

Company Note

I Malaysia

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price: RM1.91
Target price:  RM2.40
Previous target: RM2.40
Up/downside: 25.7%
CIMB / Consensus: 0.0%

Reuters: EITA.KL
Bloomberg: EITA MK
Market cap: US\$56.37m
RM248.3m

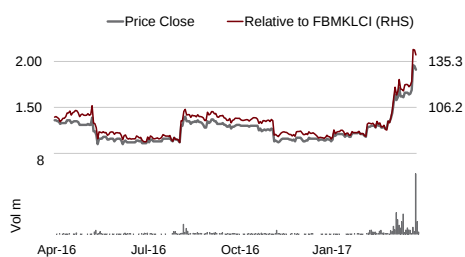
Average daily turnover: US\$0.15m
RM0.66m

Current shares o/s: 130.0m
Free float: 41.5%

*Source: Bloomberg

Key changes in this note

 No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	50.4	64.7	40.4
Relative (%)	51.1	60.4	40.1

Major shareholders	% held
CBG Holdings	23.8
Fu Wing Hoong	19.2
Lin Joo Swee	15.6

Analyst(s)



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EITA Resources Bhd

Lift me higher

- We arranged a meeting with EITA's management and 10 of our institutional clients.
- More than 60% of FY16 group revenue was derived from its in-house brands.
- The tender period for MRT 2 Phase 1 elevator job should close by end-Apr.
- We are optimistic of EITA winning at least one of the MRT 2 elevator jobs.
- EITA remains an Add, with an unchanged target price of RM2.40.

Focus on growing export revenue

We organised a meeting with EITA's management and 10 of our institutional clients today. EITA was represented by MD Fu Wing Hoong, CFO Kow Poh Gek and Corporate Affairs Manager MK Tan. There were no surprises at the meeting. Over the next few years, EITA will stay focused on growing its export markets, particularly in ASEAN. Exports formed 20% of group revenue in FY16. The domestic market outlook is stable with ongoing infrastructure jobs and launches of affordable apartments in major cities.

60% revenue from in-house brands

When EITA started its business 20 years ago, it was its intention to grow its in-house brands. Profits from its distribution and marketing business were reinvested in the company. Today, EITA's in-house brands like Schneider, Furutec and Pyrotec contribute more than 60% to its group revenue.

Tenders for MRT 2 Phase 1 job to close by end-Apr

EITA indicated tenders for MRT 2 Phase 1 elevator job should close by end-Apr and we believe results for the tender should be out within the next two quarters. We understand MRT 2 elevator jobs should be divided into a few packages. With the successful completion of EITA's existing MRT job expected by end-Apr, we think that the company stands a strong chance of getting at least one of the packages for the MRT 2 job.

EITA's strengths

When asked about EITA's strengths in the elevator market, management cited these three areas: i) maintenance and service, as its staff are in Malaysia and can respond to clients' requests quickly; ii) design, as the manufacturing facilities are in Klang Valley and EITA can meet its clients' specific requests which is not so easy for its foreign competitors whose production operations are not in Malaysia; and iii) brand awareness, as EITA is a relatively young company but is gaining a strong reputation in the industry.

Maintenance revenue to rise in the long term

As at end-Dec, c.2,500 elevators nationwide were maintained by EITA. On average, 90% of elevators manufactured by EITA are still maintained by the company for a fee after the two-year warranty has expired. We estimate on average, EITA produces 250 elevators p.a. and as such, c.225 units should be serviced by its maintenance division annually after end of warranty period, i.e. additional RM1m maintenance revenue annually. The gross profit margin from maintenance services is above 50%.

Remains an Add

We maintain our EPS forecasts and target price based on 12x 2018 P/E, a 20% discount to the construction sector's 15x target P/E. The discount is to reflect its small market cap and indirect exposure to the sector. Our earnings forecasts exclude potential profits from MRT 2 or LRT 3 jobs. Potential rerating catalysts are securing the MRT 2 elevator job and strong export sales. Downside risks are failure to win the MRT 2 elevator job.

