

Malaysia

HOLD (no change)

Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	RM0.93
Target price:	RM1.00
Previous target:	RM1.38
Up/downside:	7.5%
CGS-CIMB / Consensus:	-37.9%
Reuters:	CYPR.KL
Bloomberg:	CYP MK
Market cap:	US\$108.3m
	RM450.0m
Average daily turnover:	US\$0.56m
	RM2.30m
Current shares o/s:	483.8m
Free float:	72.3%

*Source: Bloomberg

Key changes in this note

➤ FY21-23F EPS cut by 15-20%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-17.7	-28.5	-5.6
Relative (%)	-16.5	-26.1	-10.3

Major shareholders

	% held
Dato' Daud bin Ahmad	12.2
Amanah Saham Nasional	8.1
Tan Sri Razali Bin Ismail	7.4

Analyst(s)

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Cypark Resources Bhd

Waiting for power plants to come on board

- Cypark's LSS 2 is relocated from Empangan Terip to Danau Tok Uban. We project delays in LSS 2's COD due to relocation and recent lockdowns.
- We believe EPCC revenue and LSS 3 plant progress could be affected by slower work progress as a result of FMCO.
- Our SOP-based TP is cut to RM1.00 after adjusting for its enlarged share base from the private placement and changes in plants' COD.

LSS 2 project relocated

Two floating solar plants (30MW each) under Cypark's second large-scale solar (LSS 2) project, formerly located at Empangan Kelinchi and Empangan Terip, were moved to Danau Tok Uban, Kelantan, in Apr 2021 with no reasons disclosed. We gather Cypark owns the LSS 2 plant at Empangan Terip and is in charge of engineering, procurement, construction and commissioning (EPCC) for the plant at Empangan Kelinchi, both of which were supposed to achieve commercial operation date (COD) by end-2020. With the recent relocation and operation disruptions from lockdowns, we see LSS 2's COD further delayed to end-2021.

WTE plant's COD could also be delayed

COD of its 20MW WTE plant at Ladang Tanah Merah, which is scheduled for mid-FY21F, could be delayed again, in our view, due to lockdowns and traveling restrictions for foreign specialists. With the implementation of the full movement control order (FMCO) that limits worker capacity on project sites to 60%, we believe EPCC revenue and power plants' progress will be impacted due to the slower work progress expected.

Private placement to fund LSS 3 project

On 16 Jun 2021, Cypark proposed a private placement of up to 20% of its total number of issued shares to raise up to RM108m, based on an illustrative price of RM1.03. RM96m of the proceeds will be used to fund the 100MW LSS 3 project in Merchang, Terengganu, RM11m for partial repayment of borrowings and the remaining RM0.9m for private placement expenses. The scheduled COD of the LSS 3 plant is Mar 2022, later than the initial COD date of end-Dec 2021, which could be due to the Covid-19 pandemic.

EPS cut due to private placement

We cut our FY21-22F EPS by 15-20% to adjust for the enlarged share base from private placement, lower interest cost arising from funds raised and delayed COD for LSS 2/LSS 3 and WTE plants. We cut our SOP-based TP to RM1.00 due to the enlarged share base from the private placement and ascribe a lower P/E of 13x P/E (from 15x previously) after updating its peer average FY21F P/E for its environmental engineering (EE) division. Upside risks to our call are sooner-than-expected CODs of the WTE plant and LSS 2/LSS 3 solar plants. Downside risks are weaker-than-expected earnings from its RE division and further delays in the WTE plant's COD.

