

9 June 2014

Loxley - LOXLEY

More bidding projects to line up

THAILAND | COMM | COMPANY UPDATE

BLOOMBERG LOXLEY TB | REUTERS LOXLEY.BK

- A lack of gains on investment was a key factor dragging earnings sharply lower by 73% y-y in 1QFY14.
- LOXLEY registered total backlog of Bt10,117mn at end-1QFY14. About 65% of the total will be recognized during the year. The company plans to enter into multiple bids over the remaining course of the year in an effort to spur growth.
- We trim our FY14 earnings projection and thus our price target is Bt4.38. We have an 'ACCUMULATE' call for LOXLEY.

First-quarter net profit dropped as much as 73% y-y due to a lack of gains on investment and a delay of project deliveries, dragging sales below estimates.

At end-1QFY14, backlog totalled Bt10,117mn. About 65% will be realized as revenue during the year, while LOXLEY continues to enter into multiple bids, focusing on existing clients and any projects with its expertise, to spur long-term growth.

How we view this

We are growing optimistic about LOXLEY earnings performance in the near future as an opportunity to win more bid projects widens after the National Council for Peace and Order (NCPO) has sped up the country's infrastructure projects to shore up economy. There would be risk that the bids would be delayed, nonetheless.

Investment Action

We downgrade rating on LOXLEY to 'ACCMULATE' with a price target of Bt4.38.

Key Financial Summary

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Revenue (Btmn)	14,127	14,135	14,929	15,907	16,614
NPAT (Btmn)	298	526	590	460	516
NPAT, adj. (Btmn)	298	526	405	460	516
EPS (Bt)	0.15	0.26	0.28	0.22	0.25
EPS, adj. (Bt)	0.15	0.26	0.19	0.22	0.25
P/E (X),adj.	28.3	16.0	21.9	19.3	17.2
BVPS (Bt)	2.20	2.40	2.57	2.69	2.86
P/B (X)	1.9	1.8	1.6	1.6	1.5
DPS (Bt)	0.08	0.10	0.10	0.07	0.08
Div. Yield (%)	1.8%	2.4%	2.3%	1.8%	2.0%

Source: Bloomberg, PSR est.

**Multiples and yields are based on latest closing price



Rating: **Accumulate**

Downgrade from Buy

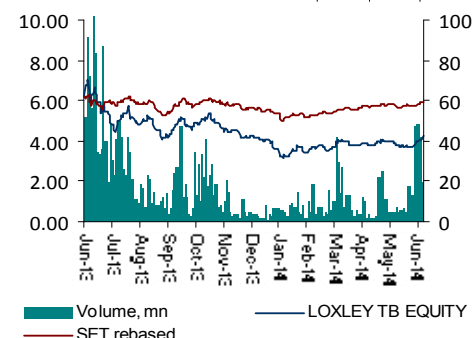
Target Price (Bt)	4.38
Forecast Dividend (Bt)	0.07
Closing Price (Bt)	4.26
Potential Upside	4.5%

Company Description

LOXLEY is engaged in three major businesses : 1) Technology : ICT& telecom, technology and project and 2) Trading : distribution of consumer and chemical products and 3) Service : security system provider and security guard service.

Company Data

Raw Beta (Past 2yrs weekly data)	1.81
Market Cap. (USDmn / Btmn)	275 / 8946
Ent. Value (USDmn / Btmn)	366 / 11936
3MAverage Daily T/O (mn)	12.4
Closing Px in 52 week range	3.10 / 7.25



Major Shareholders as of 17/3/14	(%)
1. Eakpawee Co., Ltd.	27.8
2. Thai NVDR	5.5
3. Mr. Kiatchai	4.5

CG Report - 2013



(Very Good)

Valuation Method

P/E'14 (20x)

Analyst

Naree Apisawattakan

Securities Investment Analyst # 17971

Tel: 66 2 635 1700 # 484

1QFY14 net profit down y-y in a lack of gains on investment

First-quarter net profit dropped 73% from a year-ago quarter's Bt380mn to Bt103mn. Much of the reduction was largely due to a lack of gains on investment that LOXLEY booked Bt180mn a year ago as LOXLEY divested its shareholding in Blue Scope, bringing equity income down 34% y-y. On normalized basis, operating profit declined just 48% y-y as sales declined 3% while SG&A expense increased 8%. Equity income decreased 34% y-y in the period.

