

# Eastern Water Resources Development and Management

4QFY15 profit seen up 5.9% y-y

THAILAND | SET | ENERG | COMPANY PREVIEW

BLOOMBERG EASTW TB | REUTERS EASTW.BK

19 January 2016

## 4QFY15 net profit seen at Bt290mn, up 5.9% y-y boosted by gain from divestment of Egcom Tara

We expect EASTW to report a 5.9% y-y rise in 4QFY15 net profit to Bt290mn chiefly boosted by a gain on divestment of Egcom Tara. Our forecast is built on assumptions that (1) sales and service revenue rose 6.5% y-y to Bt1,056mn as (i) revenue from raw water sales dropped 2.5% y-y to Bt632mn as a result of a 2.1% y-y dip in raw water sales volume to 59.15 MCM hit by faltering demand from Provincial Waterworks Authority (PWA) for tap water production due to its adequate sources of raw water and (ii) revenue from tap water sales surged 32.6% y-y on the back of a 15.2% y-y jump in tap water sales volume to 22.59 MCM driven by full-quarter consolidation of sales from Egcom Tara, of which water tariff rates were higher than those of EASTW, (2) costs inched up 10.1% y-y on account of higher raw water costs due to water diversion, and (3) SG&A expenses stayed flat.

Based on the above 4QFY15 estimate, we estimate EASTW will deliver FY15 net profit of Bt1,594mn, which has been revised down from a previous forecast of Bt1,684mn but still implies a growth of 19.5% y-y thanks largely to ex-items in 3QFY15. The forecast assumes full-year sales and service revenue clocked in at Bt4,385mn, revised down from a previous estimate as a result of softer-than-expected raw water sales volume. We also expect EASTW to pay out a final dividend of Bt0.24/share for its 2HFY15 performance, taking the full-year dividend to Bt0.46/share.

## No new projects to drive revenues in FY16 as second Prasae-Nong Pla Lai water pipeline and new Tabma reservoir projects behind schedule; plan to list UU on SET in late 2QFY16

EASTW has a number of new projects in the pipeline including a municipal tap water project in Hua Hin, a water treatment project in Lakchai Muang Yang Industrial Estate in Rayong with construction scheduled to begin in FY16 and to be completed in FY17, overseas projects in Myanmar and Vietnam and water complex project with no conclusion expected anytime soon. For projects currently under construction, the second Prasae-Nong Pla Lai water pipeline and new Tabma reservoir projects are expected to be completed in 3QFY16 and late FY16 respectively, falling behind original schedule. As things stand, there would be no new projects to drive revenues in FY16, except the acquisition of stake in its subsidiary Universal Utilities (UU) in Sep 2015. EASTW would continue to fully realize profit from UU in 1HFY16 before the IPO of UU, which would dilute its holding in UU to 54.84% from 100% is launched in late 2QFY16. Up to 63mn shares of UU in the IPO would be allocated to existing EASTW shareholders at a ratio of 25 shares of EASTW to one share of UU and the remaining 357mn shares would be offered to the general public. For drought spell in a wide swathe of the country, no any impact on EASTW's operations is anticipated as rains have remained vigorous in the eastern part of the country, its main service area. Water levels in its four raw water reservoirs in Rayong Province are currently at 91% of capacity. Even though raw water reservoir in Chonburi Province is only at 36% of capacity, EASTW could divert water from Rayong Province to make up for the shortfall.

## FY16 profit view unchanged; 'ACCUMULATE' rating maintained with Bt12.60/share target price

We leave our FY16 profit outlook for EASTW unchanged at Bt1,492mn, down 6.5% y-y due largely to the absence of ex-items. The forecast is based on assumption that full-year revenue will come in at Bt4,921mn. Stripping out ex-items, FY16 project is projected to rise 9% y-y. We also keep our FY16 target price for EASTW at Bt12.60/share. The target is equivalent to a P/E multiple of 14x. However, a possible increase in FY16 raw water tariffs as a result of escalating expenses from the above water pipeline and reservoir projects could be an upside risk to the outlook. At current trading levels. We maintain an 'ACCUMULATE' rating on EASTW shares.

## Accumulate (Maintain)

Closing Price(Bt)	11.60
Target Price(Bt)	12.60 (+12.93%)

## COMPANY DATA

O/S Shares (mn):	1,664
Market Cap. (Btmn):	19,299
Market Cap. (USDmn):	531
52-WK Hi/Lo (Bt):	12.3/10.7
3M Average Daily T/O (mn):	0.42
Par Value (Bt):	1.00

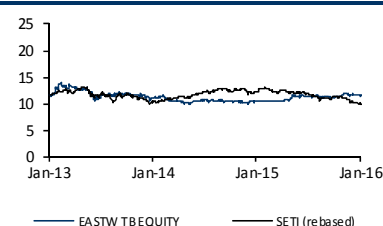
## MAJOR SHAREHOLDERS (%) 07 September 2015

1. PWA	40.2
2. EGCO	18.7
3. Norbax Inc.,13	6.7

## PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-3%	3%	9%
REL TO SET INDEX	1%	17%	34%

## PRICE VS SET INDEX



Source: Bloomberg, PSR

## KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Sales(Btmn)	3,900	4,242	4,385	4,961
Net Profit(Btmn)	1,313	1,334	1,594	1,492
EPS (Bt)	0.79	0.80	0.96	0.90
P/E (X)	14.7	14.5	12.1	12.9
BVPS (Bt)	4.75	5.12	5.62	6.03
P/B (X)	2.4	2.3	2.1	1.9
DPS (Bt)	0.42	0.45	0.46	0.50
Dividend Yield (%)	3.6	3.9	4.0	4.3
ROE (%)	17.29	16.31	17.91	15.44

Source: Company, PSR Est.