Financial Summary

	Oct-19A	Oct-20A	Oct-21F	Oct-22F	Oct-23F
Revenue (RMm)	376.7	304.0	348.6	452.6	471.8
Operating EBITDA (RMm)	139.1	105.2	136.6	194.6	206.9
Net Profit (RMm)	91.27	70.56	82.17	82.45	83.88
Core EPS (RM)	0.20	0.14	0.14	0.14	0.14
Core EPS Growth	(0.8%)	(27.0%)	(3.2%)	0.3%	1.7%
FD Core P/E (x)	4.79	6.55	6.75	6.73	6.61
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	7.76	14.77	12.42	10.07	9.20
P/FCFE (x)	1.15	NA	NA	NA	6.31
Net Gearing	86%	103%	80%	88%	72%
P/BV (x)	0.57	0.64	0.62	0.60	0.57
ROE	12.9%	8.9%	8.7%	7.5%	7.1%
% Change In Core EPS Estimates			(14.8%)	(19.1%)	(20.0%)
CGS-CIMB/Consensus EPS (x)			0.75	0.64	0.61

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Earnings revision

RM m	2020A	2021F			2022F			2023F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	304	404	349	-14%	453	453	0%	472	472	0%
EBITDA	118	159	137	-14%	192	195	2%	207	207	0%
Core net profit	71	80	82	3%	85	82	-2.7%	87	84	-4%
Core EPS	0	0.16	0.14	-15%	0.17	0.14	-19%	0.18	0.14	-20%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: SOP valuation of Cypark

Segment	Basis	RM m
Renewable energy	DCF: WACC of 6.8%	291.7
SMART-WTE	DCF: WACC of 6.8%	409.4
Non-RE businesses	FY21 P/E of 13.0x	869.2
Cash	As at end FY20	359.4
Debt	As at end FY20	(1,338.9)
Equity value		590.8
No. of shares based on enlarged share capital	in million	588.8
Target price (per share)		1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell

Cypark claims to be one of the few listed companies on Bursa Malaysia that have operations with zero carbon emission. To date, the group's renewable energy (RE) parks in commercial operation have successfully eliminated the emission of 237,704.13 tonnes of carbon dioxide while generating 344,498.74 MWh of renewable energy.

Keep your eye on

Cypark aims to achieve 231MW of RE capacity by 2021F and 500MW by 2022F, leveraging on LSS projects, future LSS tenders, net energy metering (NEM) 3.0 and other third-party access initiatives.

Implications

Cypark has opportunities to benefit from expanding its RE portfolios.

ESG highlights

It is ranked among the bottom 25% in ESG ratings for public listed companies on the FBM Emas, as assessed by FTSE Russell.

Implications

There is currently no empirical evidence showing that better ESG ratings result in improved share price performance but we believe adopting good ESG practices is positive over the long term, especially given the growing awareness of its importance in Malaysia.

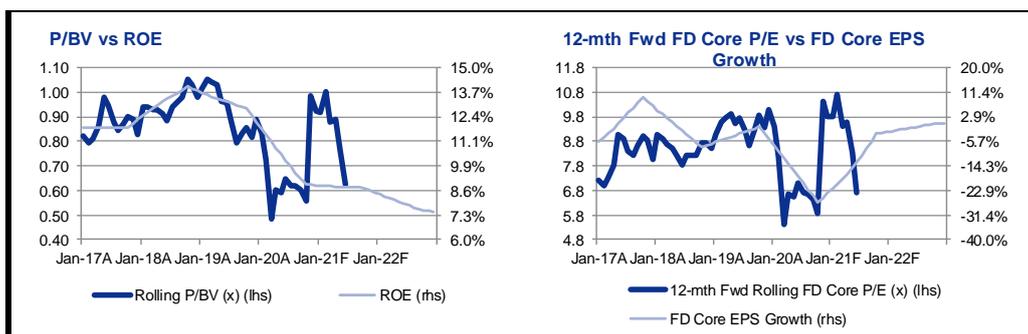
Trends

Cypark aims to expand its RE capacity.

Implications

While RE investments are taken into account under earnings potential, the impact of better ESG disclosures has yet to be seen.