Financial Summary	Sep-15A	Sep-16A	Sep-17F	Sep-18F	Sep-19F
Revenue (RMm)	214.9	288.0	265.0	312.2	340.6
Operating EBITDA (RMm)	17.63	37.89	33.30	36.20	39.00
Net Profit (RMm)	19.57	15.64	21.08	25.15	26.78
Core EPS (RM)	0.09	0.19	0.16	0.19	0.21
Core EPS Growth	(8%)	114%	(15%)	19%	6%
FD Core P/E (x)	21.33	9.99	11.78	9.87	9.27
DPS (RM)	0.040	0.040	0.050	0.060	0.065
Dividend Yield	2.09%	2.09%	2.62%	3.14%	3.40%
EV/EBITDA (x)	13.20	6.76	6.33	6.34	6.12
P/FCFE (x)	NA	12.11	4.78	NA	NA
Net Gearing	(12.2%)	4.4%	(24.9%)	(12.0%)	(6.5%)
P/BV (x)	1.88	1.75	1.58	1.42	1.29
ROE	9.4%	18.1%	14.1%	15.2%	14.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.02	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

Lift me higher

EITA looking to boost institutional shareholdings? ➤

Yesterday, the company announced its managing director Fu Wing Hoong sold 0.8m shares on 14 Apr and his stake is now 19.2%. We see this as a positive sign for the stock as we believe the 0.8m shares were placed to institutional investors, as the start of the company's plan to boost institutional shareholding in EITA. Based on the 2016 annual report, there was only one institutional shareholder, with a 2.1% stake in the company.

Charts: long-term uptrend has started? ➤

EITA's long-term uptrend appears to have started this month after the share price broke out of its major resistance trendline. The monthly moving average convergence divergence (MACD) and relative strength index (RSI) have also broken past their respective resistance trendlines, which is usually medium-term bullish. EITA's daily MACD still does not show any negative divergence signs, which indicates the immediate term uptrend remains up.

Figure 1: EITA's monthly price chart (RM1.96)



Figure 2: EITA's daily price chart (RM1.96)



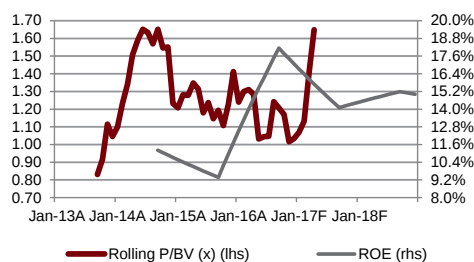
Figure 2: Sector comparisons

Company	Bloomberg Ticker	Reco m.	Target Price		Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)
			(local curr)	(local curr)		CY2017	CY2018			CY2017	CY2018	CY2017	CY2018	
EITA Resources Bhd	EITA MK	Add	RM1.91	RM2.40	56	11.9	9.9	3.0%	1.2	14.0%	14.6%	4.5	4.7	2.8%
Muhibbah Engineering	MUHI MK	Add	RM2.81	RM3.09	306	11.7	10.2	9.5%	1.3	11.2%	12.2%	4.0	3.4	1.6%
Salcon	SALC MK	Add	RM0.65	RM0.68	96	20.2	18.5	29.7%	0.9	4.5%	4.8%	4.4	4.2	4.5%
Signature International	SIGN MK	Add	RM0.92	RM1.30	49	13.6	13.6	1.0%	1.6	12.6%	11.4%	6.7	6.4	2.2%
WCT Holdings	WCTHG MK	Hold	RM1.86	RM2.00	619	18.5	17.9	28.0%	0.8	4.7%	4.7%	38.7	37.1	1.2%
Sector average ex-EITA					268	15.2	14.0	14.3%	1.2	9.4%	9.5%	13.4	12.8	2.5%

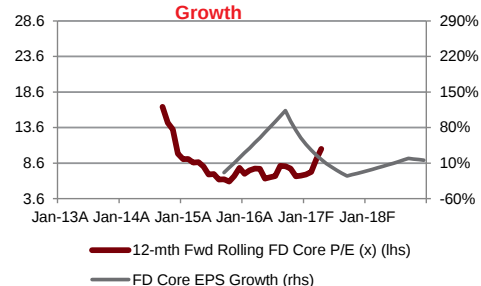
SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Sep-15A	Sep-16A	Sep-17F	Sep-18F	Sep-19F
Total Net Revenues	214.9	288.0	265.0	312.2	340.6
Gross Profit	214.9	288.0	265.0	312.2	340.6
Operating EBITDA	17.6	37.9	33.3	36.2	39.0
Depreciation And Amortisation	(2.1)	(2.3)	(2.5)	(2.9)	(3.0)
Operating EBIT	15.6	35.6	30.8	33.3	36.0
Financial Income/(Expense)	0.8	(1.9)	(1.9)	0.9	0.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	16.4	33.7	28.9	34.2	36.5
Exceptional Items	11.1	(12.2)	0.0	0.0	0.0
Pre-tax Profit	27.5	21.5	28.9	34.2	36.5
Taxation	(7.8)	(5.3)	(7.2)	(8.6)	(9.1)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	19.6	16.2	21.7	25.7	27.4
Minority Interests	(0.1)	(0.6)	(0.6)	(0.5)	(0.6)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
Net Profit	19.6	15.6	21.1	25.2	26.8
Recurring Net Profit	11.6	24.8	21.1	25.2	26.8
Fully Diluted Recurring Net Profit	11.6	24.8	21.1	25.2	26.8

