

01 March 2019

## White Horse Berhad FY18 Below Expectations

FY18 CNL of RM23.7m missed both consensus' and our FY18 CNL RM4.1m and RM4.4m, respectively. No dividend was announced, as expected. Maintain UNDERPERFORM call on WTHORSE with lower TP of RM1.15 (from RM1.20) based on unchanged 0.40x Fwd. PBV pegged to lower FY19E BV/share of RM2.87 (from RM3.02).

**Below expectations.** Excluding one-off unrealised forex loss (RM3.1m), Property Plant and Equipment (PPE) write-down (RM0.33m) and loss on disposal of PPE (RM0.01m), FY18 CNL of RM23.7m missed both consensus' and our FY18 CNL RM4.1m and RM4.4m, respectively. The negative deviation stemmed from lower-than-expected tiles demand in Malaysia and Vietnam and weaker-than-expected ASPs as well as higher production cost leading to margins erosion. No dividend was announced, as expected.

**Results highlight.** YoY, FY18 registered CNL of RM23.7m from a CNP position of RM5.4m owing to weaker performance from both its Malaysia and Vietnam operations due to weak market demand coupled with stiff pricing competition. QoQ, 4Q18 CNL of RM21.7m widened vis-à-vis CNL of RM1.1m in 3Q18 mainly due to higher operating expenses such price hike in natural gas leading margins erosion.

**Outlook.** We are cautious over WTHORSE's growth prospect due to the slowing down of property and construction jobs in the market affecting its sales volume, coupled with rising cost pressure. Moving into FY19, we believe the tiles industry would remain challenging due to: (i) rising cost pressures i.e. hike in natural gas and labour cost (potential minimum wage revision), and (ii) weak tiles demand owing to the softened property market.

**Earnings estimate.** Post results, we widen our FY19E CNL further to RM9.1m (from RM8.2m) after accounting for weaker revenue from Vietnam and Malaysia due to the slower demand. Subsequently, we introduce our FY20E CNP of RM1.4m.

**Maintain UNDERPERFORM call on WTHORSE with lower TP of RM1.15** (from RM1.20) based on unchanged 0.40x Fwd. PBV pegged to lower FY19E BV/share of RM2.87 (from RM3.02). Our valuation is below the current trough level of 0.5x, which we believe is justified due to the followings; (i) we expect further de-rating in light of further losses, which would erode its book value, (ii) WTHORSE registered the fourth quarterly losses since 4Q17, (iii) the subdued property market suppressing demand for tiles, and (iv) potentially more write-downs in inventories from slow moving goods.

**Risks to our call** include sharp rises in ASPs and production volume.

## UNDERPERFORM ↔

**Price:** RM1.33  
**Target Price:** RM1.15 ↓

**Expected Capital Gain:** -RM0.180 -13.5%  
**Expected Divd. Yield:** RM0.00 0.0%  
**Expected Total Return:** -RM0.180 -13.5%

**KLCI Index** 1,707.73

### Stock Information

Bloomberg Ticker	WHIT MK Equity
Bursa Code	5009
Listing Market	Main Market
Shariah Compliant	Yes
Issued shares	228.4
Market Cap (RM m)	303.7
Par value per share (RM)	1.00
52-week range (H)	1.90
52-week range (L)	1.32
Free Float	68%
Beta	0.4
3-mth avg daily vol:	11,888

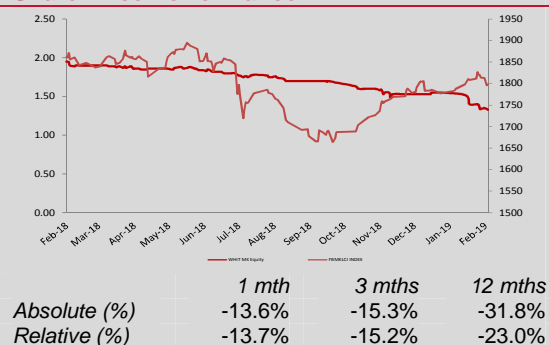
### Major Shareholders

Yuan Shun Liao	12.3%
Lembaga Tabung Haji	9.9%
Urus Harta Jamaah Sdn Bhd	9.8%

### Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	610.5	604.4	635.4
EBIT	-25.2	-6.7	1.9
PBT	-28.4	-12.3	1.9
<b>Net Profit</b>	<b>-27.2</b>	<b>-9.2</b>	<b>1.4</b>
<b>Core PATAMI</b>	<b>-23.7</b>	<b>-9.2</b>	<b>1.4</b>
Consensus	n.a.	n.a.	n.a.
Earnings Revision	n.a.	-12%	n.a.
Core EPS (sen)	-10.4	-4.0	0.6
Core EPS growth (%)	-1131%	-61%	-115%
NDPS (sen)	0.0	0.0	0.0
NTA per share (RM)	3.01	2.87	2.77
Price to NTA (x)	0.44	0.46	0.48
PER (x)	N.A.	N.A.	214.3
Debt-to-Equity ratio (x)	0.18	0.21	-0.44
Return on Asset (%)	-2.3%	-0.9%	0.2%
Return on Equity (%)	-0.6%	-1.3%	0.2%
Net Div. Yield (%)	0.0%	0.0%	0.0%

