

Eng Kong Holdings (ENGG SP S\$0.21)

Sector: Logistics

Mkt Cap: S\$43.85m

Principal Business:
Provides integrated specialist services to container shipping lines and container leasing companies.

1HFY06 results in line - Maintain BUY, TP S\$0.29 (revised)

Eng Kong's 1HFY06 results were within expectations. Net profit grew 73% y-o-y on the back of 28% revenue growth. Cost of sales and expenses grew 26%, in line with revenue, as the business continued to expand. Net margin improved to 6.8%, from 5% in 1HFY05.

As expected, the driving force behind Eng Kong's continued growth was the Container Depot Operation, on higher utilization levels. Management reported that they expected utilization levels to continue to improve into 2HFY06. This business unit has benefited from increased shipping around Asia, where 55% of the Group's revenue is derived, especially Singapore, Hong Kong, China, Malaysia and Thailand depots. The Container Sales, Agencies & Survey, and Warehousing & Container Freight Station divisions also saw slightly stronger revenues with a more buoyant shipping sector.

Overall, the outlook for Eng Kong remains positive, especially given the strong growth in global trade. In addition, China's continued economic strength and the Hong Kong Financial Secretary's announcement of a reduction in port levies will positively impact Eng Kong's fortunes.

Eng Kong has declared an interim dividend of S 0.3 cents per share, still >30% payout ratio. This translates into attractive yield of 4.7%. In addition, the balances sheet strengthened after net cash flows were reported at S\$2.3m compared to S\$38,000 in the previous corresponding period. We remain optimistic about Eng Kong's prospects, given the increased shipping activities in the region. We revised our estimates to reflect the strength seen in the industry. Maintain BUY, with a revised target price of S\$0.29 based on DCF.

Eng Kong Holdings : Forecasts & Valuations

FYE June	2003	2004	2005	2006F	2007F
Sales (S\$m)	41.3	46.1	49.4	57.5	64.8
EBITDA (S\$m)	6.8	10.1	8.1	9.8	10.8
Net Profit (S\$m)	3.1	6.0	1.1	4.9	6.0
EPS - Basic	1.49	2.87	0.51	2.36	2.89
EPS - FD (S cts)	1.37	2.64	0.50	2.19	2.68
EPS Gth (%)	na	93.2	-81.1	338.9	22.3
BVps (S\$)	0.19	0.22	0.20	0.22	0.23
DPS (S cts)	0.56	1.20	2.08	0.94	1.16
P/Sales (x)	1.0	0.9	0.8	0.7	0.6
EV/EBITDA (x)	3.8	2.4	3.3	2.8	2.4
P/E (x)	14.6	7.6	40.1	9.1	7.5
P/BV (x)	1.0	0.9	1.0	0.9	0.9
Div Yield (%)	2.8	6.0	10.4	4.7	5.8
ROE (%)	7.2	13.5	2.4	10.6	12.6
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
Net Cash Per Share (S cts)	1.51	1.68	1.42	1.34	1.50

Source: Company, DBS Vickers

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