Cash Flow

(RMm)	Sep-15A	Sep-16A	Sep-17F	Sep-18F	Sep-19F
EBITDA	17.63	37.89	33.30	36.20	39.00
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	7.39	(41.85)	28.50	(40.56)	(31.14)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	(11.20)	12.20	10.50	2.10	2.10
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(8.14)	(8.56)	(7.23)	(8.55)	(9.13)
Cashflow From Operations	5.68	(0.33)	65.08	(10.81)	0.84
Capex	(1.62)	(2.02)	(12.20)	(3.10)	(3.10)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	(2.80)	(1.15)	(0.90)	(0.90)	(0.90)
Cash Flow From Investing	(4.42)	(3.16)	(13.10)	(4.00)	(4.00)
Debt Raised/(repaid)	(8.10)	24.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(5.20)	(5.20)	(6.32)	(7.55)	(8.03)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	1.80	0.40	2.00	3.20	2.10
Cash Flow From Financing	(11.50)	19.20	(4.32)	(4.35)	(5.93)
Total Cash Generated	(10.24)	15.71	47.65	(19.15)	(9.10)
Free Cashflow To Equity	(6.84)	20.51	51.98	(14.81)	(3.16)
Free Cashflow To Firm	1.26	(3.49)	51.98	(14.81)	(3.16)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Sep-15A	Sep-16A	Sep-17F	Sep-18F	Sep-19F
Total Cash And Equivalents	29.5	36.4	82.2	64.0	55.5
Total Debtors	81.9	126.5	95.4	112.4	122.6
Inventories	40.9	51.1	47.7	80.7	107.3
Total Other Current Assets	17.2	5.1	5.1	5.1	6.9
Total Current Assets	169.5	219.1	230.4	262.2	292.3
Fixed Assets	23.7	24.6	34.3	34.5	34.6
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	2.1	2.3	2.3	2.3	2.3
Total Other Non-Current Assets	4.6	5.8	5.8	5.8	5.8
Total Non-current Assets	30.4	32.7	42.4	42.6	42.7
Short-term Debt	4.2	34.1	34.1	34.1	34.1
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	49.0	59.0	53.0	62.4	68.1
Other Current Liabilities	2.3	6.4	18.1	22.6	27.8
Total Current Liabilities	55.4	99.5	105.2	119.1	130.0
Total Long-term Debt	9.2	8.6	8.6	8.6	8.6
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	2.9	0.1	0.1	0.1	0.1
Total Non-current Liabilities	12.1	8.8	8.7	8.7	8.7
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	67.6	108.2	113.9	127.9	138.7
Shareholders' Equity	131.8	142.1	156.8	174.4	193.2
Minority Interests	0.6	1.5	2.1	2.6	3.2
Total Equity	132.4	143.5	158.9	177.0	196.4

Key Ratios

	Sep-15A	Sep-16A	Sep-17F	Sep-18F	Sep-19F
Revenue Growth	8.1%	34.0%	(8.0%)	17.8%	9.1%
Operating EBITDA Growth	14%	115%	(12%)	9%	8%
Operating EBITDA Margin	8.2%	13.2%	12.6%	11.6%	11.5%
Net Cash Per Share (RM)	0.12	(0.05)	0.30	0.16	0.10
BVPS (RM)	1.01	1.09	1.21	1.34	1.49
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	28.6%	24.5%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	61.4%	18.7%	24.7%	20.7%	19.4%
Accounts Receivables Days	129.5	132.4	152.8	121.5	125.9
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	10.5%	22.4%	15.4%	20.9%	17.3%
ROCE (%)	11.6%	20.3%	14.9%	16.2%	15.9%
Return On Average Assets	4.3%	13.2%	8.8%	8.6%	8.4%

