Soaring to greater heights

We continue to believe that earnings will be driven by Hai-O's growing multi-level marketing (MLM) division. We compare Hai-O to its local peer Amway and find better growth in MLM's top line and EBIT margin. Upgrade to BUY with a higher TP of RM5.90 using a higher PE ratio of 18x on CY17E EPS, yet still at a discount to Amway.

Driven by focus on 'small ticket' items and growing distributor force

To recap, Hai-O's 1H17 core net profit increased by 65% yoy to RM25.7m and 1H17 MLM EBIT has already accounted for 72% of FY16 MLM EBIT. We attribute this to the Group's strategy to sell 'small ticket' items and these items currently make up 70% of top line. Moreover, the Group has seen an increase of 3,000-5,000 distributors/mth to more than 100,000 distributors ytd (vs. FY16:83,000).

Direct selling revenue growing, increasing Bumiputera exposure

Malaysia's direct selling revenue has increased from RM9.72b in 2010 to RM17.3b in 2015 (12% 5-year CAGR). While the MLM market is fragmented, the industry has been consolidating, dropping from 399 licenses in 2012 to 253 licenses in 2015 and we believe that Hai-O, an established brand name, is positioned to benefit. Hai-O's current distributor force is 70% Bumiputera and we view Hai-O's focus to recruit this segment as positive as this segment remains underpenetrated (34% of industry distributors vs 69% of Malaysia's population are Bumiputera).

Hai-O's top line growth and EBIT margin outperform Amway

Compared to Amway (not rated), Hai-O's top line for the MLM business has been growing at an upward trend and EBIT margin is at 15-20% (vs Amway's at 3-8%). We attribute this to Hai-O's lower distributor base which is growing faster, as well as Amway's higher exposure to import costs as 80% of its cost of goods sold are imported, causing margin contraction.

Upgrade to BUY (from Hold) with higher TP of RM5.90

3Q FY17 results will be announced on 29 March 2017 and we are positive that earnings would continue to improve. We update our assumptions upwards for the number of distributors and tweak earnings by 9%/19% for FY18E/19E. Hai-O is currently trading at a CY17E PE of 14.8x (vs Amway's CY17E PE of 19.5x) and we believe that its valuation should trade closer to that of Amway's as its MLM business continues to grow at a quicker pace. Thus, we upgrade Hai-O to a BUY with a higher 12-month TP of RM5.90 (from RM3.68) based on a higher target PE ratio of 18x (previously based on PE of 12x) on CY17E EPS, still at a 14% discount to Amway's 3 year PE ratio of 20.7x.

Earnings & Valuation Summary

FYE Apr	2015	2016	2017E	2018E	2019E
Revenue (RMm)	239.9	297.6	399.4	474.5	542.8
EBITDA (RMm)	48.5	51.7	79.2	96.8	110.2
Pretax profit (RMm)	43.0	49.1	75.3	92.8	106.2
Net profit (RMm)	30.1	36.3	55.3	68.1	77.9
EPS (sen)	15.4	18.6	28.3	34.8	39.9
PER (x)	31.3	25.9	17.1	13.8	12.1
Core net profit (RMm)	30.1	36.3	55.3	68.1	77.9
Core EPS (sen)	15.4	18.6	28.3	34.8	39.9
Core EPS growth (%)	-24.8	20.8	52.1	23.2	14.4
Core PER (x)	31.3	25.9	17.1	13.8	12.1
Net DPS (sen)	15.0	15.0	18.4	22.6	25.9
Dividend Yield (%)	3.1	3.1	3.8	4.7	5.4
EV/EBITDA (x)	17.4	16.2	10.5	8.4	7.2
Chg in EPS (%)			-	+9.3	+19.4
Affin/Consensus (x)			1.1	1.2	1.2

Source: Company, Bloomberg, Affin Hwang forecasts

Company Note

HAI-O

HAIO MK
Sector: Consumer

RM4.82 @ 21 March 2017

BUY (upgrade)

Upside 22%

Price Target: RM5.90

Previous Target: RM3.68

Price Performance

	1M	3M	12M
Absolute	+11.3%	+27.9%	+100%
Rel to KLCI	+8.3%	+18.7%	+95.9%

Stock Data

Issued shares (m)	192.9
Mkt cap (RMm)/(US$m)	929.9/210
Avg daily vol - 6mth (m)	0.2
52-wk range (RM)	2.37-4.9
Est free float	50.8%
BV per share (RM)	1.35
P/BV (x)	3.56
Net cash/ (debt) (RMm) (1H17)	67.17
ROE (2017E)	20.5%
Derivatives	Nil
Shariah Compliant	NO

Key Shareholders

Kai Hee Tan	10.1%
Akintan Sdn Bhd	7.9%
Siow Eng Tan	7.0%

Source: Affin Hwang, Bloomberg

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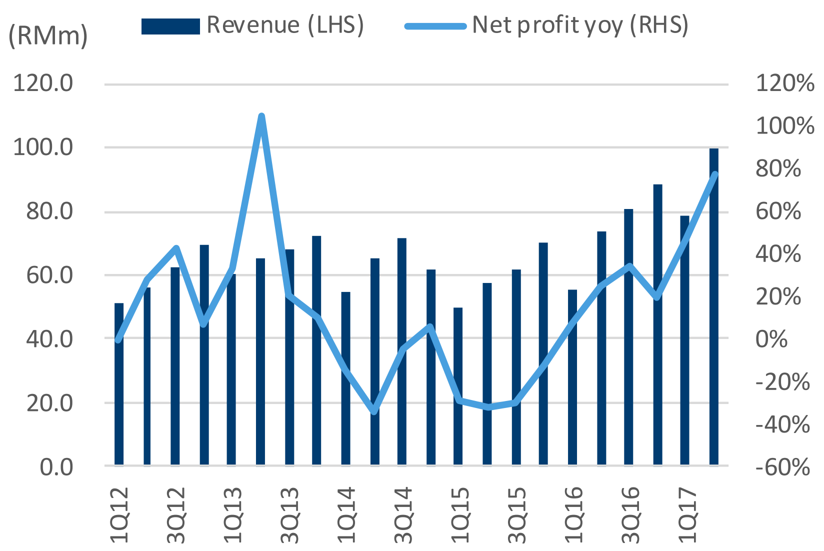
Improving sequential earnings, continuous growth from MLM division…