Comparing to the fourth quarter, net profit leapt 112% as sales fell 16% to Bt3,493mn, gross margin widened to 15.5% from 14.6%, and SG&A expense dropped 25% on cost-effective strategy. Equity income also declined in line with a downbeat earnings in its associates.

1QFY14 backlog of Bt10,117mn

At end-1QFY14, backlog totaled Bt10,117mn. About 65% will be realized as revenue during the year and the remainder is due next year. Over the remaining course of the year, LOXLEY plans to enter into multiple bids, focusing on any projects with the company's expertise and projects from the existing clients. LOXLEY has expertise in technology, ICT, telecom, digital TV and power plant areas that the company has high winning rate with worth a combined approximately Bt14,600mn. This suggests the brighter prospects for FY14 and in the near future.

FY14 projections slightly downgraded

We are growing optimistic about LOXLEY earnings performance in the near term as an opportunity to win more bid projects widens, implying more backlog and higher revenue, after the National Council for Peace and Order (NCPO) has sped up the country's infrastructure projects to shore up economy. In a lack of certainty, there appears to be risk that the bids would be delayed, which could take a toll on LOXLEY future revenue growth.

We keep our FY14 sales estimate unchanged at Bt15,907mn, up 7% y-y, while operating expense appears to increase at slower pace, given its cost-effective strategy. Equity income would be Bt696mn, down 7% y-y. To reflect this, we trim our net profit projection to Bt460mn, down 22% y-y, but operating profit would grow 14% y-y.

'ACCUMULATE' rating with Bt4.38 price target

Despite revenue optimism, we are aware of a possible delay of project bidding process. We thus downgrade rating on LOXLEY to 'ACCUMULATE' with a price target of Bt4.38.

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Income Statement (Btmn)					
Revenue	14,127	14,135	14,929	15,907	16,614
EBITDA	331	312	189	295	338
Depreciation & Amortisation	128	143	164	189	217
EBIT	203	169	25	106	120
Net Finance (Expense)/Inc	(158)	(232)	(216)	(192)	(202)
Other items	121	144	109	122	137
Associates & JVs	376	701	739	688	759
Exceptional items	0	0	185	0	0
Profit Before Tax	420	638	548	603	677
Taxation	115	115	105	108	122
Profit After Tax	305	523	443	494	555
Non-controlling Interest	(7)	3	(38)	(35)	(39)
Net Income, reported	298	526	590	460	516
Net Income, adj.	298	526	405	460	516

