AmInvestment Bank

Company report

AmInvestment Bank
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CONSUMER

MR D.I.Y. GROUP (M)

(MRDIY MK EQUITY, MRDI.KL)

30 Nov 2020

D.I.Y to new levels

BUY

(Initiation)

Rationale for report: Initiation

Price	**RM2.48**
Fair Value	**RM2.94**
52-week High/Low	RM2.50/RM1.50

Key Changes

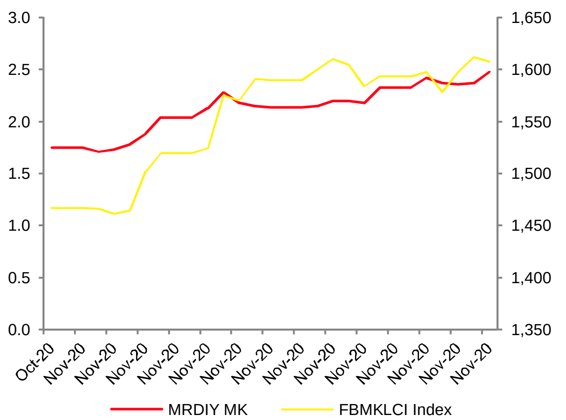
Fair value	**Initiation**
EPS	**Initiation**

YE to Dec	**FY19**	**FY20E**	**FY21F**	**FY22F**
Revenue (RM mil)	2,275.6	2,251.8	3,173.5	3,855.1
Core net profit (RM mil)	317.6	286.2	454.7	595.9
FD Core EPS (sen)	5.1	4.6	7.2	9.5
FD Core EPS growth (%)	3.0	(9.9)	58.9	31.0
Consensus Net Profit (RM mil)	-	317.2	469.0	568.5
DPS (sen)	166.5	38.0	60.3	79.1
PE (x)	49.0	54.4	34.2	26.1
EV/EBITDA (x)	1.9	1.0	0.8	0.4
Div yield (%)	67.1	15.3	24.3	31.9
ROE (%)	73.4	50.0	48.3	47.4
Net Gearing (%)	141.8	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	6,276.6
Market Cap (RM mil)	15,566.0
Book Value (RM/share)	0.13 (End-FY20E)
P/BV (x)	2.2
ROE (%)	73.4
Net Gearing (%)	141.8
Major Shareholders	Bee Family Ltd (51.0%) Hyptis (15.3%) Platinum Alphabet (3.9%)
Free Float	49.0
Avg Daily Value (RM mil)	-

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	-	-	-
Relative (%)	-	-	-



Investment Highlights

- **We initiate coverage on MR D.I.Y. Group (MR DIY) with a BUY recommendation. Our fair value of RM2.94/share for MR D.I.Y. is based on a PE of 31x FY22F EPS of 9.5 sen.**

- **Our PE assumption of 31x is at the high end of the FY22F PEs of 23x–31x of home improvement retail companies in Thailand, Indonesia and THE Philippines. Thailand's leading home improvement retail company, Home Product Center (HomePro), is trading at an FY22F PE of 31x.**

- **We believe that MR D.I.Y.'s premium PE valuation is justified due to the group's strong profit growth, expansionary business plans and established name recognition. MR D.I.Y. is currently trading at an FY21F PE of 33x and FY22F PE of 27x.**

- **We hold the view that MR D.I.Y. is positioned to benefit from a recovery in consumer spending in Malaysia in FY21F. The group's large network of stores across cities and small towns, coupled with products priced within the affordable range, are expected to translate into higher customer footfall and spending.**

- **MR.DOLLAR and MR.TOY are envisaged to support MR D.I.Y.'s profit growth in the future. MR.DOLLAR, which focuses on F&B products and products priced at RM2.00 and RM5.00/piece, would allow MR D.I.Y. to compete with the likes of EcoShop and Daiso. We do not foresee sales cannibalization between MR.DOLLAR and MR D.I.Y. as there is minimum product overlap.**

- **The group plans to open 50 MR.DOLLAR and 25 MR.TOY stores in FY21F. Average costs to open MR.DOLLAR and MR.TOY stores are about RM1.2mil and RM1.0mil respectively, which is lower than the RM1.6mil cost for a MR D.I.Y. store. Over 90% of MR D.I.Y. stores are profitable with an average target payback period of less than 2 years.**

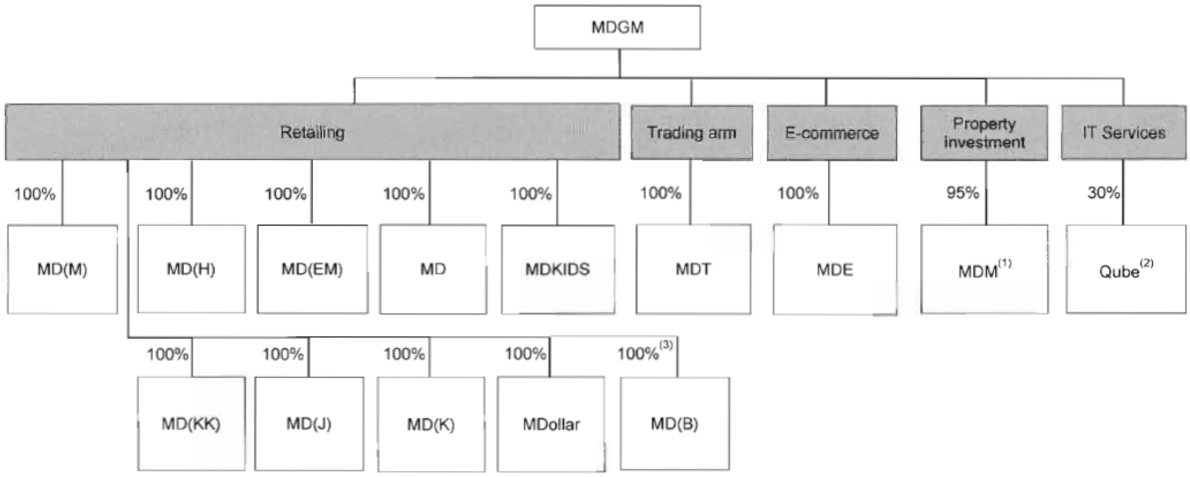
- **We believe that MR D.I.Y. would be able to grow its market share (based on revenue) in the home improvement retail business in Malaysia underpinned by its aggressive store openings and a recovery in consumer spending. We estimate MR D.I.Y.'s market share to exceed 30% in FY21F from 29.1% in FY19. Currently, MR D.I.Y. is the largest home improvement retailer in Malaysia with 670 stores.**

COMPANY OVERVIEW

❑ *Company Background*

MR D.I.Y. opened its first store in 2005 and was incorporated as a private limited company in 2010. It later converted into a public company and assumed the name MR D.I.Y. Group (M) Bhd in 2019. As at 6 September 2020, the group has 13 wholly-owned subsidiaries and one associate company (see **Exhibit 1**). The group's subsidiaries are principally involved in the retail of home improvement products and mass merchandise. MR D.I.Y. is the largest home improvement retailer in Malaysia, with an estimated market share of 29% in 2019, based on its FY19 revenue.