### Share Price Performance



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<b>Result Highlight</b>								
	<b>4Q18</b>	<b>3Q18</b>	<b>QoQ</b>	<b>3Q17</b>	<b>YoY</b>	<b>FY18</b>	<b>FY17</b>	<b>YoY</b>
<b>FYE Dec (RM'm)</b>								
<b>Turnover</b>	<b>150.9</b>	<b>168.5</b>	<b>-10%</b>	<b>171.8</b>	<b>-12%</b>	<b>610.5</b>	<b>642.8</b>	<b>-5%</b>
EBITDA	-81.8	0.0	N.A.	21.8	-476%	-61.0	54.4	-212%
Depreciation	60.0	-8.2	-832%	-10.8	-654%	35.7	-40.8	-188%
<b>EBIT</b>	<b>-21.7</b>	<b>-8.2</b>	<b>165%</b>	<b>10.9</b>	<b>-299%</b>	<b>-25.2</b>	<b>13.6</b>	<b>-286%</b>
Interest inc/(exp)	-1.6	-2.0	-17%	-1.8	-9%	-6.7	-6.8	-2%
Associates/JV	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Exceptional items	0.0	4.5	-100%	-3.0	-100%	3.5	0.0	N.A.
Unrealised Forex gain/(loss)	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
<b>Pretax profit</b>	<b>-23.3</b>	<b>-5.7</b>	<b>309%</b>	<b>6.2</b>	<b>-479%</b>	<b>-28.4</b>	<b>6.8</b>	<b>-518%</b>
Taxation	1.6	0.1	1092%	-1.1	-249%	1.2	-1.4	-188%
Deferred tax	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
<b>Profit after tax</b>	<b>-21.8</b>	<b>-5.6</b>	<b>290%</b>	<b>5.1</b>	<b>-527%</b>	<b>-27.2</b>	<b>5.4</b>	<b>-603%</b>
Minority interest	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
<b>PATAMI</b>	<b>-21.8</b>	<b>-5.6</b>	<b>290%</b>	<b>5.1</b>	<b>-527%</b>	<b>-27.2</b>	<b>5.4</b>	<b>-603%</b>
<b>Core PATAMI</b>	<b>-21.7</b>	<b>-1.1</b>	<b>1855%</b>	<b>2.1</b>	<b>-1124%</b>	<b>-23.7</b>	<b>5.4</b>	<b>-539%</b>
DPS (sen)	0.0	0.0		0.0		0.0	0.0	

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
<b>Y/E : Dec (RM'm)</b>	<b>4Q18</b>	<b>3Q18</b>	<b>QoQ</b>	<b>4Q17</b>	<b>YoY</b>	<b>FY18</b>	<b>FY17</b>	<b>YoY</b>
<b>Segmental Revenue</b>								
Malaysia	104.2	120.4	-13%	156.3	-33%	435.1	438.2	-1%
Vietnam	30.1	31.5	-4%	33.2	-9%	108.3	135.3	-20%
Total	150.9	168.5	-10%	219.1	-31%	610.5	640.1	-5%
<b>Segmental Profit</b>								
Malaysia	-17.2	-2.5	-599%	5.5	-413%	-13.4	20.8	-164%
Vietnam	-2.0	-3.2	-35%	0.7	-412%	-11.2	-5.7	-97%
Total	-23.3	-5.7	-309%	6.2	-479%	-28.4	6.8	-516%
<b>Segmental Margins</b>								
Malaysia	-17%	-2%		4%		-3%	5%	
Vietnam	-7%	-10%		2%		-10%	-4%	

Source: Company, Kenanga Research

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## Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	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.	Price (RM)	
<b>BUILDING MATERIALS UNDER COVERAGE</b>																	
ANN JOO RESOURCES BHD	1.42	765.0	Y	12/2019	-1.8%	0.9%	-31.2%	6.7%	6.0	8.7	8.1	0.6	0.6	6.5%	8.5%	1.25	UP
LAFARGE MALAYSIA BHD	1.87	1,588.9	Y	12/2019	0.4%	0.1%	-138.2%	-118.1%	N.A.	N.A.	N.A.	0.6	0.7	-10.0%	0.0%	1.85	MP
PRESS METAL ALUMINUM HOLDINGS BERHAD	4.23	16,759.5	Y	12/2019	-4.8%	0.9%	30.6%	6.2%	25.6	19.7	18.5	4.9	4.2	22.9%	0.3%	4.00	MP
UNITED U-LI CORPORATION BHD	0.470	102.4	Y	12/2019	-21.6%	-9.6%	-41.4%	147.1%	27.6	21.4	14.7	0.5	0.5	0.6%	0.0%	0.450	UP
WHITE HORSE BERHAD	1.33	303.7	Y	12/2019	-1.0%	5.1%	-257.6%	657.1%	N.A.	N.A.	214.3	0.4	0.5	-1.3%	0.0%	1.15	UP
<b>Simple Average</b>					<b>-5.8%</b>	<b>-0.5%</b>	<b>-87.6%</b>	<b>139.8%</b>	<b>19.7</b>	<b>16.6</b>	<b>65.7</b>	<b>1.4</b>	<b>1.3</b>	<b>3.7%</b>	<b>1.7%</b>		

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%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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