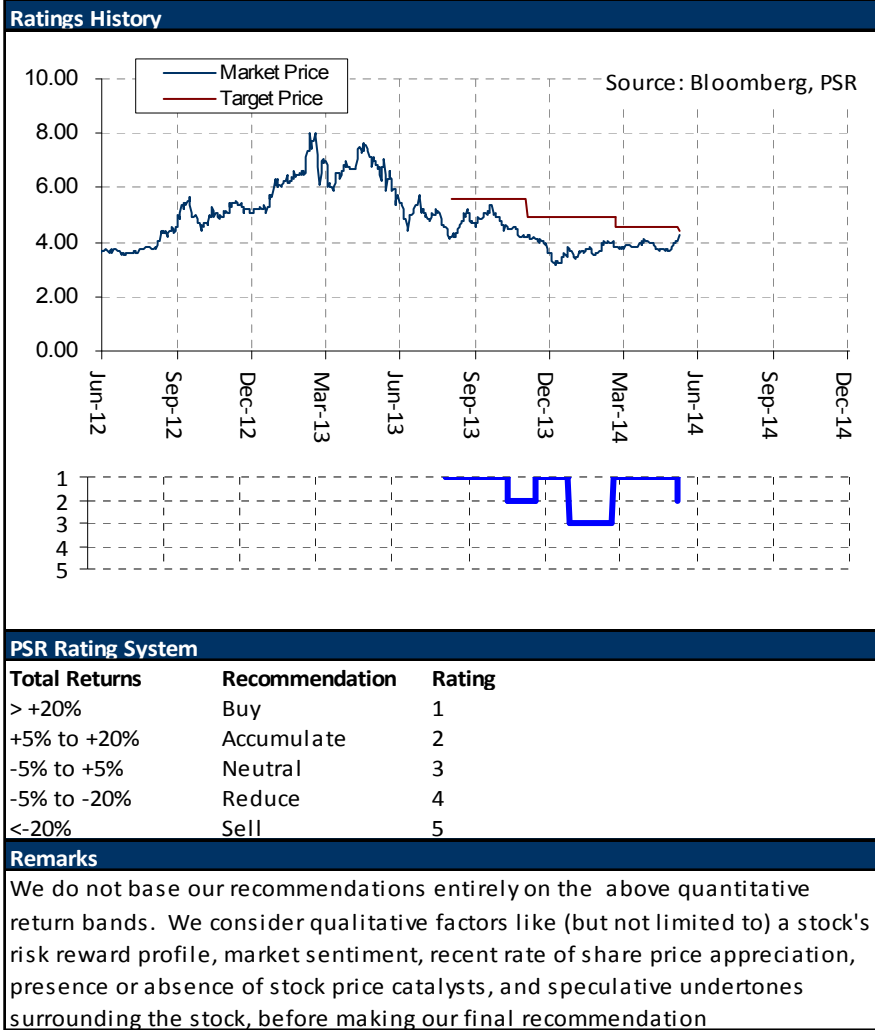
FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Per share data (Bt)					
EPS, reported	0.15	0.26	0.28	0.22	0.25
EPS, adj.	0.15	0.26	0.19	0.22	0.25
DPS	0.08	0.10	0.10	0.07	0.08
BVPS	2.20	2.40	2.57	2.69	2.86

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Cashflow Statements (Btmn)					
CFO					
PBT	305	523	628	494	555
Adjustments	128	143	158	189	217
WC changes	(912)	(1,684)	733	529	242
Cash generated from ops	(461)	(1,281)	1,087	847	662
Others	0	0	0	0	0
Cashflow from ops	(734)	(1,628)	766	546	338
CFI					
CAPEX, net	(255)	(216)	(300)	(166)	(165)
Others	0	0	0	0	0
Cashflow from investments	119	154	1,107	241	179
CFF					
Share issuance	0	0	0	0	0
Loans, net of repayments	992	1,441	(1,256)	(481)	(56)
Dividends	(100)	(150)	(200)	(199)	(156)
Others	0	0	0	0	0
Cashflow from financing	735	1,056	(1,673)	(870)	(411)
Net change in cash	119	(418)	200	(82)	107
Effects of exchange rates	0	0	0	0	0
CCE, end	976	558	759	676	783

Source: Company Data, PSR est
**Based on latest closing price

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Balance Sheet (Btmn)					
Cash	976	558	759	676	783
Investments	6	2	58	50	48
Accounts Receivables	2,208	1,885	3,253	3,181	3,414
Inventories	1,316	1,233	1,277	1,482	1,548
Others	643	668	525	772	802
Total current assets	7,233	7,874	8,172	8,717	9,361
PPE	1,066	1,121	1,248	1,208	1,161
Intangibles	45	57	57	56	55
Associates & JVs	3,281	3,634	3,146	3,201	3,234
Investments	276	308	346	386	431
Others	189	257	255	284	386
Total non-current assets	4,962	5,456	5,158	5,191	5,297
Total Assets	12,194	13,330	13,330	13,908	14,657
Short term loans	2,187	3,443	2,554	2,294	2,225
Accounts Payables	2,827	2,001	2,063	2,223	2,128
Others	875	886	1,270	1,006	1,019
Total current liabilities	6,185	6,700	6,427	5,863	5,797
Long term loans	1,129	1,323	954	1,242	1,055
Others	114	122	129	148	159
Total non-current liabilities	7,789	8,528	7,941	7,757	7,582
Non-controlling interest	209	202	312	355	403
Shareholder Equity	4,197	4,600	5,076	5,796	6,672