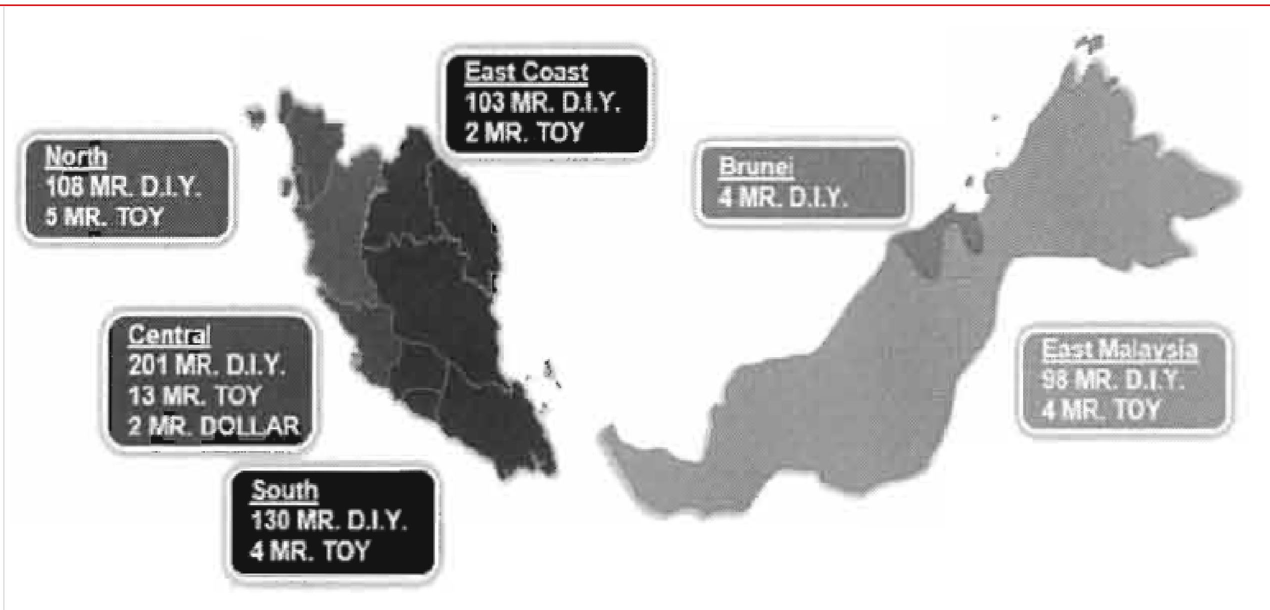
EXHIBIT 1: CORPORATE STRUCTURE



Source: Company IPO Prospectus

MR D.I.Y. has presence in Malaysia and Brunei. As at 6 September 2020 (last practicable date of its IPO), MR D.I.Y. operated 674 stores across the two countries with 670 stores in Malaysia and 4 stores in Brunei. Out of the 674 stores, MR D.I.Y. operated 644 stores under the "MR D.I.Y." brand, 24 stores under the "MR.TOY" brand, and two stores under the "MR.DOLLAR" brand. MR D.I.Y. has stores in all states of Malaysia and categorizes store locations by specific regions (see **Exhibit 2**).

EXHIBIT 2: STORE DISTRIBUTION BY REGION AS AT 1HFY20



Source: Company IPO Prospectus
Central: Selangor, Kuala Lumpur, Putrajaya; North: Perlis, Kedah, Penang, Perak; East Coast: Kelantan, Terengganu, Pahang; South: Johor, Melaka, Negeri Sembilan; East Malaysia: Sabah, Sarawak, Labuan.

As majority of the group's revenue is derived from its stores, MR D.I.Y. has a strict and stringent store opening process to ensure the success of the stores. The process comprises the following phases:

i) **Site identification and preliminary site assessment**. The in-house business development team sources for potential new sites, either directly or through third-party agents. The internal site assessment and procurement team will then conduct due diligence on sites against a range of factors that may contribute to commercial success of the stores such as size, demographics, customer traffic, developmental prospects of the area and others.

ii) **Physical site visit.** The group conducts a physical site visit once the preliminary stage has been approved. Other factors that were unable to be assessed, such as the physical and environmental characteristics, are taken into consideration during this phase.

iii) **Site implementation.** The final phase sees the group negotiate and execute the tenancy agreement and finally take vacant possession of the site. The group then proceeds with the fit-out of the store and inventory to be delivered to the store. It typically takes 30–60 days from the day of the lease agreement to the opening day for a store. Capex to open a new store, excluding inventory, was approximately RM581,000 in 1HFY20.

