

10 March 2010

**SELL  
RM0.15**

Target Price: RM0.14

# Minetech Resources

**Slight improvement**
**Stock data**

Market cap (RMm):	454
Issued shares (m):	302.5
52-week range:	RM0.11-RM0.185
3-mth avg daily volume:	58,801 shrs
Bloomberg code:	MINE MK
YTD price chg:	+11.1%
YTD KLCL chg:	+3.5%
Est. free float:	45.4%
Major shareholders:	
Choy Sen @ Chin Kim	29.1%
Sang	
Low Choon Lan:	9.4%
HSBC Hldgs Plc:	8.1%
Datuk Lye Ek Seang:	8.0%

KLCL	FBM70	FBM100	Syariah	Hijrah
No	No	No	No	No

**Consensus**

FYE 31 Dec	2010E	2011E
Net profit (RMm):	-1.2	-1.1
EPS (sen):	-0.4	-1.8

**Forecast revision**

FYE 31 Dec	2010E	2011E
Prev. net profit (RMm):	(5.1)	-
Revision (%):	NM.	-
Revised net profit (RMm):	(4.5)	-

**Share price chart**

 The Research Team Tel: 603-2713 2292  
 research@kenanga.com.my

- **Results in line with our expectations.** 12M09 revenue down 10% driven by lower premix (-63%) and quarry (-7%). Group pretax dipped 40% as a result, driven mainly by higher quarry losses of RM4.8m (FY08 : RM0.2m profit) and higher other losses amounting to RM2.7m compared to RM1.4m previously. Mitigating the poor outing, civil engineering division saw lower losses of RM0.8m as compared to RM6m in the previous year.
- **QoQ, revenue remained flat** while net loss was much reduced to a mere RM0.8m compared to RM2.9m loss previously. Improving engineering contribution and higher sales of bituminous products had helped to mitigate a dip in quarry and premix sales. Absence of one-offs including provision for doubtful debts (RM1.4m), pre-operating expenses written off (RM0.7m) and bond expenses (RM0.7m) associated with the early bond redemption had helped to lift bottomline performance.
- **YoY, 4Q09 revenue jumped 27%** mainly due to a low base and higher contribution from civil engineering division which saw revenue spiking up to RM6.4m from virtually zero previously. Pretax performance also improved substantially to a loss of RM1.2m (4Q08 : RM7.1m) mainly as a result of better civil engineering division which saw a marginal pretax profit of RM0.3m as opposed to a loss of RM4.9m previously. Recall that 4Q08 civil engineering losses was the result of a RM3.1m provisioning for slow payments from a Penang based earthwork project.
- **Guides for improvement.** After a disappointing outing in 2009, management is anticipating speedier rollout of projects especially from the government which will hopefully help to lift demand for construction materials especially quarry and premix products.
- **Forecast for FY10 is trimmed 16%** due to cessation of three quarries (without marketing rights) due to un favourable terms and / or end of life. The three quarries accounts for an estimated 20% - 30% of total production in our model but the gap should be filled by new quarry in Kuantan (with marketing rights) which is seeing decent ramp up supporting key project such as Kuantan Port. Lower loss is also forecasted at RM4.5m versus RM5.1m previously due to absence of losses from the three quarries. **Sell** maintained with **new TP of 14sen** based on net tangible assets.

**Results Highlights**

FYE 31 Dec (RMm)	4Q08	1Q09	2Q09	3Q09	4Q09	QoQ %	YoY %	12M09	12M08	YoY %
Revenue	28.2	26.3	29.2	35.2	35.8	1.6%	26.7%	126.4	140.9	-10.3%
Cost of Sales	(31.2)	(24.9)	(28.7)	(32.4)	(32.5)			(118.5)	(132.0)	
Op Profit	(2.9)	1.3	0.5	2.8	3.2			7.9	8.8	
Op %	-10.4%	5.1%	1.8%	8.0%	9.0%			6.3%	6.3%	
PBT	(7.1)	(1.2)	(2.6)	(3.1)	(1.2)	61.2%	83.1%	(8.1)	(5.8)	-39.7%
PBT%	-25.1%	-4.6%	-9.0%	-8.8%	(0.0)			-6.4%	-4.1%	
Tax	0.1	0.0	0.0	(0.0)	0.3			0.3	0.3	
Tax %	-1.3%	0.0%	0.0%	1.2%	-28.9%			-3.8%	-4.4%	
MI	0.4		0.0	0.3	0.1			0.4	0.6	
Net Profit	(6.6)	(1.2)	(2.6)	(2.9)	(0.8)	73.1%	88.4%	(7.5)	(5.0)	-50.4%
Net %	-23.5%	-4.6%	-8.9%	-8.2%	-2.2%			-5.9%	-3.5%	
EPS (sen)	(2.2)	(0.4)	(0.9)	(0.9)	(0.3)			(2.5)	(1.6)	

