



Outthink. Outperform.

1Q17 results in line with expectations

Oceancash 1Q17 revenue increased by 18.0% yoy and net profit increased by 72.6% yoy, on the back of higher sales from both hygienic and insulation divisions. We roll forward our valuation to 2018E EPS, resulting in higher target price of RM0.88 based on an unchanged PE of 15.5x. With results in line with our estimates, we maintain our earnings forecast.

1Q17 results: Revenue up 18.0% YoY, net profit up 72.6% YoY

Oceancash reported 1Q17 revenue of RM21.9m (+18.0% yoy), driven by stronger revenue growth from both the hygiene (+14.4% yoy) and insulation (+24.0% yoy) divisions. The higher earnings contribution from both divisions led to a net profit of RM2.0m in 1Q17 compared to net profit of RM1.2m in 1Q16, implying an increase of 72.6% yoy in net profit.

Demand for hygiene products remains stable

Oceancash reported higher revenue, due to stronger demand for hygiene products from Malaysia and Japan. Exports of hygiene products to Japan increased by 6.0% yoy (1Q16: RM6.7m vs. 1Q17: RM7.1m). We expect revenue from hygiene products to remain stable as their products are used as back sheets in baby diapers and sanitary napkins.

New customer in the automotive industry

The Group also recorded stronger demand for its insulation products from Malaysia, Philippines and Indonesia. The Group has recently secured a new automotive customer. Demand for insulation products from Indonesia also increased by 30.8% yoy, underpinned by recovery in the automotive sector in Indonesia. A rebound in Indonesia auto sales would benefit Oceancash, as the company is well positioned there with a factory in Jakarta.

Maintain BUY with a new target price of RM0.88

We maintain our **BUY** rating on Oceancash. Our **Target Price of RM0.88** implies 2018E PER of 15.5x. We like: 1) the company's strong growth prospects, especially for premium-quality hygiene products; 2) its strong position to benefit from a pick-up in Indonesia auto sales; and 3) its strong management as reflected by solid financials. Our target price of RM0.88 is based on 15.5x our 2018E EPS, providing 12.6% upside potential.

Earnings & Valuation Summary

Earnings & Valuation Summary

FYE 31 Dec	2015	2016	2017E	2018E	2019E
Revenue (RMm)	79.4	83.7	92.3	98.6	104.8
EBITDA (RMm)	13.7	15.0	16.3	17.4	18.5
Pretax profit (RMm)	9.8	10.3	12.1	13.1	13.9
Net profit (RMm)	8.7	10.1	11.7	12.6	13.4
EPS (sen)	3.9	4.6	5.2	5.7	6.0
PER (x)	19.9	17.1	14.9	13.8	12.9
Core net profit (RMm)	8.7	10.1	11.7	12.6	13.4
Core EPS (sen)	3.9	4.6	5.2	5.7	6.0
Core EPS growth (%)	77.5	16.3	15.1	8.2	6.3
Core PER (x)	19.9	17.1	14.9	13.8	12.9
Net DPS (sen)	0.7	0.7	0.8	0.9	0.9
Dividend Yield (%)	0.9	0.9	1.0	1.1	1.2
EV/EBITDA (x)	7.5	7.2	10.0	9.2	8.3
Chg in EPS (%)	-	-	-	-	-
Affin/Consensus (x)	-	-	-	-	-

Source: Company, Affin Hwang forecasts, Bloomberg

Results Note

Oceancash

OCP MK

Sector: Industrial Products

RM0.78 @ 26 May 2017

BUY (maintain)

Upside 12.6%

Price Target: RM0.88

Previous Target: RM0.81



Price Performance

	1M	3M	12M
Absolute	11.2%	76.7%	96.3%
Rel to KLCI	10.7%	69.1%	80.5%

Stock Data

Issued shares (m)	223.0
Mkt cap (RMm)/(US\$m)	172.8/40.5
Avg daily vol - 6mth (m)	2.0
52-wk range (RM)	0.32-0.84
Est free float	25.6%
BV per share (RM)	0.33
P/BV (x)	2.36
Net cash/ (debt) (RMm)	-6.9
ROE (2017F)	14.2
Derivatives	No
Shariah Compliant	Yes

Key Shareholders

Siew Chin Tan	43.9%
Lee Chew Chen	15.3%
Pong Kiat Lo	2.2%
Seng Thee Lor	2.1%

Source: Affin Hwang, Bloomberg

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Fig 1: Results Comparison

FYE 31 Dec (RM m)	1Q17	QoQ % chg	YoY % chg	Comment
Revenue	21.9	(6.4)	18.0	1Q17 revenue increased by 18.0 yoy, underpinned by higher sales from both hygiene and insulation divisions
Op costs	(18.0)	(3.5)	7.8	Operating cost increased by 7.8% yoy in preparation for higher sales in the coming quarters
EBITDA	4.0	(18.0)	107.5	
EBITDA margin (%)	18.0	-2.5ppt	7.8ppt	
Depn and amort	(1.0)	(9.9)	17.6	
EBIT	3.0	(20.7)	174.7	
EBIT margin (%)	13.5	-2.4ppt	7.7ppt	
Int expense	-0.3	4.9	4.9	
Int and other inc	0.0	(25.0)	200.0	
Associates	0.0	NA	NA	
EI	0.0	NA	NA	No exceptional items
Pretax profit	2.7	(22.0)	224.4	
Core pretax	2.7	(22.0)	224.4	
Tax	(0.7)	154.9	(313.9)	
Tax rate (%)	25.9	18ppt	65.2ppt	
MI	0.0	NA	NA	
Net profit	2.0	(37.2)	72.6	
EPS (sen)	0.9	(37.2)	72.6	
Core net profit	2.0	(37.2)	72.6	Within expectation. Core net profit constitutes 17.1% of full year net profit. Expect stronger earnings from the insulation segment in the coming quarters on the back of gradual recovery in Indonesia's automotive sector.

Source: Affin Hwang, Company data

Fig 2: Oceancash: Breakdown of revenue

FYE Dec	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Revenue (RMm)	18.6	21.0	20.6	23.4	21.9
Hygiene	11.6	12.7	13.2	15.5	13.3
Insulation	7.0	8.3	7.4	7.9	8.6

Source: Company, Affin Hwang

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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