❑ *Management*

Selected management profiles of those responsible for the day-to-day operations of MR D.I.Y. are listed below:

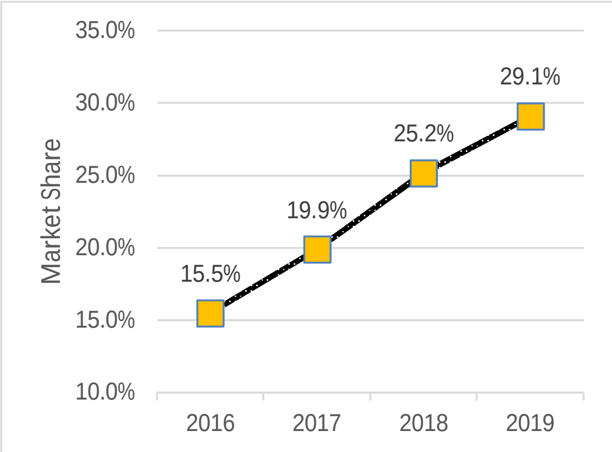
Name	Designation	Background
Tan Yu Yeh	Non-independent executive director / executive vice chairman	• Founder of the business and opened the first MR D.I.Y. store in 2005. Tan was appointed to the board in June 2016 and subsequently redesignated as executive vice chairman in 2020. • Graduated from Universiti Malaya with a Bachelor of Science in Physics. • Jointly responsible for the day-to-day operations with Ong Chu Jin Adrian with specific responsibilities in the overall management of the group's operations and sets its business strategy. • 1997–2009: Remisier at Inter-Pacific Securities Sdn Bhd. • 1996–1997: Engineer at Komag USA (Malaysia) Sdn Bhd.
Ong Chu Jin Adrian	Non-independent executive director / chief executive officer	• Joined the group in January 2019 as co-managing director before being redesignated as chief executive officer in 2020. • Jointly responsible for the day-to-day operations with Tan Yu Yeh with specific responsibilities in corporate management and affairs as well as financial oversight. • Graduated from the Judge Business School, University of Cambridge with a Master's in Business Administration, and has been a member of ICAEW since 1994 and MIA since 1995. • 2015–2018: Managing director at Creador • 1995–2015: Senior managing director of investment banking at CIMB • 1994–1995: Audit supervisor at KPMG Malaysia • 1989–1993: Auditor at Kingston Smith, London.
Tan Yu Wei	Alternate director to Tan Yu Yeh / executive vice president	• Key senior member of management since 2011, leading the group's procurement strategy and leading the logistics and procurement departments. • Graduated from Universiti Sains Malaysia in 1998 with a Bachelor of Management (Honours) • 2000–2011: Director of De Little Chinatown Sdn Bhd. • 1998-2000: Production supervisor, Solectron Corp, US in Malaysia.

KEY INVESTMENT MERITS

❑ ***MR D.I.Y. dominates home improvement retail sector in Malaysia***

MR D.I.Y. is the largest home improvement retailer in Malaysia. Based on revenue in the home improvement retail sector, MR D.I.Y.'s market share has grown to 29% in 2019 from 15% in 2016 (see **Exhibit 3**).

EXHIBIT 3: MARKET SHARE OF MR D.I.Y. BY REVENUE IN HOME IMPROVEMENT RETAIL SECTOR



Source: Company IPO Prospectus

According to Frost & Sullivan, sales in the sector have expanded to RM7.7bil in 2019 from RM4.3bil in 2014 at a CAGR of 12.4% (see **Exhibit 4**) and it is expected to grow further at a CAGR of 10.2% to RM12.5bil in 2024F.

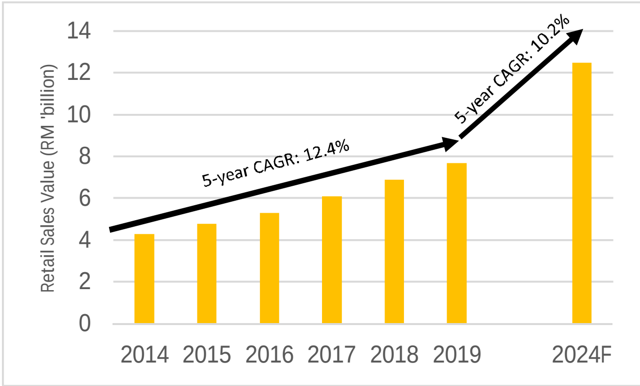
The home improvement retail sector is highly competitive and fragmented in Malaysia. *Frost & Sullivan* estimated a total of 7,093 home improvement stores in Malaysia as at 2019.

With MR D.I.Y. only accounting for 640 stores under the brand name "MR D.I.Y.", it is then impressive that with just 9% of the total home improvement retail stores in Malaysia, MR D.I.Y. is able to command a significant market share of 29% based on revenue.

In contrast, its next closest competitor that operates in the same sector, One Stop Superstore, has 83 stores in Malaysia (see **Exhibit 5).**

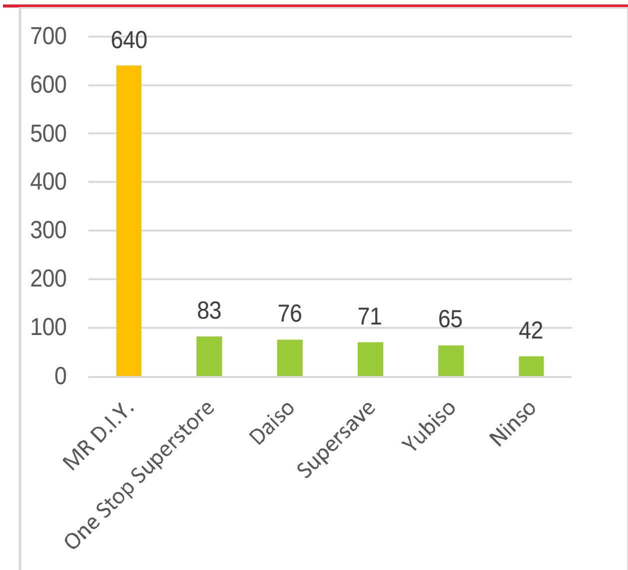
As the group is a market leader in a growing retail sector, MR D.I.Y. is positioned to increase its market share further through its aggressive expansion plan of opening 100 new "MR D.I.Y." stores each in FY20E and FY21F.

