

25 June 2020

White Horse Berhad 1QFY20 Below Expectations

1QFY20 CNL of RM13.6m came in below our/consensus' estimate at 31%/34%, due to lower-than-expected sales and profit margin. No dividend was announced as expected. Given the sharp price weakness, upgrade to MP with lower TP of RM0.740 (from RM0.750) based on 0.31x Fwd. PBV pegged to FY21E BV/share of RM2.39.

Below expectations. Excluding unrealised forex loss (RM6.5m), 1QFY20 CNL of RM13.6m came in below our/consensus' estimate at 31%/34%, largely due to lower-than-expected sales and profit margin achieved during the quarter which was impacted by early stages of the MCO. No dividend was announced as expected.

Results' highlight. YoY, 1QFY20 CNL increased drastically to RM13.6m (56%) compared to RM8.7m in 1QFY19, mainly due to: (i) drop in revenue by 25% due to slower market pace in construction industry, (ii) business shutdown in compliance with MCO imposed by the government, and (iii) lower profit margin recorded during the quarter. QoQ, first quarter registered higher losses by 50% compared to RM9.1m in the preceding quarter for the same reason mentioned above.

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 the 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 increased FY20E and FY21E CNL by 24% and 16% to RM53.5m and RM41.4m, respectively, in view of weaker demand and lower profit margin due to the Covid-19 pandemic.

Upgrade to MARKET PERFORM with a lower Target Price of RM0.740 (from RM0.750) based on an unchanged 0.31x Fwd. PBV (which is at the current trough level) pegged to FY21E BV/share of RM2.39. We believe this is justified due to the following; (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: RM0.705
Target Price: RM0.740 ↓

Expected Capital Gain: RM0.035 5.0%
Expected Divd. Yield: RM0.000 0.0%
Expected Total Return: RM0.035 5.0%

KLCI Index 1,502.63

Stock Information

Bloomberg Ticker	WHIT MK Equity
Bursa Code	5009
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	227.7
Market Cap (RM m)	160.5
Par value per share (RM)	1.00
52-week range (H)	1.19
52-week range (L)	0.65
Free Float	27%
Beta	0.5
3-mth avg daily vol:	9,708

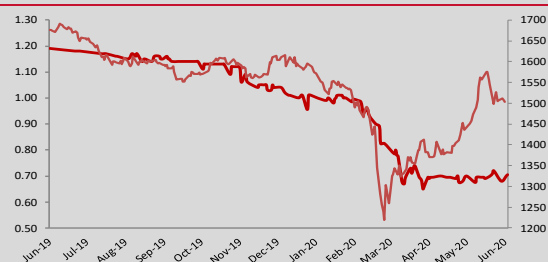
Major Shareholders

Liao Yuan Shun	12.3%
Urusharta Jamaah Sdn Bhd	9.8%
Teo Swee Teng	5.7%

Summary Earnings Table

FY Dec (RM m)	2019A	2020E	2021E
Turnover	531.9	503.5	523.0
EBIT	-77.5	-55.7	-42.3
PBT	-61.8	-59.4	-46.0
Net Profit	-63.9	-53.5	-41.4
Core PATAMI	-63.9	-53.5	-41.4
Consensus	N.A.	-39.5	-31.2
Earnings Revision	N.A.	-24%	-16%
Core EPS (sen)	-27.9	-23.4	-18.1
Core EPS growth (%)	194	-16	-23
NDPS (sen)	0.0	0.0	0.0
NTA per share (RM)	2.81	2.57	2.39
Price to NTA (x)	0.25	0.29	0.32
PER (x)	-2.5	-3.0	-3.9
Debt-to-Equity ratio (x)	0.14	0.24	0.40
Return on Asset (%)	-6.7	-6.0	-5.0
Return on Equity (%)	-10.2	-9.5	-8.3
Net Div. Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	0.7%	-10.2%	-40.8%
Relative (%)	-3.9%	-25.5%	-30.4%