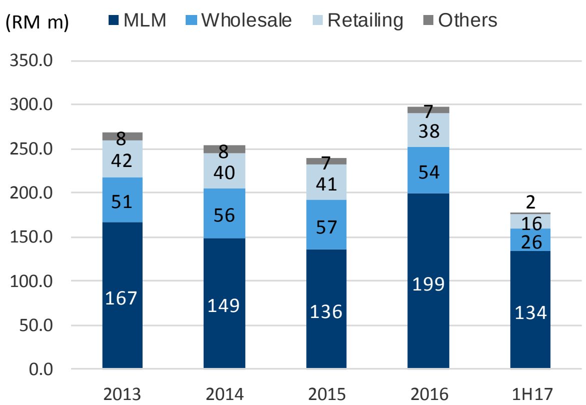
Hai-O's historical quarterly revenue and earnings have been on a rising trend since 1Q16 after two years of decline in FY14-15 due to improvement in its MLM division, which offset weaker earnings from the wholesale and retail divisions. To recap, Hai-O's 1H17 core net profit increased by 65% yoy to RM25.7m. We note that RM26m EBIT achieved in 1H17 for the MLM division has already accounted for 72% of FY16 MLM EBIT.

Fig 1: Sequential improvement in earnings since 1Q16



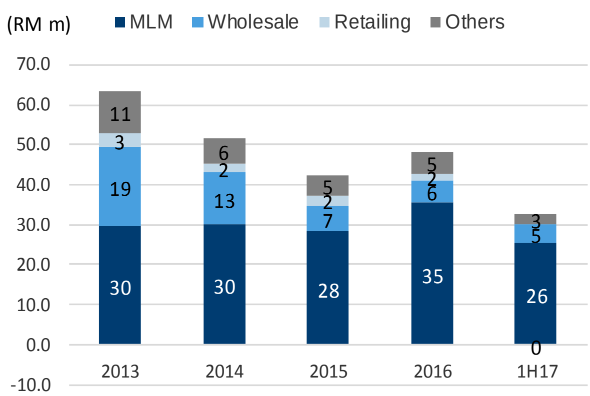
Source: Company, Affin Hwang

Fig 2: Revenue breakdown



Source: Company, Affin Hwang

Fig 3: EBIT breakdown



Source: Company, Affin Hwang

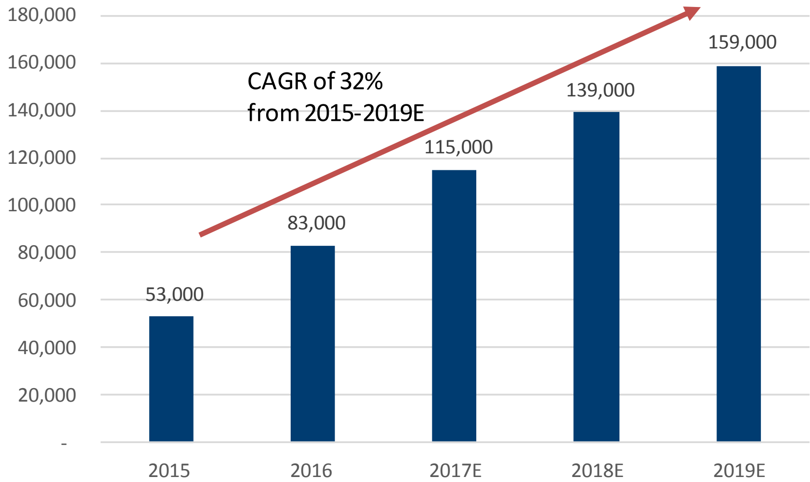
…partly due to change from big ticket to small ticket items

This earnings growth from the MLM division can partly be attributed to Hai-O's change in strategy in 2013 from concentrating on 'big ticket' items (price tag of RM1,000 and above) such as water filters to 'small ticket' items such as health food products and skincare. The Group's decision to switch focus came in line with the weakened consumer sentiment since 'small ticket' items have a lower average unit selling price. "Small ticket" item strategy not only makes it easier for distributors to sell the products, distributors could also consume the products themselves, which would therefore generate higher and more stable recurring sales volume for Hai-O. The strategy is now bearing fruit and 'small ticket' items currently account for 70% of top line compared to its previous contribution of 30%.

…propelled by a strong expansion in distribution force

The Group has also been actively taking measures to increase its distributor force in the MLM division and ytd has seen a monthly increase of 3,000-5,000 distributors to more than 100,000 distributors currently (vs. FY16:83,000, FY15:53,000, FY14:50,000). A majority of the distributors (about 70%) come from the young Bumiputera segment, in line with Sahajidah Hai-O Marketing, the Group's new branding for the MLM businesses since end 2014. We estimate an increase of 32,000 distributors in FY17 and have updated our FY18-19 forecasts, assuming an increase of active distributors by 24,000 and 20,000 in FY18E and FY19E (previously 10,000 and 5,000) as Hai-O continues expanding its member base by introducing attractive tour incentive campaigns and the membership retention program, mainly aimed at the younger, entrepreneurial fresh graduates. We assume Hai-O can achieve 139,000 members in FY18, which is not too far off from the management's target of 150,000 members.