EXHIBIT 4: SALES OF HOME IMPROVEMENT RETAIL SECTOR



Source: Company IPO Prospectus

EXHIBIT 5: NO. OF STORES OF KEY PLAYERS IN HOME IMPROVEMENT RETAIL SECTOR



Source: Company IPO Prospectus

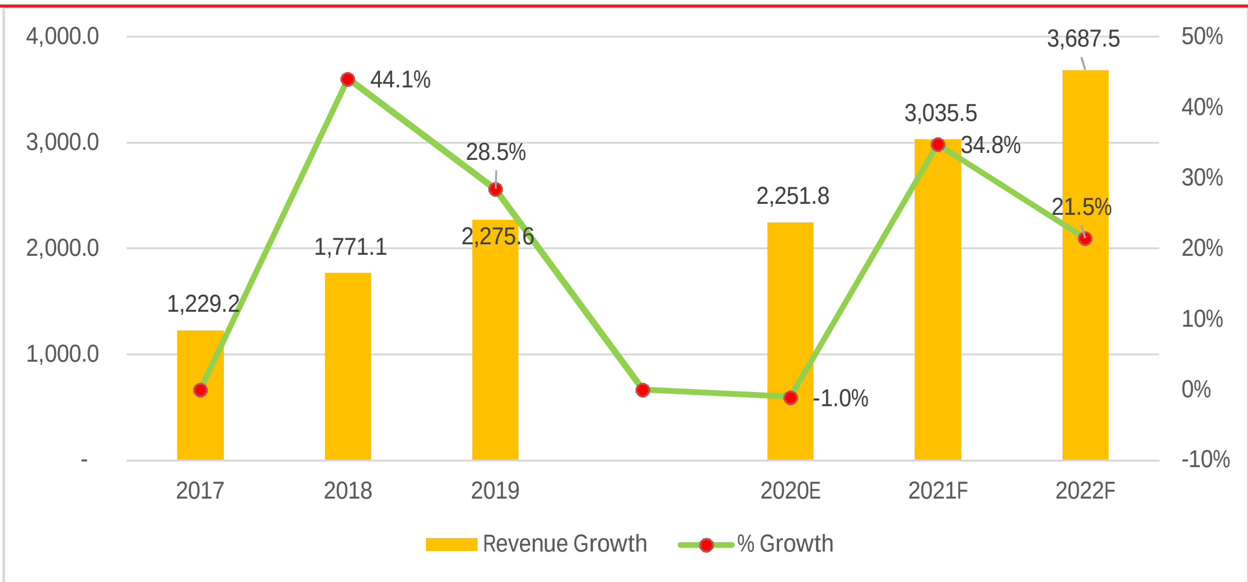
❑ ***Strong revenue growth to expected continue***

MR D.I.Y. has shown tremendous growth in terms of revenue, expanding 44% from RM1,229.2mil in FY17 to RM1,771.1mil in FY18 and a further 29% to RM2,275.6mil in FY19.

We forecast further revenue growth with the exception of FY20E due to the Covid-19 pandemic which resulted in the temporary closure of stores in the March and April during the movement control order (MCO) (see **Exhibit 6).**

We project MR D.I.Y.'s revenue to expand by 41% in FY21F and 22% in FY22F.

EXHIBIT 6: MR D.I.Y. TOTAL REVENUE GROWTH AND PERCENTAGE GROWTH YOY

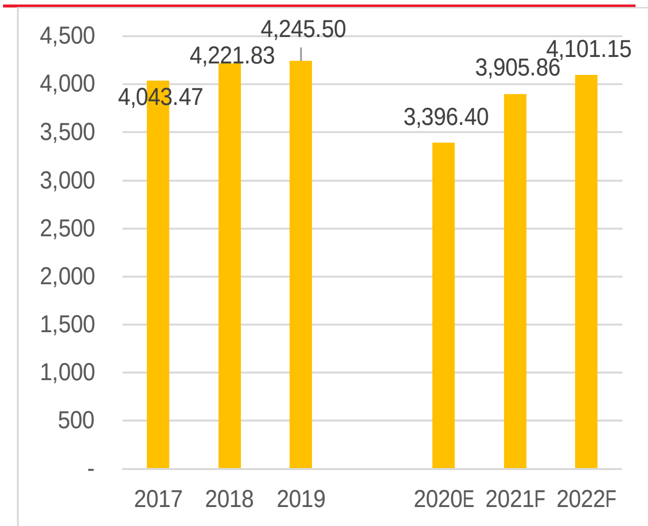


Source: Company IPO Prospectus, AmInvestment Bank Bhd estimates

We believe that MR D.I.Y. can continue its trend of revenue growth due to its aggressive expansion plans. According to MR D.I.Y.'s prospectus, the group's most popular brand name and its main focus for growth, "MR D.I.Y.", is slated to open 100 stores each in FY20E and FY21F with total aggregated cost amounting to RM320mil.

This implies that each store opening requires a capex of RM1.6mil comprising costs such as initial inventory stocking and defraying. MR D.I.Y.'s average revenue per outlet has been constantly above the RM4.0mil mark from FY17 to FY19. However, this is expected to decline quite significantly in FY20E due to the MCO, which impacted sales.

EXHIBIT 7: AVERAGE REVENUE PER OUTLET ESTIMATES (RM'000)



Source: Company IPO Prospectus, AmInvestment Bank Bhd Estimates

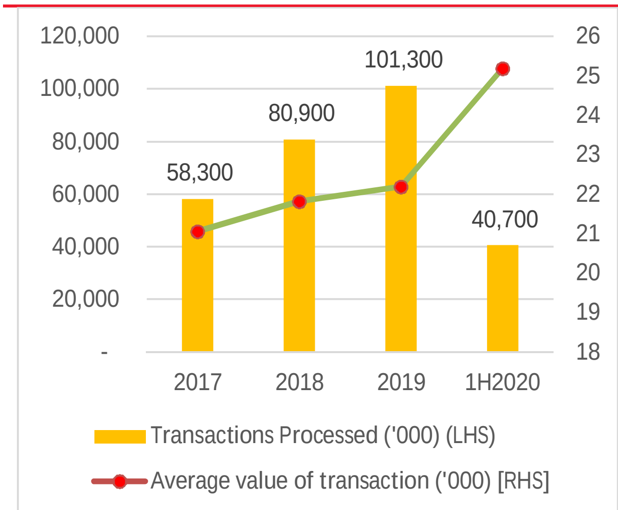
Also, due to the aggressive expansion plan of opening up new stores and venturing into new retail formats (MR.TOY and MR.DOLLAR), we think that revenue per outlet may not reach the historical mark of RM4.0mil until FY23F (see **Exhibit 7**).

❑ ***To benefit from higher consumer spending in FY21F***

We expect a normalization of consumer spending patterns from FY21F onwards due to the easing of lockdowns and restrictions resulting from the Covid-19 pandemic in FY20E.

