



AmInvestment Bank

Company report

ENRA GROUP

(ENRA MK EQUITY, ENRA.KL)



27 Feb 2020

Stronger earnings due to lower investment holding costs

HOLD

(Maintained)

Thong Pak Leng

thong-pak-leng@ambankgroup.com

03-2036 2025

Rationale for report: Company results/update

Price RM1.20
 Fair Value RM1.25
 52-week High/Low RM1.55/RM0.90

Key Changes

Fair value ↕
 EPS ↕

YE to Mar (RMmil)	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	164.7	169.5	177.4	201.1
Core net profit (RM mil)	1.3	3.3	4.0	4.1
FD Core EPS (sen)	0.9	2.5	3.0	3.0
FD Core EPS growth (%)	(157.8)	159.3	22.1	1.2
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	4.5	2.0	2.4	2.4
PE (x)	126.5	48.8	39.9	39.5
EV/EBITDA (x)	15.1	3.8	3.8	4.1
Div yield (%)	3.8	1.6	2.0	2.0
ROE (%)	0.9	2.7	3.2	3.3
Net Gearing (%)	nm	nm	nm	13.3%

Stock and Financial Data

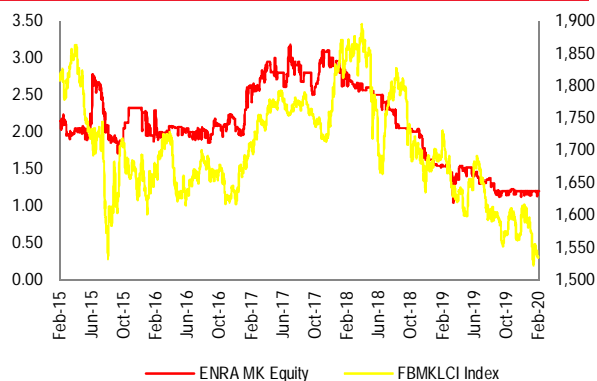
Shares Outstanding (million)	134.92
Market Cap (RM mil)	161.9
Book Value (RM/share)	0.9
P/BV (x)	1.4
ROE (%)	(18.88)
Net Gearing (%)	nm

Major Shareholders	Trillion Icon SB	13.3%
	Mizreen Capital SB	11.8%
	Tan Sri D Kamaluddin	11.4%

Free Float	63.5%
Avg Daily Value (RM mil)	0.00

Price performance

	3mth	6mth	12mth
Absolute (%)	0.0	(12.4)	(20.0)
Relative (%)	3.4	3.7	(11.6)



Investment Highlights

- We maintain our HOLD recommendation on Enra with an unchanged fair value of RM1.25 (Exhibit 2). We made no changes to our FY20–22F earnings forecasts.
- We raise our FY20 net profit forecasts by 32% by cutting investment holding costs following a stronger-than-expected 9MFY20 earnings.
- Enra's 9MFY20 net profit of RM2.8mil (+434% YoY) came in above our expectation, making up 180% of our full-year forecast. Revenue grew by 5.7% YoY contributed by RM42mil from the property development division. The stronger-than-expected earnings was mainly due to huge reduction in investment holding costs by 47%.
- The energy services division posted a lower PBT of RM12.6mil (-18.9% YoY) mainly due to lower revenue.
- On the property development division, Enra has sold all completed units in London, the UK. With cash proceeds of more than RM30mil, Enra is in a good position to grow its core energy services business while embarking on niche and quick-turnaround property development projects focusing on affordable landed properties in established townships in the Klang Valley.
- The acquisition of a 15-year-old oil and chemical tanker for US\$9.3mil or RM38.9mil cash has been completed in January 2020. This acquisition is in line with the group's strategy to expand its offshore services and enhance its capabilities in offshore oil and gas operations. With a net tonnage of 10,216 tonnes, the double-hull oil and chemical tanker will provide cost-effective storage and offloading solutions to oil and gas fields. This will enhance Enra's competitiveness in pursuing new contracts in this core business area. Enra also acquired a buoy for RM14.6mil in February 2020. These assets will be deployed to Myanmar to service Enra's contract with PC Myanmar (HK) Ltd.
- Enra's forward earnings will be driven largely by: (i) its US\$48mil (RM210mil) 4-year contract (beginning April 2018) for the provision of condensate storing and offloading services to the Yetagun offshore gas field, off the coast of Myanmar; and (ii) the retirement home development in Caldecott Square, Rugby, the UK.