Fig 4: Solid expansion in distribution force



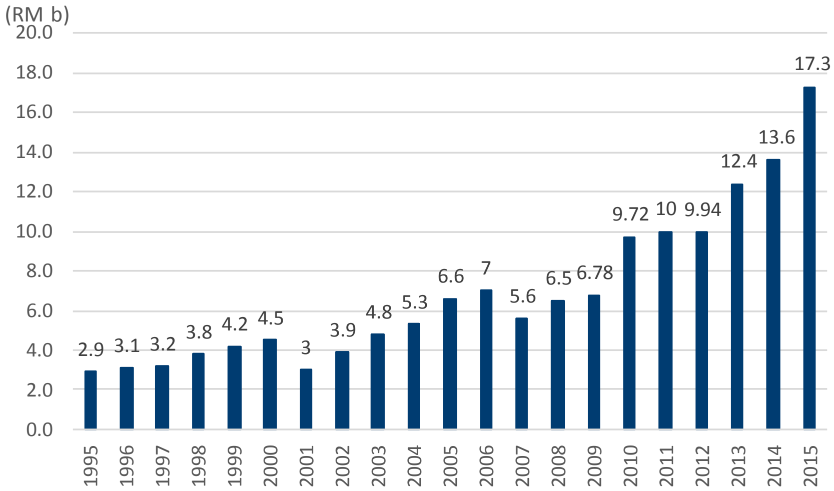
Source: Company, Affin Hwang estimates

Does Hai-O's MLM business still have room to grow?

Direct selling revenues increased to RM17.3b in 2015, 5-yr CAGR of 12%

We believe that the direct selling industry still has room to grow in Malaysia for several reasons and, in our view, this will in turn benefit Hai-O. In Malaysia, direct selling's revenue has increased from RM9.72b in 2010 to RM17.3b in 2015, representing a 12% 5-year CAGR. Furthermore, direct selling is surprisingly resilient to economic cycle in Malaysia. We saw there was a dip in revenue in 2001 and 2007, but it recovered swiftly in the following year.

Fig 5: Annual direct selling turnover in Malaysia



Source:KPDNKK, WFDSA

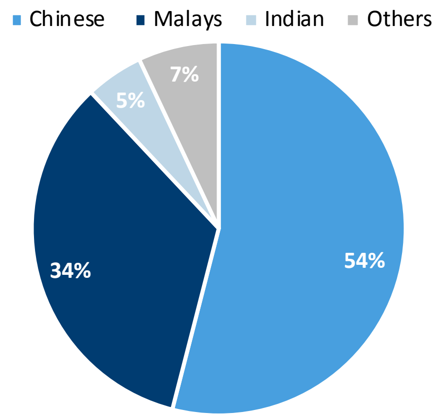
Direct selling grows faster in developing countries

According to the World Federation of Direct Selling Association (WFDSA), direct selling industry tends to grow at a higher rate in developing countries than developed countries due to the push and pull factors. The industry provides both part time and full time business opportunities for people who are entrepreneurial or have lower education level at little initial investment, thus increasing the number of distributors to push out more products to people in a more engaging manner. On the other hand, as the income level of developing countries increase, this creates a growing middle class that can afford to buy more products, such as supplements, skincare products and cosmetics. At such a conducive environment, we think that Hai-O can sustain the growth of its MLM business by the launching of more new products and providing the training to equip its distributors.

Focusing on the Bumiputera segment which is 69% of population

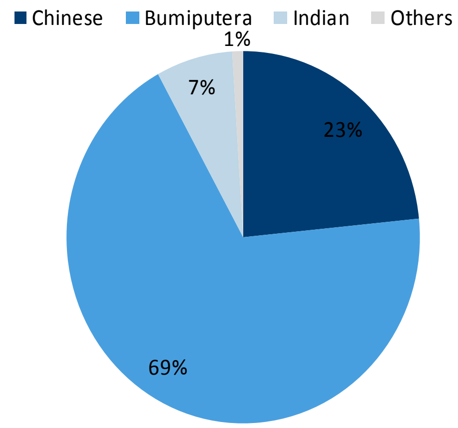
As mentioned previously, approximately 70% of Hai-O's distributors are Bumiputera and the management currently focuses on the recruitment of Bumiputera as distributors and the introduction of more Halal products to better serve the market. Based on our understanding, there are around 4m people directly/indirectly involved in direct sales industry and approximately 34% of distributors are Malays as of 2015. Comparing that to Malaysia's 28.4m population in 2016 and 69% of which are Bumiputera, we concur with the management's view that Bumiputera market is still underserved and Hai-O still has more room to penetrate in this segment.

Fig 6: Distributors by race in 2015



Source: DSAM

Fig 7: Population by race in 2016

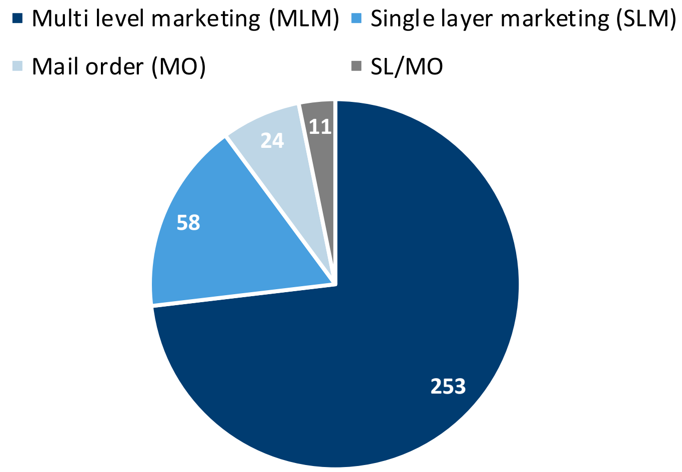


Source: DSAM

Competition threat to Hai-O's MLM business should be manageable

As of Nov 2015, there were 346 direct selling firms registered with Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK), and 253 of which were multi-level marketing. The MLM industry is fragmented in Malaysia and most of companies' product portfolios are similarly focusing on supplements and cosmetics.