On the back of improved consumer sentiment, we also envisage higher spending per customer in FY21F. In 1HFY20, the average value of transactions increased to RM25.2 from the historical levels of RM21 to RM22 (see **Exhibit 8**), possibly due to the pent-up demand following the easing of restrictions during the recovery MCO (RMCO).

EXHIBIT 8: TRANSACTIONS PROCESSED & AVERAGE TRANSACTION VALUE



Source: Company IPO Prospectus

We believe this is in line with expectations as it is in tandem with the positive macroeconomic trends in Malaysia. According to Frost & Sullivan, the disposable income per capita in Malaysia increased from 2014 to 2019 and is expected to grow further to 2024F.

The rising income is expected to lead to greater purchasing power of households, and this is reflected in the higher average monthly household expenditure for furnishing, household equipment, and routine household maintenance. Research by Frost & Sullivan has shown that the average monthly household expenditure for products in this sector increased to RM200 in 2019 from RM137 in 2014 at a CAGR of 7.9%.

- ***Wide range of products at competitive pricing aimed at capturing mass market***

MR D.I.Y. is the clear price leader in town. The group is able to offer a wide range of products at significantly lower prices than its closest competitors.

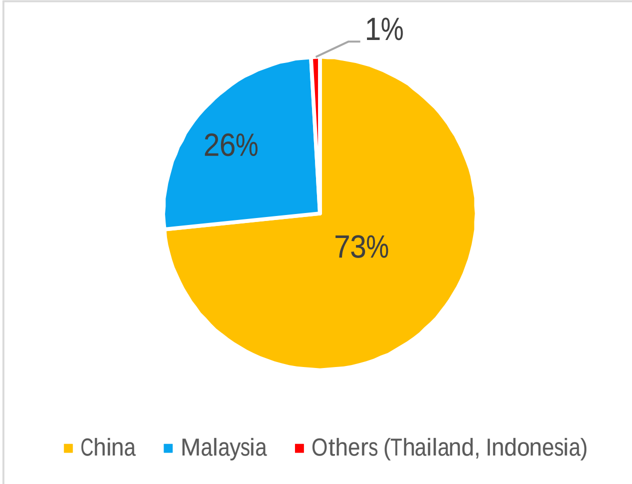
Frost & Sullivan's survey on prices of selected comparable products sold by MR D.I.Y. and its competitors revealed that selling prices were generally lower at MR D.I.Y. stores by about 30% on average. This is in line with the brand's vision to provide attractive price-to-quality value propositions to its customers.

MR D.I.Y. manages to keep its prices low due to its strong procurement process. Leveraging its economics of scale, MR D.I.Y. is able to negotiate for attractive terms from its end suppliers while also riding on its strong brand name to negotiate for favourable terms in store rentals.

On the procurement side in 1H2020, MR D.I.Y. sourced approximately 73.4% and 25.7% of its products from end suppliers in China and Malaysia respectively.

End suppliers in Thailand and Indonesia represented the remaining 0.9% (see **Exhibit 9**). MR D.I.Y. is not dependent on one single end supplier as it engages over 800 end suppliers and its largest end supplier accounts for less than 5% of total purchases. The company engages other end suppliers if necessary, which means it is able to keep a constant level of inventory at all times.

EXHIBIT 9: BREAKDOWN OF SOURCE OF END SUPPLIERS



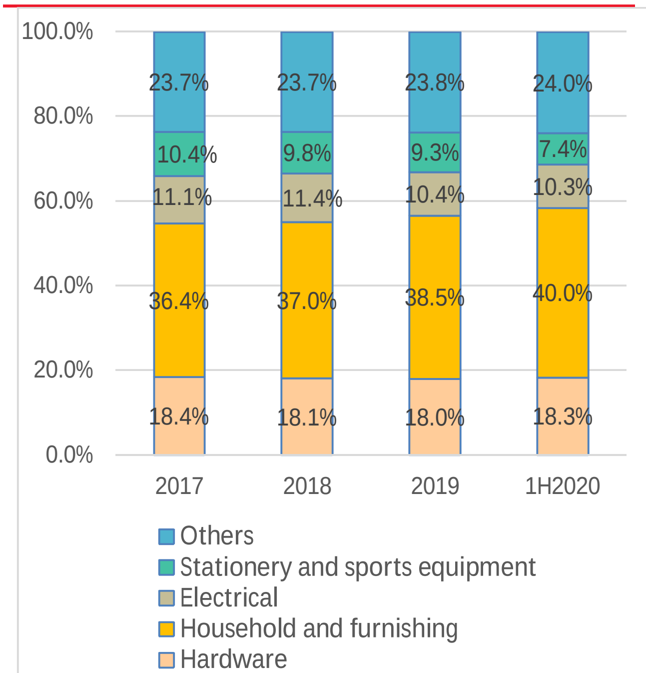
Source: Company IPO Prospectus

Due to a stringent procurement policy, MR D.I.Y. is able to offer customers a wide range of products, averaging 16,600 SKUs per store, covering a wide range of categories.

With a strong product mix, this also ensures that MR D.I.Y. would be able to cater to all types of customers, further establishing the group as the one-stop centre for the masses for home improvement.

MR D.I.Y.'s products are divided into 5 main categories and the share of sales of each category has been generally consistent since FY17 (see **Exhibit 10**).

EXHIBIT 10: BREAKDOWN OF SALES BY PRODUCT CATEGORY



Source: Company IPO Prospectus

❑ *New revenue streams from new and growing retail formats*

We believe that MR.TOY and MR.DOLLAR would support the next level of profit growth for MR D.I.Y in the future.

Accordingly, MR D.I.Y. intends to open 22 and 25 "MR.TOY" stores in FY20E and FY21F and 10 and 50 "MR.DOLLAR" stores in FY20E and FY21F respectively (see **Exhibit 11**).

Aggregate cost per store is expected to be around RM1mil for "MR.TOY" and RM1.2mil for "MR. DOLLAR" (vs. RM1.6mil per "MR D.I.Y." store).