EXHIBIT 1: EARNINGS SUMMARY

YE to Mar (RMmil)	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	QoQ %	YoY %	9MFY19	9MFY20	YTD %
Revenue	33.7	28.0	51.5	42.1	50.9	20.9%	51.1%	136.7	144.4	5.7%
Operating costs	(25.4)	(45.7)	(42.3)	(37.6)	(42.1)	12.0%	65.5%	(109.3)	(121.9)	11.6%
EBITDA	8.3	(17.7)	9.2	4.5	8.8	95.0%	6.6%	27.4	22.5	-17.9%
Finance costs	(1.2)	(1.0)	(1.1)	0.5	(0.5)	-193.2%	-59.6%	(4.3)	(1.1)	-75.0%
Associate contributions	(0.0)	(0.0)	0.0	0.0	(0.0)	n.a.	325.0%	0.0	(0.0)	n.a.
Profit before tax	(0.5)	(26.3)	0.7	2.0	3.3	64.5%	-772.3%	3.0	6.1	101.8%
Taxation	(0.4)	(0.3)	(0.5)	(0.1)	(1.1)	1590.9%	172.2%	(2.7)	(1.7)	-36.4%
Discontinued operations	(0.1)	(0.9)	0.0	0.0	0.0	n.a.	-100.0%	0.9	0.0	-100.0%
MI	(0.2)	2.4	(0.1)	(1.3)	(0.2)	-82.1%	36.6%	(0.7)	(1.6)	129.7%
PATMI	(1.2)	(25.1)	0.1	0.7	2.0	181.8%	-270.2%	0.5	2.8	434.0%
EPS (sen)	(0.9)	(18.8)	0.1	0.5	1.5	181.8%	-270.2%	0.4	2.1	434.0%
EBITDA margin (%)	0.2	(0.6)	0.2	0.1	0.2	61.3%	-29.4%	0.2	0.2	-22.3%
Effective tax rate (%)	(0.8)	(0.0)	0.7	0.0	0.3	928.0%	-140.5%	0.9	0.3	-68.5%
PATMI margin (%)	(0.0)	(0.9)	0.0	0.0	0.0	133.1%	-212.6%	0.0	0.0	405.4%

Source: AmInvestment Bank Bhd

EXHIBIT 2: SOP VALUATION

Business/Asset	Value (RMmil)	Basis
Shamelin Star (remaining 6 units)	4.4	Estimated sale proceeds
93 Great Titchfield Street, London	35.3	Estimated sale proceeds (75% stake)
Caldecott Square, Rugby, UK	10.8	51% stake (NPV @ 6%)
Oil & Gas	103.7	8x FY20F net profit
Total	154.2	
Net cash/(debt)	13.5	
Total SOP	167.7	
Share base (m)	134.0	
SOP per share (RM)	1.25	

