

5 November 2018

Utilities | Water

Moya Holdings Asia

More Acquisitions To Come; Maintain BUY

Maintain BUY, and new DCF-backed SGD0.11 TP, from SGD0.13, with 57% upside. This is from lower TG to 2% from 2.8%, due to the IDR depreciation, and uncertainties surrounding the macroeconomic environment. 3Q18 PATMI rose 24% YoY to SGD6.9m, making up 79% of our FY18F, which was mainly due to the Aquatico acquisition in 2017. We expect 2018 to be a strong year for Moya, as acquisitions, concession extension in the pipeline, and Aquatico's full-year accretion will drive earnings growth.

Positive results. 9M18 topline surged 181% with PATMI growing 185% to SGD22.9m, mainly contributed by Aquatico's acquisition in 2017. We understand that organic water sales trended up as well partially due to the reduction of non-revenue water (NRW) on Aquatico. The repayment of the debt from proceeds from the rights issue would result in c.SGD1m interest cost savings in 4Q18.

Extension of concession should be incoming. Moya Holdings Asia is in the midst of extending its Aquatico concession with the Government, and an agreement could be announced soon. Management revealed that it would likely commit to a certain capex for a new 3,000 liter/second (lps) plant, and capex to reduce its NRW by 20% in 5-10 years. Also, it is likely to stop handling the customer service segment or collection of water tariffs from the end consumer, instead, it would only dealing with the Government. The increase in volume would offset the reduction of water tariffs, which would eventually leave EBITDA unchanged.

Acquisition likely in 4Q18. Moya intends to use part of the rights issue proceeds for M&A. We understand it is in the midst of negotiating with a few parties, and management is optimistic for one acquisition to be completed by end-2018. Based on its track record, we expect the acquisition to be accretive, and will likely provide another boost for FY19F PATMI.

Fundamentals and growth intact. Maintain BUY. This is from lower financing costs, concession extensions and recovery of NRW to provide strong organic growth, and additional accretive acquisitions in the pipeline to further boost NPAT. However, with the further depreciation of the IDR, and uncertainty surrounding the macroeconomic environment, we lower our TG from 2.8% to 2%, resulting in a lower DCF-backed TP to SGD0.11, from SGD0.13.

Key risk includes changes in government regulations.

RHB is the only broker covering Moya.

Buy (Maintained)

Target Price: SGD0.11
Price: SGD0.07
Market Cap: USD214m
Bloomberg Ticker: MHAL SP

Share Data

Avg Daily Turnover (SGD/USD) 0.06m/0.04m
52-wk Price low/high (SGD) 0.07 - 0.11
Free Float (%) 13.5
Shares outstanding (m) 4.201
Estimated Return 57%

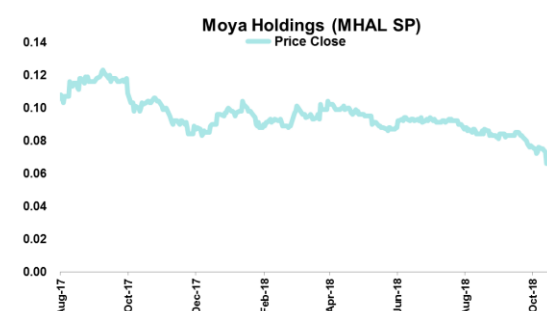
Shareholders (%)

Tamaris Infrastructure 72.9
GW Redwood Pte Ltd 13.2
Omar Ziyad Fekri 0.4

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(22.2)	(16.7)	(23.9)	(29.3)	(32.0)
Relative	(13.8)	(12.8)	(18.8)	(15.5)	(24.2)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-16	Dec-17	Dec 18 F	Dec 19 F	Dec 20 F
Total turnover (SGDm)	27	132	211	228	232
Reported net profit (SGDm)	3.2	7.7	29.2	34.6	36.5
Recurring net profit (SGDm)	3.2	7.7	29.2	34.6	36.5
Recurring net profit growth (%)	598.7	136.5	281.3	18.4	5.5
Recurring EPS (SGD)	0.00	0.00	0.01	0.01	0.01
DPS (SGD)	na	na	na	na	na
Recurring P/E (x)	79.5	33.6	10.1	8.5	8.1
P/B (x)	2.0	2.2	1.2	1.0	0.9
P/CF (x)	na	25.4	8.7	4.1	3.8
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	na	15.6	6.4	5.7	5.3
Return on average equity (%)	2.6	6.4	11.5	12.0	11.2
Net debt to equity (%)	net cash	244.5	83.7	69.4	55.9
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

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