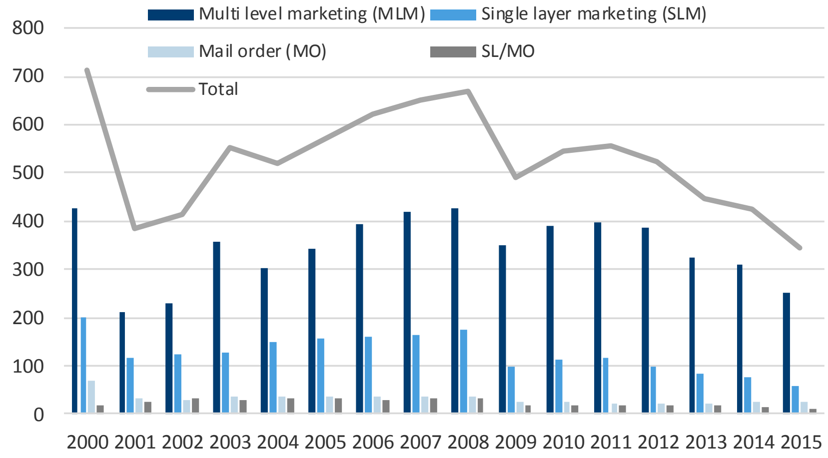
Fig 8: Segmental breakdown of direct selling firms



Source: KPDNKK

However, we see that the number of valid direct selling license has declined significantly over the years and for the MLM division, the industry has dropped from 399 licenses in 2011 to 253 licenses in 2015. This is mainly because uncompetitive companies have exited the industry and KPDNKK has revoked the licenses of those that violated the regulations or were involved in pyramid schemes. As the industry is still growing in terms of revenue size while the number of competitors is consolidating, it should benefit big players with an established brand name, such as Hai-O.

Fig 9: Consolidation trend in the number of companies

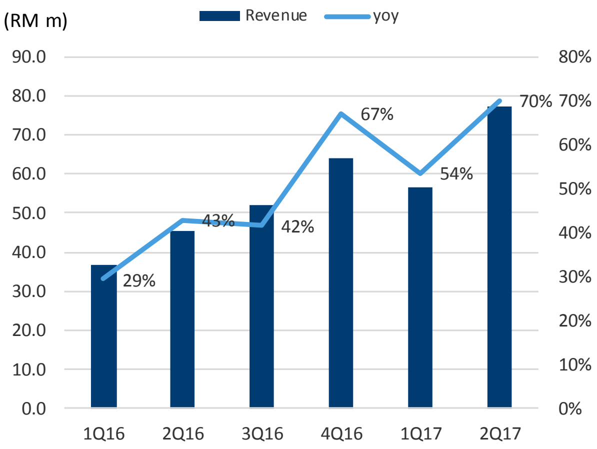


Source: KPDNKK

How is Hai-O performing compared to its peers?

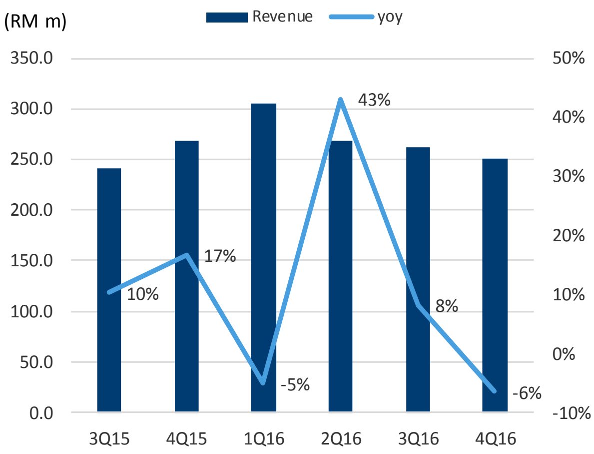
Hai-O has been generating solid revenue growth since 1Q16 due to the transition into "small ticket" items and increase in distribution force. As there are not many sizeable and comparable MLMs listed in Malaysia, we only compare Hai-O with Amway, another household name in Malaysia. Figures below show that Hai-O's MLM revenue growth has consistently outperformed Amway for the latest 6 quarters.

Fig 10: Hai-O's quarterly revenue



Source: Company

Fig 11: Amway's quarterly revenue

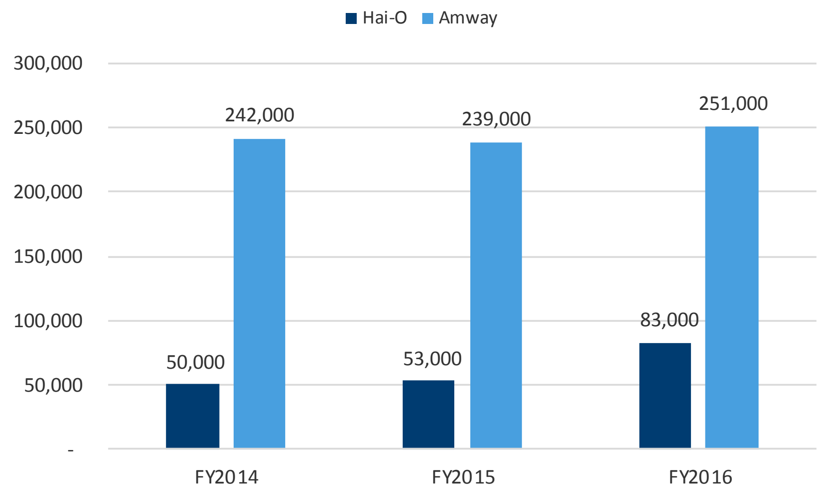


Source: Company

We believe this is attributable to several reasons:

i) Amway's distribution force has 251k members (as of 31 Dec 2016) compared to Hai-O's 83k members (as of 30 April 2016). The higher base effect partially explains Amway's slower growth.