Source: Company, AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	75.3	164.7	169.5	177.4	201.1
EBITDA	1.1	9.7	40.5	42.1	42.9
Depreciation/Amortisation	(1.3)	(27.7)	(28.5)	(28.5)	(28.5)
Operating income (EBIT)	(0.1)	(18.0)	12.0	13.6	14.4
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(0.6)	(5.3)	(5.4)	(5.7)	(6.4)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	(0.8)	(23.3)	6.5	7.9	8.0
Taxation	(2.1)	(3.0)	(1.8)	(2.2)	(2.2)
Minority interests	0.7	1.7	(1.4)	(1.6)	(1.7)
Net profit	(2.2)	(24.6)	3.3	4.0	4.1
Core net profit	(2.2)	1.3	3.3	4.0	4.1
Balance Sheet (RMmil, YE 31 Mar)	FY18	FY19	FY20F	FY21F	FY22F
PPE	4.5	14.5	15.2	16.0	16.8
Intangible assets	8.5	17.2	17.2	17.2	17.2
Other long-term assets	0.1	85.2	85.2	85.2	85.2
Total non-current assets	13.2	116.9	117.6	118.4	119.2
Cash & equivalent	46.2	30.0	30.9	31.1	31.3
Inventories	73.6	83.3	94.4	102.5	120.8
Trade receivables	69.5	33.9	69.7	72.9	82.6
Other current assets	85.7	1.4	1.4	1.4	1.4
Total current assets	275.1	148.5	196.4	207.9	236.1
Trade payables	44.5	31.8	67.4	73.2	86.3
Short-term borrowings	72.5	16.2	16.1	16.2	16.3
Other current liabilities	1.1	28.6	28.6	28.6	28.6
Total current liabilities	118.0	76.6	112.2	118.1	131.2
Long-term borrowings	3.4	0.3	6.1	14.5	31.7
Other long-term liabilities	1.1	67.6	62.0	62.0	62.0
Total long-term liabilities	4.4	67.9	68.1	76.6	93.8
Shareholders' funds	152.0	123.1	123.7	124.5	125.4
Minority interests	13.7	(2.2)	9.9	7.2	5.0
BV/share (RM)	1.13	0.92	0.92	0.93	0.94
Cash Flow (RMmil, YE 31 Mar)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	(0.8)	(23.3)	6.5	7.9	8.0
Depreciation/Amortisation	1.3	27.7	28.5	28.5	28.5
Net change in working capital	(25.3)	125.2	(11.3)	(5.6)	(14.9)
Others	3.0	(30.0)	(18.1)	(35.2)	(34.6)
Cash flow from operations	(21.8)	99.7	5.7	(4.3)	(13.1)
Capital expenditure	(2.2)	(10.2)	(0.7)	(0.8)	(0.8)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	(0.3)	(6.0)	0.0	0.0	0.0
Cash flow from investing	(2.4)	(16.2)	(0.7)	(0.8)	(0.8)
Debt raised/(repaid)	15.2	(70.2)	5.7	8.5	17.3
Equity raised/(repaid)	0.0	7.0	0.0	0.0	0.0
Dividends paid	(5.6)	(6.1)	(2.6)	(3.2)	(3.3)
Others	(3.1)	(13.3)	0.0	0.0	0.0
Cash flow from financing	6.5	(82.6)	3.1	5.3	14.1
Net cash flow	(17.7)	0.9	8.1	0.2	0.2
Adjustments	(0.0)	(0.0)	0.0	0.0	0.0
Net cash/(debt) b/f	39.7	22.0	22.8	30.9	31.1
Net cash/(debt) c/f	22.0	22.9	30.9	31.1	31.3
Key Ratios (YE31 Mar)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	(58.0)	118.8	2.9	4.7	13.3
EBITDA growth (%)	(96.2)	759.0	316.2	3.9	2.0
Pretax margin (%)	(1.0)	(14.1)	3.9	4.4	4.0
Net profit margin (%)	(2.9)	(14.9)	1.9	2.3	2.0
Interest cover (x)	(0.2)	(3.4)	2.2	2.4	2.2
Effective tax rate (%)	274.5	13.0	28.0	28.0	28.0
Dividend payout (%)	nm	nm	80.0	80.0	80.0
Receivable turnover (days)	337.1	75.1	150.0	150.0	150.0
Inventory turnover (days)	365.6	173.8	191.3	202.6	202.7
Payable turnover (days)	307.5	84.5	106.8	144.7	144.8

Source: Company, AmInvestment Bank Bhd estimates

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