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.**	28.6	16.2	22.1	19.5	17.3
P/B (X), adj.**	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (X), adj.	NA	NA	54.5	40.0	33.9
Dividend Yield (%)	1.8%	2.3%	2.2%	1.7%	2.0%
Growth & Margins (%)					
Growth					
Revenue	37.4%	0.1%	5.6%	6.6%	4.4%
EBITDA	152.8%	-5.8%	-39.3%	56.1%	14.2%
EBIT	n.m.	-16.6%	-85.3%	327.2%	12.9%
Net Income, adj.	49.6%	76.5%	-23.0%	13.5%	12.3%
Margins					
EBITDA margin	2.3%	2.2%	1.3%	1.9%	2.0%
EBIT margin	1.4%	1.2%	0.2%	0.7%	0.7%
Net Profit Margin	2.2%	3.7%	3.0%	3.1%	3.3%
Key Ratios					
ROE (%)	7.3%	12.0%	12.2%	8.5%	8.3%
ROA (%)	2.7%	4.1%	4.4%	3.4%	3.6%
Net Debt/(Cash)	2,340	4,209	2,750	2,859	2,498
Net Gearing (X)	1.07	1.10	1.02	0.93	0.86



Industry Group Name	Sector Name	Sector Index
Agro & Food Industry [AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products [CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction [PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	FP&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

Fundamental:

Name	Analyst Reg No.	Tel	Sector
Sasikorn Charoensuwan, CFA, CAIA Rutsada Tweesaengsakulthai	Capital Market Investment Analyst#9744 Securities Investment Analyst#17972	662 635 1700#480 662 635 1700#482	Consumer, Commerce ICT, Energy, Health Care
Danai Tunyaphisitchai, CFA	Capital Market Investment Analyst #2375	662 635 1700#481	Construction Materials, Property Development
Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700#484	Agro & Food, Electronics
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700#483	Transportation, Media & Publishing, Tourism
Ornmongkol Tantitanatorn	Capital Market Investment Analyst #34100	662 635 1700#491	Automotive, Energy, Packaging
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700#497	Banking, Securities & Finance, Insurance
Chantaramanee Tavivorakiat	Assistant Analyst		
Vichuda Siriployprakray	Assistant Analyst		
Suthanuch Chaisumrej	Assistant Analyst		
Chitphan Kwanchit	Assistant Analyst		

Strategy:

Teerada Charnyingyong	Securities Investment Analyst #9501	662 635 1700#487
Chutikarn Santimetvirul	Derivatives Investment Analyst #37928	662 635 1700#491
Werajak Jungkiatkajorn	Capital Market Investment Analyst #28087	662 635 1700#495
Rittiporn Songsermsawad	Assistant Analyst	
Phoobate Wiriyayuttama	Assistant Analyst	

Technical:

Sasima Hattakitnikorn	Securities Investment Analyst #8328	662 635 1700#490
Kanoksak Vutipan	Capital Market Investment Analyst #32423	662 635 1700#485






Database & Production:

Manunpat Yuenyongwatanakorn
 Sutiporn Oupkaew
 Mathurin Karnsomprot

Translation:

Chaiyot Ingkhasorarat
 Naowarat Angurasuchon

Results Presentation

Score Range	Number of Logo
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
80 - 89	
90 - 100	

The disclosure of the survey result of the Thai Institute of Directors Association (IOD) regarding corporate governance is made pursuant to the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative disclosure to the public and able to be accessed by a general public investor. The results, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that data. Phillip Securities (Thailand) of securities company does not confirm nor certify the accuracy of such survey result.