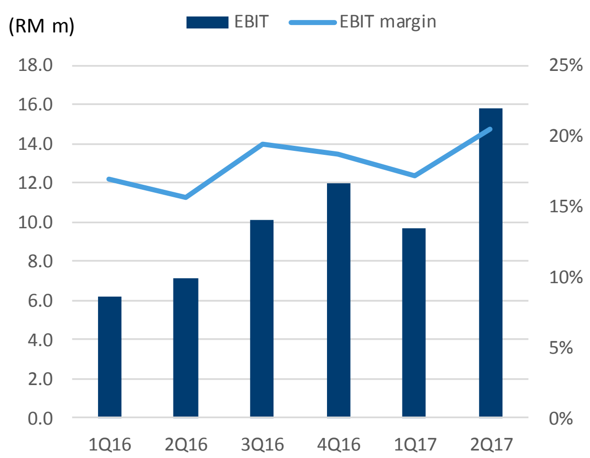
Fig 12: Distribution force comparison



Source: company. Note: Hai-O financial year ends in April and Amway's ends in December

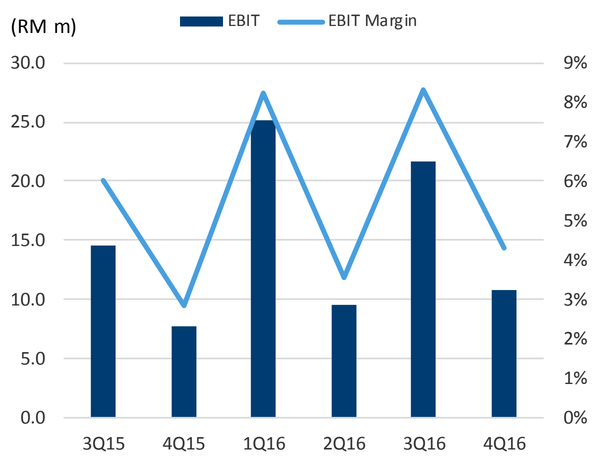
ii) We believe that Amway's products are generally more expensive and thus are more susceptible to weak consumer sentiment. To note, 80% of Amway's products are imported which may cause a higher price tag whereas most of Hai-O's products are manufactured locally and are less susceptible to price increases. We see that on the EBIT level, Hai-O's margin was at 15%-20% compared to Amway's EBIT margin at 3%-8% range for the past 6 quarters. While Amway's margin has suffered from a weakening MYR as 80% of its products are imported, Hai-O has not been impacted as much as only 10%-15% of its MLM products are imported.

Fig 13: Hai-O's quarterly EBIT



Source: Company

Fig 14: Amway's quarterly EBIT



Source: Company

Fig 15: Comparison between Hai-O and Amway

	Hai-O	Amway
Market capitalisation*	930m	1,249m
Business segments	Wholesale segment, MLM segment, retail segment	MLM segment
Main Products	70% small ticket, 30% big ticket Health and wellness eg: Mineral coffee, bamboo salt, skincare	Health and Wellness Equal proportion of small and big ticket items and both segments seem to be performing Example of brands and products: Nutrilite (vitamins and nutrition), Artistry (beauty, skin care, makeup), e Spring (water purifier)
Geographical revenue contribution	Mainly Malaysia, some in SG, Brunei, Indonesia	Malaysia
Cost of goods	Imported goods are 10-15%; 30% overall in USD	80% in USD
No. of members	100k+ ytd	2016:251k (+5%) ABO (active business owners: active distributor force for a year)
Members by race	70% Bumiputera	Highest growth in Bumiputera segment
Average age group	30-45	Adults under the age of 35 grew more than half of the total new ABOs in 2015
E-commerce platform	Mobile app for distributors to place orders, enrol members etc.	Mobile app for distributors to find information such as ABO price, clearly shown on the website
ASP increase	May revise prices depending on import costs, but should be minimal	Average of 9.3% in FY17, prices of certain SKUs that are not part of the core line products will increase by March 2017

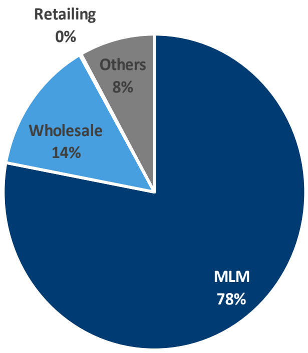
Source: Company, data based on closing date of 21st March 2017

Conservative outlook on other segments

We remain cautious about the wholesale and retail divisions due to the weakened consumer sentiment. The wholesale segment (which contributed 18% to FY16 revenue) was partly affected by input costs as about 40% of overall costs come from imported content (80% in FY15) which can explain the decrease in EBIT margin the past few years. Nonetheless, we gather that Hai-O has some flexibility to settle import costs according to favourable currency movements and has switched some of their costs to Yuan instead of USD. We see that the EBIT margin for 1H17 has improved by 4.4 ppts yoy to 17.5%. Also, the strengthening of the RM should be beneficial to the group. Our economist forecasts an improvement in the ringgit to RM4.10/US$ by end 2017 (vs average ytd of RM4.45/US$). According to an article from The Edge (Source:http://tefd.theedgemarkets.com/2017/TEP/20170316ap93vi.pdf), management shared that as the Ringgit weakened from about RM 3.20/US$ to RM4.50/US$, they see profit affected by about 10%. On the retail segment (13% of revenue), management currently has no plans to expand or close any store. Year to date, the Group has a total of 56 branches and franchise shops which also help maintain the brand image. We keep a conservative forecast for this segment, estimating revenue to drop by 2% in FY17E and then grow by 1% for FY18-19E.

