGS BHD	0.810	536.0	Y	05/2019	11.8%	15.6%	-33.0%	15.9%	5.5	8.3	0.0	0.7	N.A.	8.8%	2.8%	0.890	0.810
JAKS RESOURCES BHD	0.730	466.3	Y	12/2019	74.4%	-48.7%	655.6%	-21.2%	30.8	4.1	0.0	0.5	0.5	12.6%	0.0%	0.875	0.730
MUDAJAYA GROUP BHD	0.280	165.2	Y	12/2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.6	N.A.	N.A.	N.A.	N.A.	0.280
PINTARAS JAYA BHD	2.50	414.7	Y	06/2019	224.3%	-2.7%	135.7%	-6.5%	26.7	11.3	0.1	1.3	1.3	11.5%	7.5%	2.56	2.50
PESONA METRO HOLDINGS	0.230	159.8	Y	12/2019	12.1%	9.5%	131.5%	-0.5%	19.4	8.4	0.0	1.0	N.A.	10.3%	4.3%	0.260	0.230
PROTASCO BHD	0.255	124.2	Y	12/2019	-1.4%	7.9%	365.8%	31.2%	N.A.	9.4	0.0	0.4	0.4	3.6%	5.5%	0.220	0.260
TRC SYNERGY BHD	0.655	314.7	Y	12/2019	18.3%	16.0%	67.3%	24.4%	15.1	9.0	0.0	0.8	0.7	8.2%	3.7%	0.690	0.660

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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