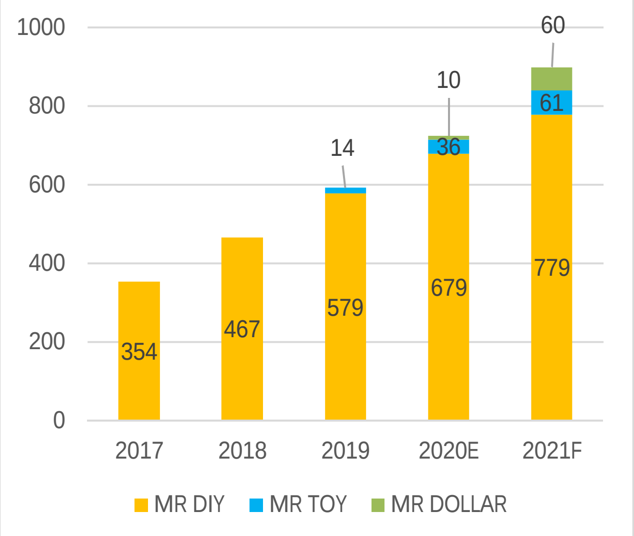
While it is still early to tell what the payback period for the new businesses is, any longer-than-expected payback period that will drag the group's earnings will be offset by the more aggressive expansion under the "MR D.I.Y." brand which has a target payback per store of <2 years.

In addition to the new retail formats, the group has also begun to see an uptick in sales generated from their e-commerce website and third-party e-commerce retail platforms such as Shopee and Lazada. In 1HFY20, sales from its e-commerce website and third-party retail platforms accounted for 1.2% (RM12.2mil) of total sales revenue versus 0.3% (RM5.8mil) in the whole of FY19.

Even though this is still insignificant in terms of overall revenue, MR D.I.Y.'s efforts to provide an omni-channel shopping experience would help increase its customer base and boost sales in the long term.

MR D.I.Y. expanded into the toy business in May 2019 under the name "MR.TOY", focussing on products for babies and children. Recently, MR D.I.Y. ventured into the dollar-store concept under the brand name "MR.DOLLAR", which caters to the consumer demand for low-cost household products, food and beverage items, and groceries where all products are offered at a fixed price of RM2.00 or RM5.00.

EXHIBIT 11: BREAKDOWN OF STORES



Source: Company IPO Prospectus

FINANCIALS

❑ *Strong net profit growth of 58.9% for FY21F and 31.0% for FY22F*

We estimate a robust net profit growth of 58.9% and 31.0% for FY21F and FY22F respectively from a low base seen in FY20E (due to the lockdown measures which impacted its sales revenue for the year).

We expect revenue to grow by 40.9% and 21.5% for FY21F and FY22F respectively.

The net profit growth of 58.9% in FY21F is expected to be driven by higher revenue from its rapid store expansion plan and the easing of restrictions that will result in improved customer footfall and stronger consumer sentiment.

❑ *EBIT margins to improve in FY21F and FY22F*

With a rise in revenue yields resulting from increasing average transaction value and opening of new stores, we foresee MR. D.I.Y.'s EBIT margins improving to 22.9% in FY22F from a low of 20.6% in FY20E.

The recovery in revenue yields is expected to offset the higher cost of sales from the opening of new stores in FY21F and FY22F. Historically as the store network grows, the cost of sales, operating expenses (wages for warehousing and store staff) and depreciation would also increase.

The margin enhancements in FY221F and FY22F are expected to rise compared to FY19 when EBIT margin fell to 21.9% from 24.1% in FY18.

The increase in costs in FY19 was partly due to the implementation of SST (sales and services tax) in Malaysia in September 2018, which was not immediately passed on to consumers, as well as a write-off of RM5.7mil of certain inventory that did not comply with SIRIM and the MCMC (Malaysian Communications and Multimedia Commission) standards.

In terms of cost breakdown, we believe that more than half of the cost of sales consists of cost of purchasing the goods while another 10% are staff costs. Rental costs make up another 54% of the cost of sales.

❑ ***Net cash by FY22F***

On the back of positive free cash flows, we believe that MR D.I.Y. would be able to keep its balance sheet healthy in FY21F and FY22F.

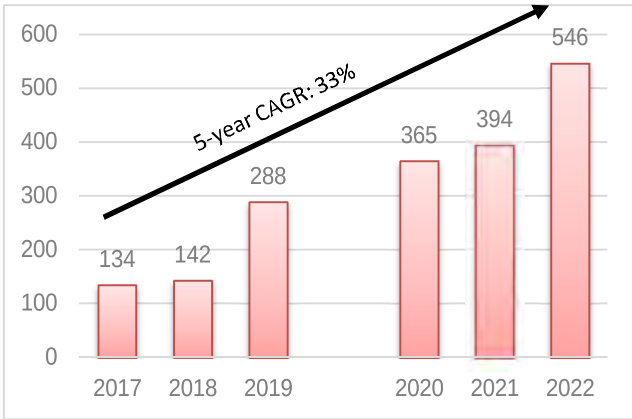
We envisage that the group would turn into a net cash position in FY22F as MR D.I.Y. has allocated RM276.1mil of the IPO proceeds to repay bank borrowings. As at end-September 2020, MR D.I.Y.'s net gearing ratio stood at 0.69x.

We estimate that the group's operating cash flow and free cash flow to grow at a 5-year CAGR (2017–2022F) of 28% and 33% respectively (see **Exhibits 12 & 13**).

The growth in free cash flows is expected to be underpinned by solid SSSG growth in FY21F and FY22F after the low base of 2020E.

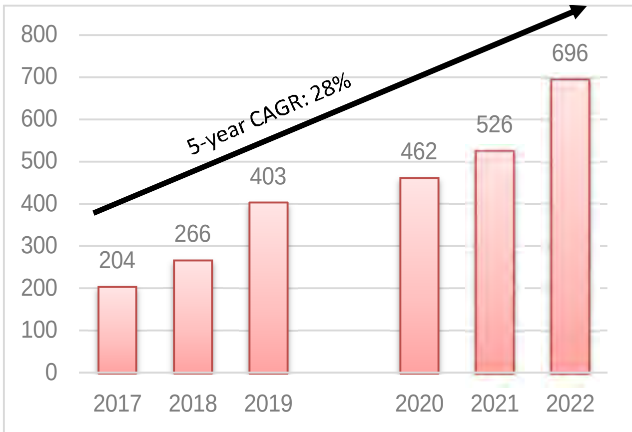
Consistent operational profitability with gross profit margins above 42% is also anticipated to support MR D.I.Y.'s free cash flows in FY21F and FY22F.