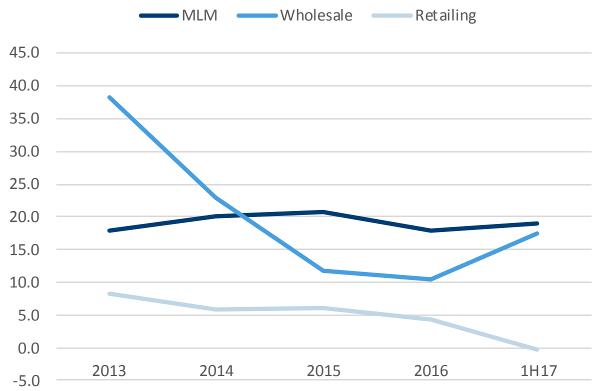
The combined revenue and EBIT contribution of both divisions are 23% and 14% as of 2Q17 respectively. Due to the muted growth of these 2 segments and the growing MLM segment, we believe their contributions to Hai-O will be less significant going forward.

Fig 16: 1H17 Segmental breakdown



Source: Company

Fig 17: Segmental EBIT margins



Source: Company

Possibility of stock dividend pay-out

HAI-O maintains a dividend pay-out policy of at least 50% (57% past 10 years). However, there could be a possibility of a treasury share distribution as the company has been active in share buy-back, currently at 4.6% of total issued shares (capped at the mandate of 10% of total issued shares). This is on top of estimated dividend yields of 3.8-5.4% in FY17-19.

Higher liquidity

Also, Hai-O's proposal of 1 for 2 bonus issuance has been approved at the EGM on 15 March 2017, which will increase Hai-O's issued and paid-up capital from 202.19m shares to 348.78m shares. We believe this could boost Hai-O's liquidity and in turn raise better interest in the company.

Expansion plans in the pipeline

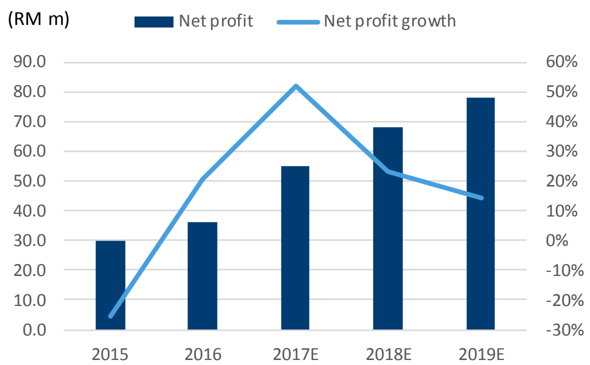
Management has mentioned that they are allocating a budget of RM10m in FY17 to cater for the upgrading of hardware and software as well as to purchase two shop lots in Penang and Johor and a warehouse in Johor that is likely funded through internal cash reserves. The Group is looking into Indonesia in terms of growth prospects and is currently upgrading systems to help speed up processing time and modernize their e-commerce offerings, allowing for mobile access. We gather from management that more MLM products have been given the green light to be sold in Indonesia which bodes well for the company's regional expansion plans.

Valuation and Recommendation

Trading at a discount to peer Amway

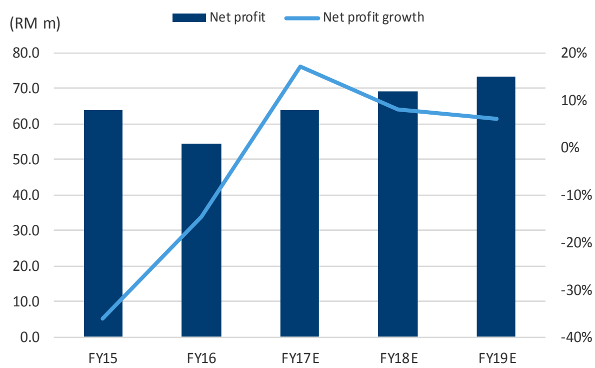
In the past, Hai-O has always been known for its Chinese medicine and medicated tonic in wholesale and retail divisions. As its MLM contribution continues to increase, we believe its valuation should trade closer to its other MLM peers. At the peer comparison level, we think Hai-O's growth is still underappreciated. Share price has gone up and it is currently trading at CY17E PE of 14.8x , which is still at a discount to its peer Amway (which is currently trading at CY17E PE of 19.5x (based on Bloomberg consensus) and has a 3 year average PE of 20.7x) despite better earnings growth.