BY THE NUMBERS



Profit & Loss

(RMm)	Oct-19A	Oct-20A	Oct-21F	Oct-22F	Oct-23F
Total Net Revenues	376.7	304.0	348.6	452.6	471.8
Gross Profit	148.7	113.6	145.0	203.4	216.2
Operating EBITDA	139.1	105.2	136.6	194.6	206.9
Depreciation And Amortisation	(13.0)	(5.5)	(18.7)	(47.1)	(51.5)
Operating EBIT	126.1	99.7	117.9	147.5	155.4
Financial Income/(Expense)	(8.9)	(8.6)	(8.8)	(39.3)	(43.7)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	(0.4)	(0.2)
Non-Operating Income/(Expense)	1.4	1.5	1.0	1.0	1.0
Profit Before Tax (pre-EI)	118.6	92.7	110.2	108.7	112.4
Exceptional Items					
Pre-tax Profit	118.6	92.7	110.2	108.7	112.4
Taxation	(27.3)	(21.0)	(19.8)	(14.0)	(12.2)
Exceptional Income - post-tax					
Profit After Tax	91.3	71.7	90.4	94.7	100.2
Minority Interests	0.0	(1.1)	(8.2)	(12.3)	(16.3)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	91.3	70.6	82.2	82.4	83.9
Recurring Net Profit	91.3	70.6	82.2	82.4	83.9
Fully Diluted Recurring Net Profit	91.3	70.6	82.2	82.4	83.9

Cash Flow

(RMm)	Oct-19A	Oct-20A	Oct-21F	Oct-22F	Oct-23F
EBITDA	139.1	105.2	136.6	194.6	206.9
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(199.9)	(302.0)	(101.6)	(227.9)	(43.9)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	6.2	41.9	1.0	0.6	0.8
Net Interest (Paid)/Received	(13.0)	(40.1)	(8.8)	(39.3)	(43.7)
Tax Paid	(18.3)	(16.5)	(19.8)	(14.0)	(12.2)
Cashflow From Operations	(85.8)	(211.4)	7.5	(86.1)	107.9
Capex	(53.1)	(89.4)	(140.0)	(50.0)	(50.0)
Disposals Of FAs/subsidiaries	0.1	(30.1)	0.0	0.0	0.0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(53.0)	(119.5)	(140.0)	(50.0)	(50.0)
Debt Raised/(repaid)	517.8	14.4	20.0	30.0	30.0
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(4.9)	0.0	0.0	0.0	0.0
Preferred Dividends					
Other Financing Cashflow	57.9	152.3	50.0	82.4	17.6
Cash Flow From Financing	570.8	166.6	70.0	112.4	47.6
Total Cash Generated	432.0	(164.3)	(62.5)	(23.7)	105.5
Free Cashflow To Equity	379.0	(316.5)	(112.5)	(106.1)	87.9
Free Cashflow To Firm	(122.7)	(287.1)	(119.5)	(92.5)	105.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Oct-19A	Oct-20A	Oct-21F	Oct-22F	Oct-23F
Total Cash And Equivalents	524	359	430	363	488
Total Debtors	574	818	938	1,217	1,269
Inventories					
Total Other Current Assets	2	1	1	1	1
Total Current Assets	1,100	1,178	1,369	1,582	1,758
Fixed Assets	204	289	411	414	412
Total Investments	0	0	0	0	0
Intangible Assets	865	891	891	891	891
Total Other Non-Current Assets	7	16	16	16	16
Total Non-current Assets	1,075	1,196	1,318	1,320	1,319
Short-term Debt	185	233	233	233	233
Current Portion of Long-Term Debt					
Total Creditors	197	137	156	207	215
Other Current Liabilities	8	15	15	15	15
Total Current Liabilities	390	385	404	456	463
Total Long-term Debt	989	987	1,007	1,037	1,067
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	28	38	38	38	38
Total Non-current Liabilities	1,017	1,025	1,045	1,075	1,105
Total Provisions	11	13	13	13	13
Total Liabilities	1,418	1,423	1,461	1,543	1,581
Shareholders' Equity	757	832	1,055	1,138	1,221
Minority Interests	0	120	170	222	275
Total Equity	757	952	1,225	1,359	1,496

