

29 November 2018

Utilities | Water

Moya

Buy (Maintained)

New BOT Project Ramping Up Capacity; Stay at BUY

Moya has signed a cooperation agreement with Perusahaan Daerah Air Minum Tirta Moedal, the municipal water company of Semarang City, Central Java for a Build-Operate-Transfer (BOT) project. The 25-year concession calls for a new water treatment plant with output of up to 1,000 litres/s at a cost of IDR 417m. Construction should start by 23 May 2019 and is expected to be completed within 2 years. This is in line with management's aim to expand to 20,000 litres/s. We remain positive on Moya and reiterate our BUY. RHB is the only broker covering Moya.

New BOT project of 1000 litres/s. The IDR 417m construction cost will be funded by external borrowings and internal cashflows. The project will involve a transmission pipeline of up to 9.1km as well as one main reservoir with a capacity of 6,600m³ and two distribution reservoirs with capacities of 2,700m³ and 5,200m³. Construction will commence by 23 May 2019 and is expected to be completed within 2 years.

Extension of concession should be coming. Moya is in the midst of extending its Aquatico concession with the Government and an agreement could be announced soon. Management revealed they would likely commit to a certain capex for a new 3000 litres/s plant, as well as capex to reduce their non-revenue water (NRW) by 20% in 5-10 years. In addition, they will likely stop handling the customer service or collection of water tariffs from the end consumer, while only dealing with the Government. The increase in volume would offset the reduction of water tariffs which should eventually leave EBITDA unchanged.

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

Strong organic pipeline ahead - 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. In addition, its organic growth will also come from tenders they have won in the past few months. As a result, we maintain BUY with an unchanged DCF-backed TP of SGD0.11 implying 64% upside.

Key risks include changes in government regulations.

RHB is the only broker covering Moya.

Target Price: SGD0.11
 Price: SGD0.07
 Market Cap: USD204m
 Bloomberg Ticker: MHAL SP

Share Data

Avg Daily Turnover (SGD/USD) 0.017m/0.012m
 52-wk Price low/high (SGD) 0.06 - 0.11
 Free Float (%) 13.5
 Shares outstanding (m) 4.201
 Estimated Return 64%

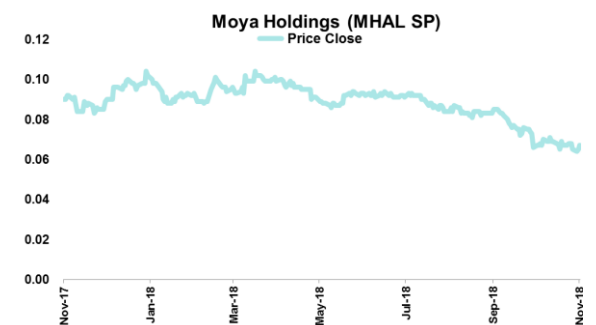
Shareholders (%)

Tamaris Infrastructure 72.9
 GW Redwood 13.2
 Omar Ziyad Fekri 0.4

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(25.6)	1.5	(20.2)	(24.7)	(26.4)
Relative	(16.6)	(2.7)	(15.6)	(12.7)	(16.3)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
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	9.6	8.1	7.7
P/B (x)	2.0	2.2	1.1	1.0	0.9
P/CF (x)	na	25.4	8.3	4.0	3.7
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	na	15.6	6.3	5.5	5.1
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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