

Able Global Berhad

Aligning Pricing to Higher Cost

TP: RM2.30 (+51.2%)

Last Traded: RM1.52

Buy (ESG: ★★)

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Review

- Able Global Berhad's (AGB) 1HFY21 core earnings of RM20.5mn came in within expectations at 48% and 46% of ours and consensus full-year estimates respectively.
- The group declared a second interim dividend of 1.5sen/share (vs 2QFY20: 1.7sen), bringing the YTD DPS to 2.5sen (vs 1HFY20: 2.4sen).
- 2QFY21 revenue and PBT improved by 5.9% YoY and 1.2% YoY to RM120.5mn and RM14.8mn respectively. The improvement was mainly due to higher PBT from the Tin Manufacturing segment underpinned by price adjustment to tin can customers, which offset the drop in PBT of the F&B segment (-21.2% YoY) owing to high freight costs incurred for export sales.
- Cumulatively, 1HFY21 PBT improved by 28.6% YoY to RM27.5mn supported by higher revenue of RM234.3mn (+4.9% YoY). Similar as above, the improvement was primarily due to successful price adjustment in Tin Manufacturing segment.

Impact

- We make no changes to our earnings estimate.

Outlook

- Demands for dairies products remained strong, and raw material prices specifically milk has stabilised albeit at a relatively high level. AGB is in negotiation for higher product selling price to readjust the ASP to recent increase in cost. Having that said, port congestion and elevated freight charges may present some headwinds in terms of export deliveries and profitability of F&B segment.
- The Mexico plant, which was commercialised in a small scale starting mid-2021 for domestic sales, is now Safe Quality Food (SQF) certified. SQF is often a standard required to supply to big supermarket chains such as Walmart.
- The Tin Manufacturing segment is expected to remain competitive amid a high metal price environment. Continuing efforts are made by AGB to negotiate for higher product selling prices and to optimise operations for better cost efficiencies.

Valuation

- Maintain Buy on AGB with an unchanged TP of RM2.30/share based on unchanged 15x PER on F&B earnings and 8x PER on Tin Manufacturing earnings for CY22.

Share Information

Bloomberg Code	ABLE MK
Stock Code	7167
Listing	Main Market
Share Cap (mn)	310.5
Market Cap (RMmn)	472.0
52-wk Hi/Lo (RM)	2.08/1.42
12-mth Avg Daily Vol ('000 shrs)	705.7
Estimated Free Float (%)	56.3
Beta	1.3
Major Shareholders (%)	
Goh's Family	19.2
Ng Keng Hoe	11.1

Forecast Revision

	FY21	FY22
Forecast Revision (%)	-	-
Adj. Net Profit (RM mn)	42.7	53.5
Consensus	44.5	53.9
TA's / Consensus (%)	95.9	99.3
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY21	FY22
Net Debt/Equity (%)	Net Cash	Net Cash
ROE (%)	11.6	13.6
ROA (%)	8.8	10.2
NTA/Share (RM)	1.2	1.3
Price/NTA (x)	1.3	1.2

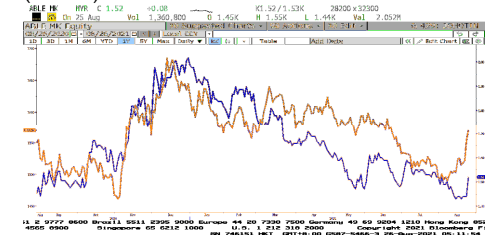
Scorecard

	% of FY21	
vs TA (%)	48	Within
vs Consensus (%)	46	Within

Share Performance (%)

Price Change	AGB	FBM KLCI
1 mth	(0.7)	3.0
3 mth	0.7	(0.5)
6 mth	(19.6)	(0.7)
12 mth	2.7	1.0

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: Earnings Summary (RMmn)

FYE 31 Dec	FY19	FY20	FY21E	FY22F	FY23F
Revenue	579.8	501.9	598.1	628.4	661.3
Adj. EBITDA	72.8	63.9	66.9	78.2	83.3
EBIT	62.1	53.5	56.9	67.8	72.5
Reported PBT	60.5	53.2	56.7	71.1	77.8
Reported Net Profit	47.5	39.5	42.7	53.5	58.6
Adj. Net Profit	46.3	40.3	42.7	53.5	58.6
Basic EPS (sen)	15.3	12.7	13.7	17.2	18.9
Adj. Basic EPS (sen)	14.9	13.0	13.7	17.2	18.9
PER (x)	10.2	11.7	11.1	8.8	8.1
GDPS (sen)	6.4	6.0	6.2	7.5	8.5
Dividend Yield (%)	4.2	3.9	4.1	4.9	5.6