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Results Highlights

FYE Dec (RM m)	1QFY20	4QFY19	QoQ	1QFY19	YoY
Turnover	95.0	145.7	-35%	126.9	-25%
EBITDA	-16.2	-38.3	-58%	6.1	-364%
Depreciation	-9.0	-13.0	-31%	-8.3	8%
EBIT	-25.2	-51.3	-51%	-2.2	1033%
Interest inc/(exp)	-1.5	-1.5	5%	-1.8	-12%
Associates/JV	0.0	0.0	N.M.	0.0	N.M.
Exceptional items	6.5	22.8	-71%	-2.8	-333%
Forex gain/(loss)	0.0	0.0	N.M.	0.0	N.M.
Pretax profit	-20.2	-30.0	-33%	-6.8	198%
Taxation	0.0	-1.8	-102%	0.8	-95%
Deferred tax	0.0	0.0	N.M.	0.0	N.M.
Profit after tax	-20.1	-31.8	-37%	-5.9	239%
Minority interest	0.0	0.0	N.M.	0.0	N.M.
PATAMI	-20.1	-31.8	-37%	-5.9	239%
Core PATAMI	-13.6	-9.1	50%	-8.7	56%
DPS (sen)	0.0	0.0		0.0	
EBIT margin	-26%	-35%		-2%	
Pretax margin	-21%	-21%		-5%	
NP margin	-21%	-21%		-5%	
CNP margin	-14%	-6%		-7%	
EPS (sen)	-8.8	-14.0		-2.6	
Core EPS(sen)	-6.0	-4.0		-3.8	
BV/share (RM)	2.7	2.8		3.1	
Net gearing (x)	0.2	0.2		0.2	
Effective tax	0%	-6%		12%	

Source: Company, Kenanga Research

Segmental

Segmental Breakdown	1QFY20	4QFY19	QoQ	1QFY19	YoY
Segmental Revenue					
Malaysia	73.1	95.4	-23%	92.8	-21%
Vietnam	10.9	29.7	-63%	20.3	-46%
Others	11.0	20.5	-46%	13.8	-21%
Total	95.0	145.7	-35%	126.9	-25%
Segmental PBT					
Malaysia	-16.3	-24.5	-34%	-3.1	430%
Vietnam	-3.8	-4.8	-20%	-3.3	18%
Others	0.0	-0.5	-99%	-0.3	-99%
Elims	0.0	-0.2	-89%	-0.1	-83%
Total	-20.2	-30.0	-33%	-6.8	198%
PBT margins					
Malaysia	-22%	-26%		-3%	
Vietnam	-35%	-16%		-16%	

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.		
<u>BUILDING MATERIALS UNDER COVERAGE</u>																		
ANN JOO RESOURCES BHD	0.735	396.6	Y	12/2020	-1.6%	4.4%	-108.7%	-190.9%	N.A.	N.A.	N.A.	0.3	0.4	-1.0%	0.0%	0.580	OP	
PRESS METAL ALUMINIUM HOLDINGS BHD	4.55	18,373.4	Y	12/2020	-17.1%	28.5%	-24.4%	74.0%	27.0	32.4	20.0	5.0	4.8	10.3%	0.8%	4.45	MP	
UNITED U-LI CORP BHD	0.350	76.2	Y	12/2020	-5.3%	3.0%	-80.0%	66.7%	N.A.	175	175	0.3	0.4	0.8%	0.0%	0.250	UP	
WHITE HORSE BHD	0.705	160.5	Y	12/2020	-5.4%	3.9%	-182.8%	-177.4%	N.A.	N.A.	N.A.	0.3	0.3	-9.5%	0.0%	0.740	MP	
Simple Average					-7.3%	9.9%	-99.0%	-56.9%	27.0	103.7	97.5	1.5	1.5	-1.3%	0.2%			

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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Published and printed by:

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