\*\*Multiples and yields are based on latest closing price

## VALUATION METHOD

P/E'16 (14x)

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## Corporate Governance -2015



ADVANC	BAFS	BCP	BIGC	BTS	CK	CPN	DRT	DTAC	DTC
EASTW	EGCO	GRAMMY	HANA	HMPRO	INTUCH	IRPC	IVL	KBANK	KCE
KKP	KTB	LHBANK	LPN	MCOT	MINT	MONO	NKI	PHOL	PPS
PS	PSL	PTT	PTTTP	PTTGC	QTC	RATCH	ROBINS	SAMART	SAMTEL
SAT	SC	SCB	SCC	SE-ED	SIM	SNC	SPALI	THCOM	TISCO
TKT	TMB	TOP	VGI	WACOAL					



AAV	ACAP	AGE	AHC	AKP	AMATA	ANAN	AOT	APCS	ARIP
ASIMAR	ASK	ASP	BANPU	BAY	BBL	BDMS	BECL	BKI	BLA
BMCL	BOL	BROOK	BWG	CENTEL	CFRESH	CHO	CIMBT	CM	CNT
COL	CPF	CPI	CSL	DCC	DELTA	DEMCO	ECF	EE	ERW
GBX	GC	GFPT	GLOBAL	GUNKUL	HEMRAJ	HOTPOT	HYDRO	ICC	ICHI
INET	IRC	KSL	KTC	LANNA	LH	LOXLEY	LRH	MACO	MBK
MC	MEGA	MFEC	NBC	NCH	NINE	NSI	NTV	OCC	OGC
OISHI	OTO	PAP	PDI	PE	PG	PJW	PM	PPP	PR
PRANDA	PREB	PT	PTG	Q-CON	QH	RS	S & J	SABINA	SAMCO
SCG	SEAFCO	SFP	SIAM	SINGER	SIS	SITHAI	SMK	SMPC	SMT
SNP	SPI	SSF	SSI	SSSC	SST	STA	STEC	SVI	SWC
SYMC	SYNTEC	TASCO	TBSP	TCAP	TF	TGCI	THAI	THANA	THANI
THIP	THRE	THREL	TICON	TIP	TIPCO	TK	TKS	TMI	TMILL
TMT	TNDT	TNITY	TNL	TOG	TPC	TPCORP	TRC	TRU	TRUE
TSC	TSTE	TSTH	TTA	TTCL	TTW	TU	TVD	TVO	TWFP
TWS	UAC	UT	UV	VNT	WAVE	WINNER	YUASA	ZMICO	



2S	AEC	AEONTS	AF	AH	AIRA	AIT	AJ	AKR	AMANAH
AMARIN	AP	APCO	AQUA	AS	ASIA	AUCT	AYUD	BA	BEAUTY
BEC	BFIT	BH	BIG	BJC	BJCHI	BKD	BTNC	CBG	CGD
CHG	CHOW	CI	CITY	CKP	CNS	CPALL	CPL	CSC	CSP
CSS	CTW	DNA	EARTH	EASON	ECL	EFORL	ESSO	FE	FIRE
FOCUS	FORTH	FPI	FSMART	FSS	FVC	GCAP	GENCO	GL	GLAND
GLOW	GOLD	GYT	HTC	HTECH	IEC	IFEC	IFS	IHL	IRCP
ITD	JSP	JTS	JUBILE	KASET	KBS	KCAR	KGI	KKC	KTIS
KWC	KYE	L&E	LALIN	LHK	LIT	LIVE	LST	M	MAJOR
MAKRO	MATCH	MATI	MBKET	M-CHAI	MFC	MILL	MJD	MK	MODERN
MOONG	MPG	MSC	MTI	MTLS	NC	NOK	NUSA	NWR	NYT
OCEAN	PACE	PATO	PB	PCA	PCSGH	PDG	PF	PICO	PL
PLANB	PLAT	PPM	PRG	PRIN	PSTC	PTL	PYLON	QLT	RCI
RCL	RICHY	RML	RPC	S	SALEE	SAPPE	SAWAD	SCCC	SCN
SCP	SEAOL	SIRI	SKR	SMG	SOLAR	SORKON	SPA	SPC	SPCG
SPPT	SPVI	SRICHA	SSC	STANLY	STPI	SUC	SUSCO	SUTHA	SYNEX
TAE	TAKUNI	TCC	TCCC	TCJ	TEAM	TFD	TFI	TIC	TIW
TLUXE	TMC	TMD	TOPP	TPCH	TIPL	TRT	TSE	TSR	UMI
UP	UPF	UPOIC	UREKA	UWC	VIBHA	VIH	VPO	WHA	WIN
XO									

### Results Presentation

#### Score Range

&lt; 50%

50-59%

60-69%

70-79%

80-89%

90-100%

#### Number of Logo

No logo given



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Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

## PSR Rating System

Capital Gain	Recommendation
> 15%	BUY
> 5% - 15%	ACCUMULATE / TRADING BUY
> 0% - 5%	NEUTRAL
0 <=	SELL

### Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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