Key Ratios

	Oct-19A	Oct-20A	Oct-21F	Oct-22F	Oct-23F
Revenue Growth	6.8%	(19.3%)	14.7%	29.8%	4.2%
Operating EBITDA Growth	17.3%	(24.4%)	29.8%	42.4%	6.3%
Operating EBITDA Margin	36.9%	34.6%	39.2%	43.0%	43.9%
Net Cash Per Share (RM)	(1.41)	(2.00)	(1.66)	(2.02)	(1.84)
BVPS (RM)	1.64	1.46	1.51	1.56	1.62
Gross Interest Cover	10.47	8.11	9.03	3.38	3.24
Effective Tax Rate	23.0%	22.7%	18.0%	12.9%	10.9%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	469.3	837.9	918.8	868.8	961.7
Inventory Days	-	-	-	-	-
Accounts Payables Days	342.3	321.0	262.4	265.7	301.5
ROIC (%)	10.5%	6.9%	6.3%	7.1%	6.7%
ROCE (%)	8.04%	4.87%	4.94%	5.51%	5.38%
Return On Average Assets	5.41%	3.53%	3.92%	4.85%	4.87%

Key Drivers

	Oct-19A	Oct-20A	Oct-21F	Oct-22F	Oct-23F
Landscape & infrastructure revenue	34.5	20.2	30.7	30.7	30.7
Maintenance revenue	5.1	3.9	3.9	3.9	3.9
Environmental Engineering revenue	278.0	214.0	255.0	280.0	280.0
Renewable energy revenue	59.0	65.9	59.0	138.0	157.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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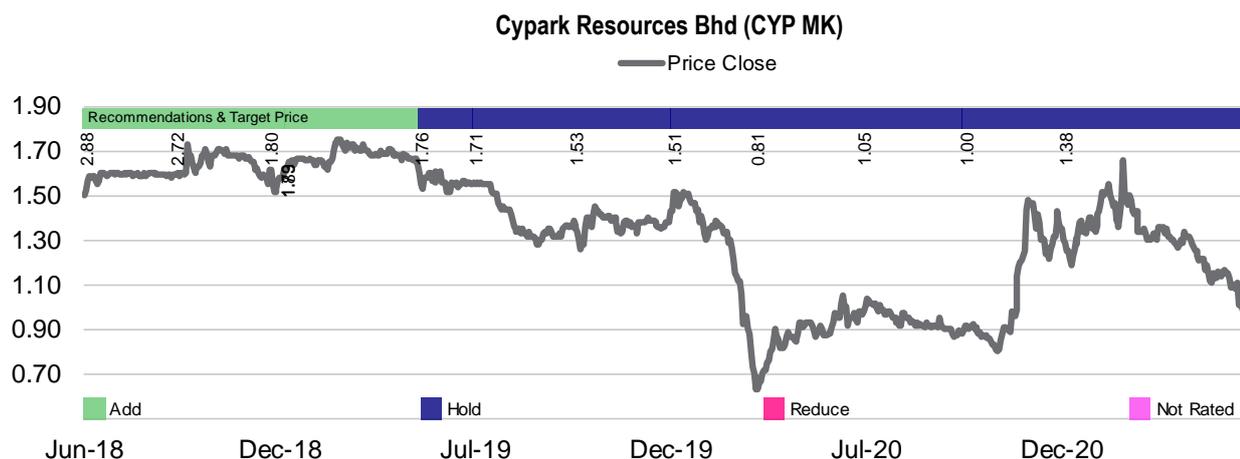
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2021		
613 companies under coverage for quarter ended on 31 March 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	1.1%
Hold	19.6%	0.2%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