Bangkok Offices

Head Office	15th Fl., Vorawat Bldg. Tel : 0 2635 1700 , 0 2268 0999
Srinakarindr	17th Fl., Modernform Tower Tel : 0 2722 8344-53
Viphavadi	15th Fl., Lao Peng Nguan Tower 1 Tel : 0 2618 8400
Yaowarat	19th Fl., Kanchanadhat Bldg. Tel : 0 2622 7833
Bangkapi 1	8th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3263
Bangkapi 2	9th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3269
Hua Lumphong	4th Fl., Tang Hua Pak Bldg., 320 Rama 4 Rd. Tel : 0 2639 1200
Rangsit	G Fl., Room#PLZ.G.SHP065A Future Park Rangsit Tel : 0 2958 5040
Sindhorn	19th Fl., Sindhorn Tower 3 Building, Tel : 0 2650 9717
Siam Discovery	11st Floor, Unit A2, Siam Tower, Tel : 02 658 0776

Provincial Offices

Chaing Mai	313/15 Moo6 Chaing Mai – Lamphun Nong Hoi, Tel 053-141969
Khon Kaen	4th Fl., Kow Yoo Hah Bldg. Tel : 0 4332 5044-8
Khon Kaen - Rim Bueng	3rd Fl., Arokaya Bldg., Tel : 0 4322 6026
Phisanulok	2nd Fl., Thai Sivarat Bldg., Tel : 0 5524 3646
Had Yai	4th Fl., Southland Rubber Bldg., Tel : 0 7423 4095-99110
Had Yai - Petkasem	3rd Fl., Unit 3D, Redar Group Bldg., Tel : 0 7422 3044
Suratthan	62/9 Donnok Rd., Tel : 077 206 131
Chumporn Investor Center	25/45 Krom Luang Chumporn Rd., Tel : 0 7757 0652-3

Overseas Offices

SINGAPORE	Phillip Securities Pte Ltd Raffles City Tower Tel : (65) 6533 6001 www.poems.com.sg
HONG KONG	Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway, Tel (852) 22776600 www.phillip.com.hk
MALAYSIA	Phillip Capital Management Sdn Bhd, Block B Level 3 Megan Avenue II Tel (603) 21628841 www.poems.com.my
JAPAN	Phillip Securities Japan, Ltd 4-2 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo Tel (81-3) 36662101
INDONESIA	PT Phillip Securities Indonesia ANZ Tower Level 23B, Tel (62-21) 57900800 www.phillip.co.id
CHINA	Phillip Financial Advisory (Shanghai) Co. Ltd Ocean Tower Unit 2318 Tel (86-21) 51699200 www.phillip.com.cn
FRANCE	King & Shaxson Capital Limited 3rd Flr, 35 Rue de la Bienfaisance Tel (33-1) 45633100 www.kingandshaxson.com
UNITED KINGDOM	King & Shaxson Capital Limited 6th Flr, Candlewick House, Tel (44-20) 7426 5950 www.kingandshaxson.com
UNITED STATES	Phillip Futures Inc The Chicago Board of Trade Building Tel +1.312.356.9000
AUSTRALIA	PhillipCapital Australia Level 37, Collins Street, Melbourne, Tel (613) 96298380 Fwww.phillipcapital.com.au
SRI LANKA	Asha Phillip Securities Ltd Level 4, Millennium House, Tel: (+94) 11 2429 100 apsl@ashaphillip.net
TURKEY	Hak Menkul Kıymetler A.Ş Dr.Cemil Bengü Cad. Tel: (+90) (212) 296 84 84 (pbx) hakmenkul@hakmenkul.com.tr
INDIA	PhillipCapital (India) Private Limited No. 1, C - Block, 2nd Floor, Modern Center , Jacob Circle, K. K. Marg, Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
DUBAI	PhillipCapital (India) Pvt Ltd.601, White Crown Building Plot no 58, Sheikh Zayed Road P.O, Box 212291, Dubai UAE. Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
CAMBODIA	Building No71, St 163, Sangkat Toul Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia Tel: (855) 23 217 942 Website: www.kredit.com.kh

The information contained herein is based on sources which Phillip Securities (Thailand) believes reliable. We do not guarantee its accuracy or completeness. Opinions and estimates expressed herein are subject to change without notice. This report is for information only and should not be construed as an offer or solicitation for the purchase or sale of any securities referred to herein. We accept no liability for any loss, direct or indirect, from the use of this document. The directors and/or employees of Phillip Securities and or its associates may have an interest in the securities mentioned in the securities mentioned herein