EXHIBIT 12: FREE CASH FLOW GROWTH AND ESTIMATES



Source: Company IPO Prospectus, AmInvestment Bank estimates

EXHIBIT 13: OPERATING CASH FLOW GROWTH AND ESTIMATES



Source: Company IPO Prospectus, AmInvestment Bank estimates

RISKS

❑ ***Lingering Covid-19 pandemic uncertainties could negatively impact earnings***

As the first MCO restrictions were implemented by the Malaysian government in March, MR D.I.Y. saw major disruptions to its store operations since it was mandatory to close stores temporarily.

This adversely impacted its revenue for the months of March and April. The recent rise of cases has prompted the government to implement the CMCO in most states which may adversely impact MR D.I.Y.'s earnings.

However, we believe the impact will not be to the same effect as the first MCO as business operations are still allowed to continue. As long as the pandemic remains, restrictions will continue.

❑ ***Labour costs and laws may tighten margins and negatively impact its bottom line***

MR D.I.Y. runs a labour-intensive business as it requires many workers to operate its warehouses and its vast network of stores.

These costs are accounted for under other operating expenses (employee benefits expenses). The group has seen its employee benefit expenses for warehousing and store staff increased to RM199.0mil in 2019 from RM104.9mil in 2017, in tandem with its growth of operations.

Most of these employees are compensated based on Malaysia's statutory minimum wage of RM1,200/month in 56 cities within Malaysia and RM1,100/month elsewhere.

Hence, any increase in the statutory minimum wage in Malaysia will adversely impact the group's EBIT margins and bottom line.

It is worth noting that 14.9% of MR D.I.Y.'s full-time employees as at 1H20 are foreign nationals. In the event that labour laws in either Malaysia or the country of origin of these foreign nationals restricting such employment opportunities thus resulting in a labour shortage, the group would then have to depend on the higher cost of local workers to ensure its continued smooth operations.

❑ ***Exposes to foreign currency risks due to high dependence on China supply chain***

The group's purchases comprise primarily of product inventory for its stores. As mentioned above, approximately 73.4% of its products are sourced from end suppliers located in China as at 1HFY20.

Hence, MR D.I.Y.'s supply chain is highly dependent on China's internal policies, which may affect its ability to effectively receive the products in a timely manner.

In addition, even if the group makes all payments for its imports in the Malaysian ringgit, it is still exposed to foreign currency risk, in particular the Chinese Renminbi and US Dollar.

Any adverse currency movement to MR D.I.Y may see an increase in costs while not being able to pass the resulting costs to customers.

VALUATION

- ***Initiate coverage with a BUY and fair value of RM2.94***

We initiate coverage on MR D.I.Y. with a BUY recommendation and a fair value (FV) of RM2.94. Our FV is based on 31x FY22F EPS of 9.5 sen, as we are entering the end of its FY20.

We assume a 31x P/E as it is benchmarked to Home Product Center, the leading home improvement retail store in Thailand, its closest comparable. This is an 11% premium to the market capitalization weighted average for FY22F of its regional peers (see **Exhibit 14)**.

However, we believe there is further growth potential for MR D.I.Y. as it is the clear market leader in Malaysia, and we expect an even further strengthening of its market position as it comes out of the pandemic.

Plus, its recent foray into different retail formats provides an additional growth impetus. A potential rerating to a higher PE may occur in line with other large local consumer peers such as Nestle (M) and QL Resources which are currently trading at FY2021F PE's of 49x and 55x respectively.

We like MR D.I.Y. for the following reasons:

1. Its strong upside growth potential in earnings backed by its expansion plans under the "MR D.I.Y." brand and its venture into new retail formats;
2. MR D.I.Y. being the market leader in Malaysia in the home improvement retail sector in terms of both revenue and store network;
3. Positive macroeconomic trends out of the pandemic which see home improvement spending in Malaysia to be steadily increasing in line with higher disposable income;
4. Its past track record of having a payback period for its stores of less than 2 years, with 90% of its stores being profitable as at 1H2020; and
5. Its high cash-generative business model which will be used to fund its expansion plans and together with the proceeds from the IPO, to pare down its borrowings which leads to low net gearings.

EXHIBIT 14: PEER COMPARISONS*

	BBG Ticker	Market Cap (in MYR)	Share price (in lcl crcy)	EPS (in lcl crcy)		PE (x)		DPS (in lcl crcy)		Div yield (%)		Market Cap Weights
				FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	
Regional Peers												
Home Product Center, Thailand	HMPRO TB Equity	26,928.25	15.20	47.4	49.6	32.1	30.6	36.8	39.1	2.4%	2.6%	49%
Siam Global House, Thailand	GLOBAL TB Equity	10,079.32	17.00	57.4	65.9	29.6	25.8	24.8	28.9	1.5%	1.7%	18%
Dohome PCL, Thailand	DOHOME TB Equity	3,908.74	13.40	44.2	55	30.3	24.4	13.2	14.5	1.0%	1.1%	7%
Ace Hardware, Indonesia	ACES IJ Equity	8,465.54	1710	63.4	73.2	27.0	23.4	28.5	35.2	1.7%	2.1%	15%
Wilcon Depot, Philippines	WLCON PM Equity	6,093.05	17.5	54.3	62.1	32.2	28.2	13.2	16.8	0.8%	1.0%	11%
		55,474.90										
**as at 25 November 2020*												
Simple average						**30**	**26**			**1.5%**	**1.7%**	
Market capitalization weighted average						**31**	**28**			**1.8%**	**2.1%**	