## Segmental breakdown

Segmental Revenue	4Q08	1Q09	2Q09	3Q09	4Q09	QoQ %	YoY %	12M09	12M08	YoY %
Quarry	21.9	21.1	22.3	24.9	22.4	-9.9%	2.3%	90.6	97.2	-6.8%
Civil Engineering	0.0	0.2	0.5	4.4	6.4	45.8%	14222%	11.5	8.5	36.2%
Premix Products	4.2	2.4	4.2	3.8	2.5	-35.2%	-41.1%	12.9	34.4	-62.5%
Others	4.9	5.1	4.4	4.3	6.9	57.9%	39.5%	20.8	16.2	28.2%
Elimination	(2.8)	(2.5)	(2.3)	(2.2)	(2.4)			(9.4)	(15.4)	
<b>Total</b>	<b>28.2</b>	<b>26.3</b>	<b>29.2</b>	<b>35.2</b>	<b>35.8</b>	<b>1.6%</b>	<b>26.7%</b>	<b>126.4</b>	<b>140.9</b>	<b>-10.3%</b>

  

Segmental PBT	4Q08	1Q09	2Q09	3Q09	4Q09	QoQ %	YoY %	12M09	12M08	YoY %
Quarry	(1.4)	(1.6)	(2.0)	(0.7)	(0.5)	26.0%	64.0%	(4.8)	0.2	-2199%
Civil Engineering	(4.9)	0.3	(0.4)	(1.0)	0.3	126.6%	105.2%	(0.8)	(6.0)	86.0%
Premix Products	(0.4)	0.0	0.2	0.2	(0.2)	-214.3%	-49.6%	0.2	1.3	-88.7%
Others	(0.4)	0.1	(0.4)	(1.6)	(0.8)	53.3%	-97.1%	(2.7)	(1.4)	
Elimination	0.0	0.0	0.0	0.0	0.0			0.0	0.0	
<b>Total</b>	<b>(7.1)</b>	<b>(1.2)</b>	<b>(2.6)</b>	<b>(3.1)</b>	<b>(1.2)</b>	<b>61.2%</b>	<b>83.1%</b>	<b>(8.1)</b>	<b>(5.8)</b>	<b>-39.7%</b>

## Earnings Estimates

FYE 31 Dec (RMm)	2007A	2008A	2009A	2010F
Revenue	153.0	140.9	126.4	130.2
Cost of Sales	(144.8)	(132.0)	(118.5)	(121.9)
GP Profit	8.3	8.8	7.9	8.3
GP %	5.4%	6.3%	6.3%	6.4%
Pretax	-6.9	-5.8	-8.1	-5.0
Pretax %	-4.5%	-4.1%	-6.4%	-3.8%
Tax	0.9	0.3	0.3	0.5
Tax %	-12.9%	-4.4%	0.0%	10.0%
MI	0.2	0.6	0.4	0.0
Net Profit	(5.7)	(5.0)	(7.5)	(4.5)
EPS	(2.1)	(1.6)	(2.5)	(1.5)
Net %	-3.7%	-3.5%	-5.9%	-3.5%
EPS Growth	-366.0%	-20.9%	50.4%	-39.6%
PER(x)	-7.2	-9.1	-6.1	-10.1
EV/EBITDA(x)	16.0	11.7	18.4	13.1

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: [www.kenangaresearch.com](http://www.kenangaresearch.com)

Website: [www.kenangaresearch.com](http://www.kenangaresearch.com)

  
Yeonzon Yeow  
Head of Research