

13 February 2019

Utilities | Water

Moya (MHAL SP)

Buy (Maintained)

Bottom Fishing Indo Water; Several Catalysis

Target Price (Return)	SGD0.11 (+34%)
Price:	SGD0.082
Market Cap:	USD253m
Avg Daily Turnover (SGD/USD)	0.44m/0.33m

- **Keep BUY with an unchanged TP of SGD0.11, 34% upside. Moya could benefit from several catalysis such as a positive and stable 4Q18F, potential M&A of accretive water assets and a concession extension. Moya, together with other water-related peers, experienced a steep correction in share price over the past six months. However, we noticed a recovery in share price lately across water peers such as Citic Envirotech and consider Moya undervalued around current levels. We point to a couple of transactions which occurred above the current price, as Gateway private equity purchased a 10.21% stake at an average cost c.SGD0.10 and a rights issue completed at c.SGD0.095 in June 2018, which brought Gateway's stake to 13.16%.**

- **Extension of concession likely after elections.** Moya is in the midst of extending its Aquatico concession with the Government, which has been ongoing since 3Q17. Management revealed it would likely commit to a certain capex for a new 3,000 litres/s plant, as well as capex to reduce 20% of non-revenue water in 5-10 years. In addition, Moya would stop handling the customer service or collection of water tariffs from end consumers, and deal solely with the Government. The increase in volume would offset a reduction of water tariffs, which should keep EBITDA unchanged. We expect the extension of the concession to happen after the Indonesian general election expected on 17 April 2019.

- **Inorganic and organic growth as key drivers.** 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 2019. Based on their track record, we expect the acquisition to be accretive and should provide another boost of its PATMI in FY19F. In addition, its organic growth could also result from tenders which Moya secured over the past few months.

- **Attractive levels to accumulate.** Moya is currently trading way below the levels of the recent rights issue of SGD0.095, or the cost of entry for Gateway private equity of c.SGD0.103, of which majority shareholder Tamaris Infrastructure also purchased 200m shares at SGD0.10 in June 2018. As a result, we think the current level represents a good opportunity to accumulate. We maintain BUY with an unchanged DCF-backed TP of SGD0.11, 34% upside.

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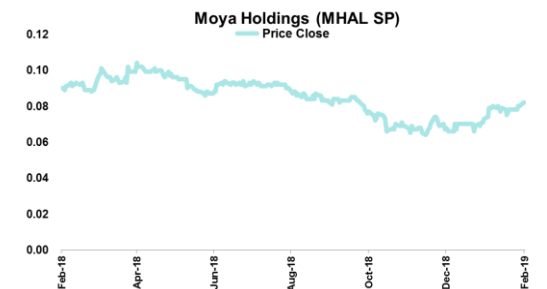


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	17.1	12.3	20.6	(8.9)	(6.8)
Relative	12.8	12.2	16.2	(6.4)	(1.4)
52-wk Price low/high (SGD)	0.06 - 0.11				



Source: Bloomberg

Key risk includes changes in Government regulations.

RHB is the only broker covering Moya.

Forecasts and Valuation	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (SGDm)	27.4	132.0	210.9	227.8	232.3
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 P/E (x)	70.9	30.0	11.8	10.0	9.4
P/BV (x)	1.8	1.9	1.4	1.2	1.1
P/CF (x)	na	24.3	10.2	4.9	4.5
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	51.5	18.1	7.1	6.3	5.8
ROE (%)	2.6	6.4	11.5	12.0	11.2
Net debt to equity (%)	net cash	244.5	83.5	69.2	55.8
Interest coverage (x)	11.8	1.8	2.0	2.2	2.3

Source: Company data, RHB

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