Source: Bloomberg

EXHIBIT 15: PB BAND CHART

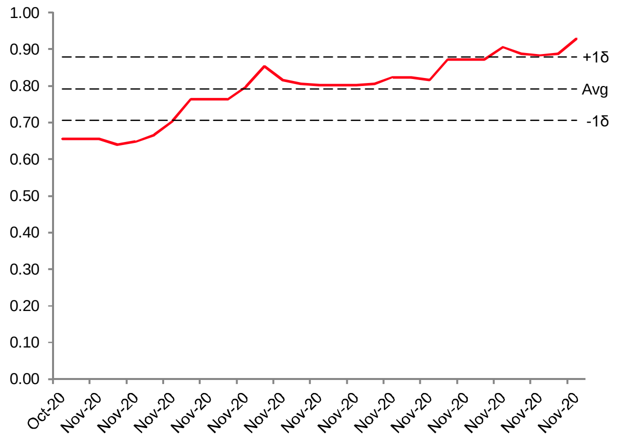


EXHIBIT 16: PE BAND CHART

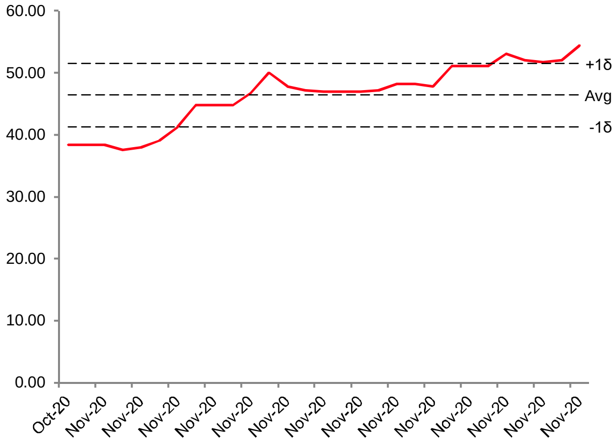


EXHIBIT 17: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	**FY18**	**FY19**	**FY20E**	**FY21F**	**FY22F**
Revenue	1,771.1	2,275.6	2,251.8	3,173.5	3,855.1
EBITDA	531.5	638.0	630.1	883.6	1,110.6
Depreciation/Amortisation	(104.4)	(138.8)	(166.5)	(198.8)	(228.7)
Operating income (EBIT)	427.1	499.2	463.6	684.8	881.8
Other income & associates	1.2	1.7	1.7	1.7	1.7
Net interest	(28.6)	(61.5)	(68.9)	(57.6)	(60.0)
Exceptional items	-	-	-	-	-
Pretax profit	399.7	437.7	394.7	627.2	821.9
Taxation	(90.1)	(120.2)	(108.5)	(172.5)	(226.0)
Minorities/pref dividends	-	-	-	-	-
Net profit	309.5	317.6	286.2	454.7	595.9
Core net profit	309.5	317.6	286.2	454.7	595.9

Balance Sheet (RMmil, YE 31 Dec)	**FY18**	**FY19**	**FY20E**	**FY21F**	**FY22F**
Fixed assets	269.4	354.0	376.8	427.2	484.5
Intangible assets	2.4	3.7	3.7	3.7	3.7
Other long-term assets	**544.7**	**707.1**	**868.9**	**1,067.4**	**1,232.3**
Total non-current assets	816.5	1,064.9	1,249.5	1,498.3	1,720.5
Cash & equivalent	66.7	140.7	142.9	226.7	492.3
Stock	419.3	496.6	618.5	762.5	882.2
Trade debtors	81.2	121.8	135.3	166.9	193.0
Other current assets	-	-	-	-	-
Total current assets	567.1	759.1	896.7	1,156.1	1,567.5
Trade creditors	173.4	81.8	140.0	140.0	140.0
Short-term borrowings	44.3	11.8	11.8	11.8	11.8
Other current liabilities	**99.3**	**129.1**	**183.3**	**211.8**	**255.5**
Total current liabilities	317.0	222.7	335.1	363.6	407.3
Long-term borrowings	47.7	611.5	22.8	200.0	200.0
Other long-term liabilities	**494.4**	**649.2**	**983.2**	**1,012.4**	**1,244.0**
Total long-term liabilities	**542.1**	**1,260.8**	**1,006.0**	**1,212.4**	**1,444.0**
Shareholders' funds	524.6	340.5	805.2	1,078.0	1,435.5
Minority interests	-	-	-	-	-
BV/share (RM)	1.74	1.13	2.67	3.58	4.76

Cash Flow (RMmil, YE 31 Dec)	**FY18**	**FY19**	**FY20E**	**FY21F**	**FY22F**
Pretax profit	399.7	437.7	394.7	627.2	821.9
Depreciation/Amortisation	104.4	138.8	166.5	198.8	228.7
Net change in working capital	(189.3)	(151.7)	(77.2)	(175.6)	(145.8)
Others	**(47.5)**	**(21.5)**	**(22.3)**	**(97.5)**	**(148.7)**
Cash flow from operations	267.3	403.3	461.7	552.8	756.0
Capital expenditure	(125.1)	(116.9)	(98.2)	(133.2)	(101.2)
Net investments & sale of fixed assets	-	-	-	-	-
Others	**(0.2)**	**(100.9)**	**4.1**	**5.9**	**11.8**
Cash flow from investing	(125.3)	(217.9)	(94.1)	(127.3)	(89.4)
Debt raised/(repaid)	44.5	539.3	(81.8)	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(133.0)	(501.7)	(114.5)	(181.9)	(238.3)
Others	**(90.7)**	**(148.5)**	**(154.3)**	**(162.3)**	**(171.0)**
Cash flow from financing	**(179.3)**	**(110.9)**	**(350.6)**	**(344.2)**	**(409.4)**
Net cash flow	**(37.3)**	**74.6**	**16.9**	**81.3**	**257.2**
Net cash/(debt) b/f	**89.4**	**50.9**	**125.4**	**142.9**	**226.7**
Net cash/(debt) c/f	52.1	125.4	142.3	224.3	484.0

Key Ratios (YE 31 Dec)	**FY18**	**FY19**	**FY20E**	**FY21F**	**FY22F**
Revenue growth (%)	44.1	28.5	(1.0)	40.9	21.5
EBITDA growth (%)	43.1	20.0	(1.2)	40.2	25.7
Pretax margin (%)	22.6	19.2	17.5	19.8	21.3
Net profit margin (%)	17.5	14.0	12.7	14.3	15.5
Interest cover (x)	14.9	8.1	6.7	11.9	14.7
Effective tax rate (%)	22.6	27.5	27.5	27.5	27.5
Dividend payout (%)	43.0	158.0	40.0	40.0	40.0
Debtors turnover (days)	14	16	21	17	17
Stock turnover (days)	70	73	90	79	78
Creditors turnover (days)	33	20	18	16	13

Source: Company, AmInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER