

EP Manufacturing

Recommendation: **NOT RANKED**

Stock Code: **7773**

Bloomberg: **EPMB MK**

Price: **MYR0.49**

12-Month Target Price: **NA**

Date: **April 1, 2010**

Board: Main

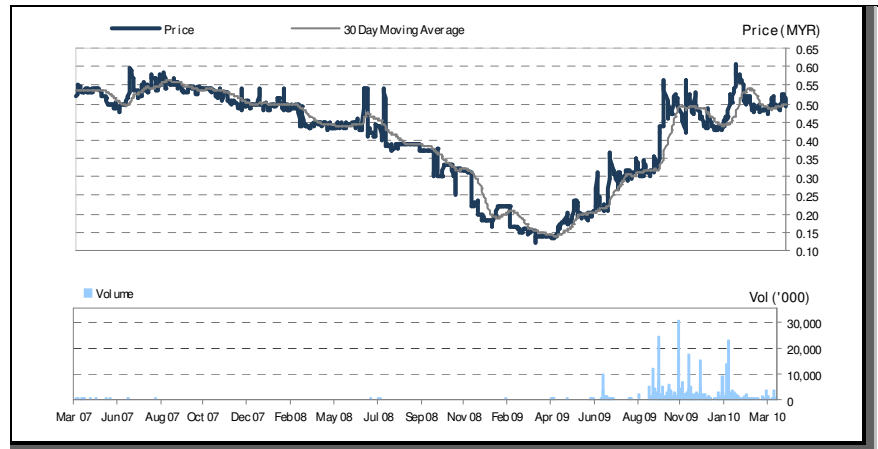
Sector: Industrial Products

GICS: Consumer Discretionary/Auto Parts & Equipment

Market Value - Total: MYR81.3 mln

Summary: Main Market-listed EP Manufacturing (EPMB) is a Tier-1 autoparts vendor to both Proton and Perodua. It also supplies to Toyota in the Middle East. Through its technical collaboration with Bosch, the group focuses on the supply of higher value modular components. In late 2007, EPMB diversified into the electronic water meter business.

Analyst: Alexander Chia, ACA



Recent Developments

Recommendation & Investment Risks

- We are suspending coverage of EPMB pending a universe coverage change. Our last call and target price are Buy and MYR0.55 respectively.
- Please note that our recommendation and target price may no longer represent our current view on the company. If readers have any queries, please direct them to asiaequityresearch@standardandpoors.com. For residents of Malaysia, all queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam in our K.L. office.

Key Stock Statistics

| FY Dec. | 2009 | 2010E |
|---------------------------------|-------------|-------|
| Reported EPS (sen) | 4.3 | 7.2 |
| PER (x) | 11.5 | 6.8 |
| Dividend/Share (sen) | 1.0 | 1.0 |
| NTA/Share (MYR) | 0.58 | 0.69 |
| Book Value/Share (MYR) | 1.34 | 1.41 |
| No. of Outstanding Shares (mln) | 166.0 | |
| 52-week Share Price Range (MYR) | 0.13 - 0.61 | |
| Major Shareholders: | % | |
| Mutual Concept Sdn. Bhd. | 38.2 | |
| Hamidon bin Abdullah | 5.2 | |

*Stock deemed Shariah compliant by the Securities Commission.

Per Share Data

| FY Dec. | 2007 | 2008 | 2009 | 2010E |
|-------------------------|-------|-------|------|-------|
| Book Value (MYR) | 1.60 | 1.29 | 1.34 | 1.41 |
| Cash Flow (sen) | 13.2 | 30.7 | 24.7 | 29.0 |
| Reported Earnings (sen) | -0.8 | 4.1 | 4.3 | 7.2 |
| Dividend (sen) | 0.0 | 0.0 | 1.0 | 1.0 |
| Payout Ratio (%) | 0.0 | 0.0 | 17.6 | 13.9 |
| PER (x) | NM | 12.0 | 11.5 | 6.8 |
| P/Cash Flow (x) | 3.7 | 1.6 | 2.0 | 1.7 |
| P/Book Value (x) | 0.3 | 0.4 | 0.4 | 0.3 |
| Dividend Yield (%) | 0.0 | 0.0 | 2.0 | 2.0 |
| ROE (%) | -0.3 | 3.7 | 3.2 | 5.2 |
| Net Gearing (%) | 124.9 | 120.3 | 98.3 | 96.5 |

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EP Manufacturing

Recommendation: **NOT RANKED**

Stock Code: 7773

Bloomberg: EPMB MK

Price: MYR0.49

12-Month Target Price: NA

Date: April 1, 2010

Profit & Loss

| FY Dec. / MYR mln | 2008 | 2009 | 2010E | 2011E |
|---------------------------------|-------|-------|-------|-------|
| Reported Revenue | 483.7 | 467.5 | 518.8 | 547.5 |
| Reported Operating Profit | 18.4 | 23.0 | 25.0 | 26.9 |
| Depreciation & Amortization | -43.3 | -33.9 | -36.2 | -35.7 |
| Net Interest Income / (Expense) | -14.1 | -15.4 | -12.6 | -12.0 |
| Reported Pre-tax Profit | 4.3 | 7.4 | 12.5 | 14.8 |
| Effective Tax Rate (%) | NM | NM | 3.0 | 3.0 |
| Reported Net Profit | 7.6 | 7.1 | 11.9 | 14.2 |
| Reported Operating Margin (%) | 3.8 | 4.9 | 4.8 | 4.9 |
| Reported Pre-tax Margin (%) | 0.9 | 1.6 | 2.4 | 2.7 |
| Reported Net Margin (%) | 1.6 | 1.5 | 2.3 | 2.6 |

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Shariah-compliant stock - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

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Required Disclosures

Recommendation and Target Price History

| Date | Recommendation | Target Price |
|-----------|----------------|--------------|
| New | Not Ranked | |
| 2-Mar-10 | Buy | 0.55 |
| 30-Nov-09 | Buy | 0.50 |
| 2-Sep-09 | Hold | 0.35 |
| 2-Jun-09 | Hold | 0.23 |
| 2-Mar-09 | Hold | 0.18 |
| 1-Dec-08 | Hold | 0.32 |
| 13-May-08 | Buy | 0.51 |
| 24-Mar-08 | Strong Buy | 0.60 |