Fig 18: Hai-O's forecast net profit



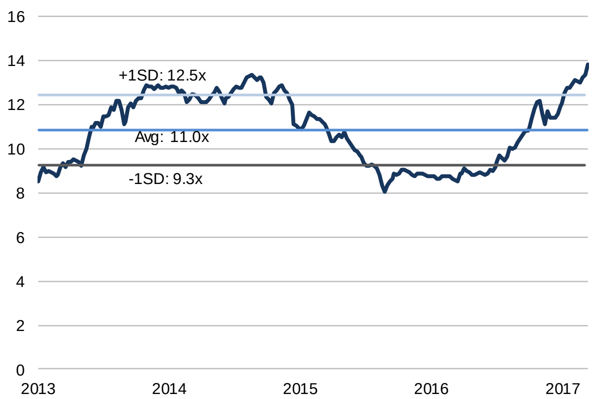
Source: Company, Affin Hwang estimates

Fig 19: Amway's forecast net profit



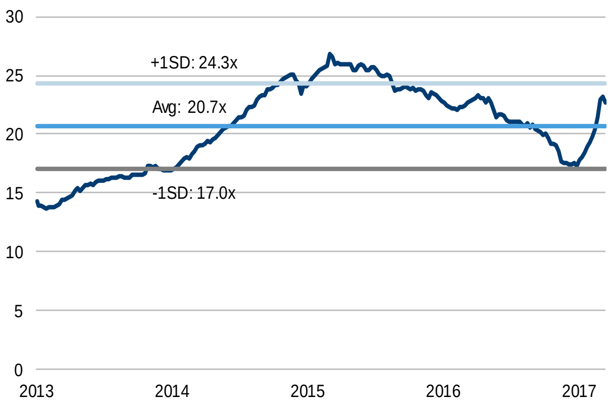
Source: Company, Bloomberg

Fig 20: Hai-O's past-3 year PE Ratio



Source: Company, Affin Hwang estimates

Fig 21: Amway's past-3 year PE Ratio



Source: Company, Bloomberg

Upgrade to BUY with TP of RM5.90

Given that Hai-O's strategy transition is bearing fruit and the market still has room to grow in our view, we revise up FY18E and FY19E net profit by 9% and 19%, respectively, to factor in a higher number of distributors. Hence, we upgrade Hai-O to BUY with a higher 12-month target price of RM5.90, from RM3.68. Our TP is based on a PE of 18x applied to our CY17E EPS, which is at a 13% discount to its local MLM peer, Amway's past-3-year average PE ratio of 20.7x.

Peer Comp table

Stock	Rating	Price (RM)	TP (RM)	Mkt Cap (RMm)	Core PE (x) CY17E	Core PE (x) CY18E	Core EPS Gr (%) CY17E	Core EPS Gr (%) CY18E	P/BV CY17E	DY (%) CY17E	DY (%) CY18E	ROE (%) CY17E	ROE (%) CY18E
AEON CO	HOLD	2.40	2.65	3,369.6	18.3	16.2	107.9	13.0	1.7	1.8	2.2	9.2	9.7
BAT	HOLD	47.70	46.90	13,619.8	18.8	18.0	7.1	4.6	23.5	5.2	5.6	124.7	129.5
BONIA	SELL	0.72	0.49	576.0	16.3	14.0	12.8	15.9	1.3	1.4	1.6	8.2	18.3
CARLSBERG	HOLD	14.64	14.22	4,537.7	18.6	17.1	18.2	8.8	13.0	5.4	5.8	69.5	75.1
HEINEKEN	BUY	17.86	17.92	5,395.5	19.2	18.3	(2.9)	4.8	11.9	4.7	4.9	62.0	61.1
HAI-O	BUY	4.82	5.90	972.8	14.8	12.6	30.4	16.9	3.1	4.4	5.1	21.0	22.2
MSM	HOLD	4.47	4.26	3,142.3	13.1	12.3	99.4	6.5	1.4	4.9	5.3	11.0	11.3
NESTLE	HOLD	80.60	79.08	18,900.7	27.2	25.5	14.8	6.5	17.9	3.6	3.8	65.8	65.7
PARKSON	SELL	0.64	0.51	716.8	12.4	8.0	n.m.	55.5	0.3	2.3	3.9	2.3	7.1
WEIGHTED AVERAGE				**51,231.2**	**22.7**	**13.8**	**10.9**	**21.5**	**15.7**	**4.3**	**4.6**	**25.7**	**30.2**
LOCAL PEER													
AMWAY	NR	7.60	NA	1,249.3	18.7	17.2	17.3	8.5	5.7	4.5	5.1	29.5	31.8

Source: Company, Bloomberg, Affin Hwang estimates, closing date of 21st March 2017

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Key investment risks:

1. Loss of distributors in MLM division. The growth of distribution force is Hai-O's major growth driver. Failure to attract people with attraction compensation plan would result in earnings downside risks to our forecast.
2. Lack of new exciting products to enhance growth. Wellness products such as supplements account for 54% of direct selling industry's turnover, followed by cosmetic/personal cares (c. 13%). As the competition is highly intense in this segment, it is imperative that Hai-O has the right products for the market.
3. Further weakness in wholesale/retail divisions.
4. Misconception of MLM. Scam and misconception about direct selling may deter people to join as Hai-O's distributors. Often time people are enticed to join with exaggerated income and compensation plan but only to be disappointed at later point in time. However, KPDNKK plays an active role to monitor the industry and has revoked the license of 34 MLM companies as of early February 2017.