Table 2: 2QFY21 Results Analysis (RMmn)

FYE 31 Dec	2QFY20	1QFY21	2QFY21	QoQ (%)	YoY (%)	1HFY20	1HFY21	YoY (%)
Revenue	115.1	113.8	120.5	5.9	4.7	223.3	234.3	4.9
Cost of sales	(92.7)	(90.8)	(96.0)	5.8	3.6	(179.7)	(186.8)	4.0
Gross profit	22.4	23.1	24.5	6.1	9.1	43.6	47.5	8.9
EBIT	14.8	12.7	15.6	22.2	5.2	21.8	27.6	26.5
Adj. EBIT	14.1	13.1	14.8	12.8	4.8	23.1	27.2	17.9
Net Interest	(0.2)	(0.0)	(0.1)	>100	(28.3)	(0.5)	(0.2)	(67.0)
Share of Profit/(Loss) of JV	-	-	(0.7)	nm	nm	-	(0.7)	nm
Profit before Tax	14.6	12.7	14.8	16.0	1.2	21.4	27.5	28.6
Adj. PBT	13.9	13.1	14.0	6.8	0.6	22.6	27.1	19.7
Taxation	(3.3)	(3.0)	(3.1)	5.1	(4.3)	(5.1)	(6.1)	20.4
Extraordinary Items	0.7	(0.4)	0.8	nm	12.6	(1.3)	0.4	nm
Minority Interest	(0.2)	(0.3)	(0.2)	(8.8)	21.3	(0.6)	(0.5)	(23.5)
Net Profit	11.1	9.5	11.4	20.1	2.4	15.7	20.9	33.3
Adj. Net Profit	10.4	9.9	10.6	7.8	1.7	16.9	20.5	21.0
Basic EPS (sen)	3.6	3.1	3.7	21.2	3.3	5.1	6.8	34.1
DPS (sen)	1.7	1.0	1.5	50.0	(11.8)	2.4	2.5	4.2
				%-points	%-points			%-points
EBIT Margin (%)	12.9	11.2	12.9	1.7	0.1	9.8	11.8	2.0
PBT Margin (%)	12.7	11.2	12.2	1.1	(0.4)	9.6	11.7	2.2
Net Margin (%)	9.7	8.3	9.5	1.1	(0.2)	7.0	8.9	1.9
Adj. Net Margin (%)	9.1	8.7	8.8	0.2	(0.3)	7.6	8.7	1.2
Tax Rate (%)	22.4	23.4	21.2	(2.2)	(1.2)	23.7	22.2	(1.5)

Table 3: 2QFY21 Segmental Analysis (RMmn)

FYE 31 Dec	2QFY20	1QFY21	2QFY21	QoQ (%)	YoY (%)	1HFY20	1HFY21	YoY (%)
Revenue	115.1	113.8	120.5	5.9	4.7	223.3	234.3	4.9
Tin manufacturing	26.8	30.8	27.7	(9.9)	3.4	51.7	58.5	13.2
Food & beverage	88.3	83.0	92.8	11.7	5.1	171.6	175.8	2.4
Profit Before Tax	14.6	12.7	14.8	16.0	1.2	21.4	27.5	28.6
Tin manufacturing	2.8	5.1	5.7	11.7	99.2	3.7	10.7	>100
Food & beverage	12.0	8.0	9.4	18.1	(21.2)	18.1	17.4	(3.9)
Investment holding	(0.2)	(0.3)	(0.3)	-	48.1	(0.5)	(0.7)	36.9
				%-points	%-points			%-points
PBT Margin	12.7	11.2	12.2	1.1	(0.4)	9.6	11.7	2.2
Tin manufacturing	10.6	16.5	20.4	3.9	9.8	7.2	18.4	11.1
Food & beverage	13.6	9.6	10.2	0.6	(3.4)	10.6	9.9	(0.7)

Table 4: Valuation Method

Segment	Valuation Method	Equity Value (RMmn)
Tin	CY22 EPS PER 8x	92.7
F&B	CY22 EPS PER 15x	620.9
SOP valuation		713.6
Enlarged share base (mn)		310.5
Target price/share (RM)		2.30

Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★	★★★	★★★	★★
Remark	Absence of quantifiable goal for near future and lack considerations over promoting sustainable procurement.	Manufacturing and trading of food products helps to reduce severity of malnutrition.	The board is represented by 50% independent directors yet only has 1 female director. Although dividend is distributed consistently, AGB does not have dividend policy.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Thursday, August 26, 2021, the analyst, Jeff Lye Zhen Xiong, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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