

2Q FYE MAR 2018 RESULTS REPORT

24 November 2017

Name of PLC: ENRA Group Bhd		PLC Website: www.enra.my	
Business Summary: Principally involved in property development and oil & gas services			
Substantial Shareholders: Dato' Kamaluddin Abdullah and deemed interest 40.47% Dato' Mazlin Md Junid and deemed interest 20.31%			
Market / Sector:	Main / Properties	Stock Code:	8613
		Bloomberg Ticker:	ENRA MK
Market Capitalisation:	RM 418.2 m	Recommendation:	HOLD
Target Price:	RM 3.15	Expected Capital Gain:	1.6%
Current Price:	RM 3.10	Expected Div Yield:	-
		Expected Total Return:	1.6%
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Key Stock Statistics	2016	2017	2018F	2019F
EPS (sen)	6.9	8.8	10.3	8.1
P/E (x)	42.5	33.4	28.7	36.4
Net Dividend/Share (sen)	8.0	-	-	-
NTA/Share (RM)	1.74	1.07	1.17	1.25
Book Value/Share (RM)	1.74	1.13	1.23	1.32
Issued Capital (mil shares)	134.9	134.9	134.9	134.9
52-week Share Price Range (RM)			1.94 - 3.18	
Estimated Free Float				38%
Average Volume (shares)				49,000

Per Share Data	2016	2017	2018F	2019F
Year-end 31 Mar				
Book Value (RM)	1.74	1.13	1.23	1.32
Operating Cash Flow (sen)	(1.8)	27.4	8.5	17.3
EPS (sen)	6.9	8.8	10.3	8.1
Net Dividend/Share (sen)	8.0	-	-	-
Payout Ratio (%)	115.3	-	-	-
P/E (x)	42.5	33.4	28.7	36.4
P/Cash Flow (x)	(164.9)	10.8	34.7	17.1
P/Book Value (x)	1.7	2.6	2.4	2.2
Dividend Yield (%)	2.7	-	-	-
ROE (%)	4.4	6.2	8.7	6.4
Net Gearing (%)	n.c.	n.c.	n.c.	n.c.

n.c. - net cash

P&L Analysis (RM mil)	2016	2017	2018F	2019F
Revenue	122.31	179.34	133.76	134.14
EBITDA	21.74	29.49	21.94	19.17
Depreciation	(0.94)	(1.11)	(1.99)	(2.49)
Net Interest Income	0.79	0.15	2.39	1.89
Pre-tax Profit	21.60	28.52	22.33	18.56
Net Profit (after MI)	9.36	11.93	13.88	10.94
EBITDA Margin (%)	17.8	16.4	16.4	14.3
Pre-tax Margin (%)	17.7	15.9	16.7	13.8
Net-Margin (%)	7.7	6.7	10.4	8.2

*All the statistics only accounts for continuing operations

1. 2QFY18 Results Highlight

	2QFY18	2QFY17	Chg
	RMm	RMm	%
Revenue	20.95	45.27	-54
Operating Profit	2.84	5.44	-48
Pre-tax Profit	2.45	5.38	-54
Net Profit	2.25	3.62	-38
Net Profit (after MI)	2.31	2.05	13
Operating Margin (%)	13.6	12.0	13
Pre-tax Margin (%)	11.7	11.9	-2
Net Margin (%)	10.7	8.0	34

- For continuing operations, the Group's revenue and net profit in 2QFY18 declined by 54% and 38% year-on-year ("yoy") to RM20.95m and RM2.25m respectively, as contribution from the property development division has been minimal since the start of FY18. Sales at the completed Shamelin Star, the only contributing property project, is at tail end.
- In oil & gas segment, the Group's major earnings contributor, revenue from the division dropped by 32% yoy to RM10.33m. However PBT increased by 62% yoy to RM4.63m helped by reversal of a RM4.09m contingent liability relating to acquisition of ENRA Engineering and Fabrication Sdn Bhd.
- On quarter-on-quarter basis ("qoq"), the Group's revenue declined 13% from RM23.95m in 1QFY18, however the latest quarter's net profit of RM2.25m is substantially higher than RM0.73m registered in the immediate preceding quarter. The qoq jump in the net profit is due to reversal of a contingent liability of RM4.09m.

2. 1HFY18 Results Highlight

	1HFY18	1HFY17	Chg
	RMm	RMm	%
Revenue	44.89	84.95	-47
Operating Profit	4.55	9.10	-50
Pre-tax Profit	4.05	8.92	-55
Net Profit	2.97	6.08	-51
Net Profit (after MI)	3.32	3.36	-1
Operating Margin (%)	10.1	10.7	-6
Pre-tax Margin (%)	9.0	10.5	-14
Net Margin (%)	6.6	7.2	-8

- In 1HFY18, revenue dropped by 47% to RM44.89m from RM84.95m in 1HFY17, net profit also decreased by 51% to RM2.97m as compared to RM6.08m in the same period last year. The weaker results are to be expected as the contribution from Shamelin Star project for FY18 is tapering off, that 96% of its residential units have already been sold.
- 1HFY18's revenue accounted for 33.6% of our full-year forecast of RM133.76m while net profit (after MI) came in at 23.9% of our estimate of RM13.88m.

3. Earnings Outlook

Due to the delay in completion of London property project, ENRA's results so far appear to be lagging our expectations. However we are still maintaining our earnings forecast as we expect the bulk of the earnings from the London redevelopment project (GDV ~ RM55m) will be recognised in full in the final quarter. We note that the completion of the project has been delayed from September to December this year because of time taken for local council approval. Local council imposes stringent oversight as the building is deemed to have historical significance.

Also, we expect ENRA Kimia, the current earnings anchor for the Group, will continue to provide steady contribution to the oil & gas division. We forecast a low double-digit growth in FY18 for this specialty chemicals supply and trading business.

4. Corporate Update

- Pending fulfilment of conditions set out in the Agreements, the cut-off date of the disposal of the remaining legacy investment assets has been extended to 15 December 2017, and an Extraordinary General Meeting is expected to be held early next year to finalise the sale. The disposal will raise RM85.15m which will strengthen the Group's balance sheet to pursue more investment opportunities.
- ENRA's project off the coast of Myanmar which entails installing a SPM system and storage tanker is progressing well, on track for commencement of operations in April 2018. We expect this project to contribute positively to the Group from FY19 onwards.
- The Group's 60% subsidiary, ENRA SPM Sdn Bhd has incorporated a Labuan licensed leasing company (ENRA SPM Labuan Ltd) in October 2017 to undertake leasing business for charter vessel and related equipment. For a start, the new company will be leasing a SPM system and storage tanker to ENRA's project in Myanmar, and will also look to lease out SPM systems to other parties both locally and regionally.

5. Valuation and Recommendation

The recovery of crude oil prices to 2-year high in our opinion has brightened the outlook for ENRA. Efforts in setting up various oil and gas businesses in the last two years have put the Group in a good position to take advantage of potential revival of capex in the oil & gas industry.

We are positive on the strong business networking of management and its strong net cash financial position, as such the Group has great opportunities to secure more value-enhancing projects and investments in the near future. We are maintaining a HOLD recommendation with fair value RM3.15 pending the delivery of more projects and /or M&A deals.

Share Price Chart



Disclosures/Disclaimer

Investment ratings:

Buy (generally >10% upside over the next 12 months)

Hold (generally negative 10% downside to positive 10% upside over the next 12 months)

Sell (generally >10% downside over the next 12 months)

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