HAI-O - FINANCIAL SUMMARY

Profit & Loss Statement

FYE 30 April (RMm)	2015	2016	2017E	2018E	2019E
Revenue	239.9	297.6	399.4	474.5	542.8
Operating expenses	-191.4	-246.0	-320.3	-377.8	-432.6
EBITDA	48.5	51.7	79.2	96.8	110.2
Depreciation	-2.4	-2.7	-3.1	-3.2	-3.3
EBIT	45.4	48.3	75.4	92.9	106.2
Net int income/(expense)	-0.3	-0.2	-0.1	-0.1	-0.1
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	43.0	49.1	75.3	92.8	106.2
Tax	-12.3	-12.5	-18.8	-23.2	-26.5
Minority interest	-0.7	-0.2	-1.2	-1.5	-1.7
Net profit	30.1	36.3	55.3	68.1	77.9

Balance Sheet Statement

FYE 30 April (RMm)	2015	2016	2017E	2018E	2019E
Fixed assets	64.6	66.3	73.2	75.0	76.7
Other long term assets	55.1	54.4	53.7	53.0	52.4
Total non-current assets	**119.8**	**120.7**	**126.9**	**128.0**	**129.1**
Cash and equivalents	48.3	53.7	58.5	78.5	101.1
Stocks	58.2	68.0	88.6	104.9	120.0
Debtors	23.4	25.2	33.8	40.2	45.9
Other current assets	56.1	53.8	53.8	53.8	53.8
Total current assets	**186.1**	**200.7**	**234.7**	**277.4**	**320.8**
Creditors	30.8	45.1	58.8	69.6	79.6
Short term borrowings	3.9	1.1	1.0	0.9	0.8
Other current liabilities	5.2	6.1	6.1	6.1	6.1
Total current liabilities	**39.9**	**52.3**	**65.9**	**76.6**	**86.5**
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.1	0.1	0.1
Total long term liabilities	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Shareholders' Funds	**253.9**	**257.4**	**282.9**	**314.4**	**347.3**
Minority interest	**12.0**	**11.6**	**12.8**	**14.3**	**16.1**

Cash Flow Statement

FYE 30 April (RMm)	2015	2016	2017E	2018E	2019E
EBIT	45.4	48.3	75.4	92.9	106.2
Depreciation & amortisation	3.2	3.4	3.8	3.9	3.9
Working capital changes	-3.0	6.0	-15.5	-11.8	-10.8
Cash tax paid	-12.3	-12.5	-18.8	-23.2	-26.5
Others	-6.3	-3.5	0.0	0.0	0.0
Cashflow from operation	**27.0**	**41.8**	**44.8**	**61.7**	**72.8**
Capex	-12.1	-3.8	-10.0	-5.0	-5.0
Others	5.5	4.6	0.0	0.0	0.0
Cash flow from investing	**-6.6**	**0.8**	**-10.0**	**-5.0**	**-5.0**
Debt raised/(repaid)	-1.7	-2.8	-0.1	-0.1	-0.1
Dividends paid	-27.8	-29.8	-29.8	-36.5	-45.0
Others	-2.8	-4.7	-0.1	-0.1	-0.1
Cash flow from financing	**-32.3**	**-37.3**	**-30.0**	**-36.7**	**-45.2**
Free Cash Flow	**14.9**	**38.0**	**34.8**	**56.7**	**67.8**

Key Financial Ratios and Margins

FYE 30 April (RMm)	2015	2016	2017E	2018E	2019E
Growth					
Revenue (%)	-5.3	24.1	34.2	18.8	14.4
EBITDA (%)	-16.5	6.6	53.2	22.2	13.9
Core net profit (%)	-25.3	20.8	52.1	23.2	14.4
Profitability					
EBITDA margin (%)	20.2	17.4	19.8	20.4	20.3
PBT margin (%)	17.9	16.5	18.9	19.6	19.6
Net profit margin (%)	12.5	12.2	13.8	14.4	14.4
Effective tax rate (%)	29	25	25	25	25
ROA (%)	12.0	13.6	17.9	19.3	19.6
Core ROE (%)	11.8	14.2	20.5	22.8	23.5
ROCE (%)	17.5	18.7	27.8	31.0	32.0
Dividend payout ratio (%)	97.5	80.7	65.0	65.0	65.0
Liquidity					
Current ratio (x)	4.7	3.8	3.6	3.6	3.7
Op. cash flow (RMm)	27.0	41.8	44.8	61.7	72.8
Free cashflow (RMm)	14.9	38.0	34.8	56.7	67.8
FCF/share (sen)	7.6	19.4	17.8	29.0	34.7
Asset management					
Debtors turnover (days)	35.7	30.9	30.9	30.9	30.9
Stock turnover (days)	137.8	126.4	126.4	126.4	126.4
Creditors turnover (days)	72.9	83.9	83.9	83.9	83.9
Capital structure					
Net gearing (%)	net cash	net cash	net cash	net cash	net cash
Interest cover (x)	143.3	149.2	235.1	903.0	1225.9

Quarterly Profit & Loss

FYE 30 April (RMm)	2Q16	3Q16	4Q16	1Q17	2Q17
Revenue	73.6	80.5	88.6	78.7	99.8
Operating expenses	-61.3	-66.5	-72.6	-65.2	-78.7
EBITDA	12.3	14.0	16.0	13.4	21.1
Depreciation	-0.9	-0.9	-1.0	-0.9	-0.9
EBIT	11.5	13.1	15.0	12.6	20.2
Net int income/(expense)	0.4	0.2	0.6	0.2	0.4
Associates' contribution	0.0	0.0	-0.4	-0.1	-0.3
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pretax profit	11.9	13.2	15.3	12.6	20.3
Tax	-2.9	-3.3	-4.1	-3.1	-4.4
Minority interest	-0.1	-0.1	0.0	0.3	0.0
Net profit	8.9	9.8	11.2	9.7	15.9
Core net profit	8.9	9.8	11.2	9.7	15.9
Margins (%)					
EBITDA	16.8	17.4	18.1	17.1	21.2
PBT	16.2	16.4	17.2	16.0	20.4
Net profit	12.1	12.2	12.6	12.4	15.9

Source: Company, Affin Hwang estimat

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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