Key Drivers

(RMm)	Sep-15A	Sep-16A	Sep-17F	Sep-18F	Sep-19F
Outstanding Orderbook	150	150	170	190	210
Order Book Depletion	200	200	200	200	200
Orderbook Replenishment	N/A	250	270	300	330
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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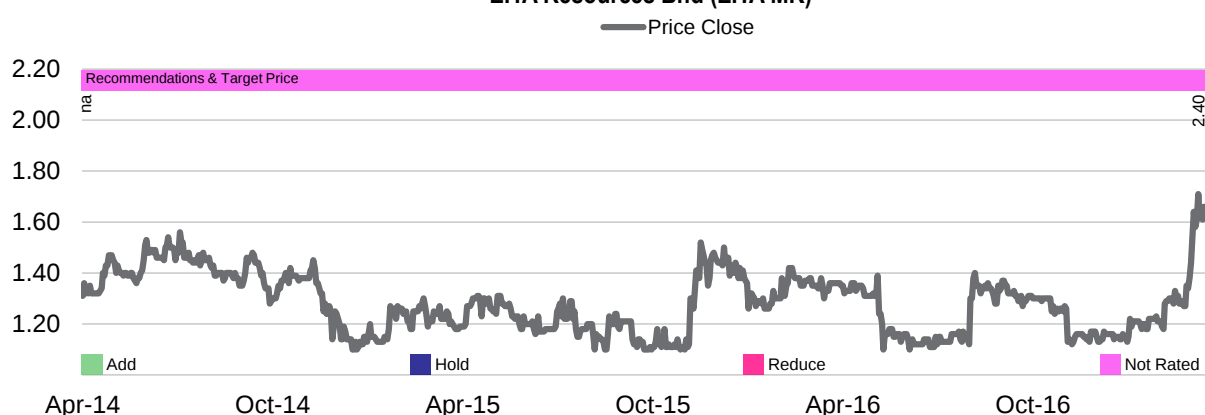
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1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)

EITA Resources Bhd (EITA MK)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** – Good, n/a, **BH** – Good, Declared, **BIGC** – Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Good, n/a, **GFPT** – Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Very Good, Declared,

HANA - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** - Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** - Good, n/a, **IVL** - Excellent, Certified, **JAS** - not available, Declared, **JASIF** - not available, n/a, **JUBILE** - Good, Declared, **KAMART** - not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** - Good, Certified, **KKP** - Excellent, Certified, **KSL** - Very Good, Declared, **KTB** - Excellent, Certified, **KTC** - Excellent, Certified, **LH** - Very Good, n/a, **LPN** - Excellent, Declared, **M** - Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** - Good, Declared, **MALEE** - Very Good, Declared, **MBKET** - Very Good, Certified, **MC** - Very Good, Declared, **MCOT** - Excellent, Declared, **MEGA** - Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** - Very Good, Declared, **NYT** - Excellent, n/a, **OISHI** - Very Good, n/a, **PLANB** - Very Good, Declared, **PSH** - not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** - Excellent, Declared, **RATCH** - Excellent, Certified, **ROBINS** - Very Good, Declared, **RS** - Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** - Excellent, Certified, **SAWAD** - Good, n/a, **SC** - Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** - not available, n/a, **SCC** - Excellent, Certified, **SCN** - Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** - Very Good, Declared, **STA** - Very Good, Declared, **STEC** - Excellent, n/a, **SVI** - Excellent, Certified, **TASCO** - Very Good, Declared, **TCAP** - Excellent, Certified, **THAI** - Very Good, Declared, **THANI** - Very Good, Certified, **THCOM** - Excellent, Certified, **THRE** - Very Good, Certified, **THREL** - Very Good, Certified, **TICON** - Very Good, Declared, **TISCO** - Excellent, Certified, **TK** - Very Good, n/a, **TKN** - Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** - Good, n/a, **TIPIP** - not available, n/a, **TRUE** - Very Good, Declared, **TTW** - Very Good, Declared, **TU** - Excellent, Declared, **UNIQ** - not available, Declared, **VGI** - Excellent, Declared, **WHA** - not available, Declared, **WHART** - not available, n/a, **WORK** - not available, n/a.

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- Companies certified by CAC

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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