

Cymao on course for full year forecast

BY YAU JIN RIN

CYMAO Holdings Bhd's just-released second quarter (2Q04) results for the financial year ending Dec 31, 2004, indicates that the company is on course to achieve its full year forecast as stated in its listing prospectus.

For the six months to June 30 this year, Cymao registered a net profit of RM10mil. The projected net profit for the year is therefore RM20mil, which is just marginally lower than the forecast net profit figure of RM20.7mil. Mayban Securities, in a research note, has also forecasted a net profit of RM20.7mil.

According to the company, its pre-tax profit for 2Q04 of RM7.1mil represents an increase of RM1.1mil or about 18% from the previous quarter ended March 31, 2004, of RM6mil. This was mainly attributable to the increase in sales volume of plywood by 10% compared to the immediate preceding quarter ended March 31, 2004.

Cymao declared a tax-exempt interim dividend of 7.5 sen per share for FY04. The ex-date for the dividends is Sept 13, while its entitlement date is Sept 15. An analyst who follows the stock points out that the 7.5 sen declared dividend is higher than what was forecast by the company. In its listing prospectus, Cymao forecast a dividend of just 5 sen per share for the entire financial year. The analyst comments: "The 7.5 sen interim dividend clearly indicates that the company is confident of chalking up good results for FY04."

The analyst continues: "The 7.5 sen interim dividend payout will cause a cash outflow of RM4.5mil, as the company has a share base of 60 million." A quick look at Cymao's balance sheet as at June 30 this

year reveals that the company has a cash balance of RM12.7mil. The analyst goes further: "The interim dividend payment will take a big chunk of the cash out from the company's vaults. The company, nevertheless, can still afford it."

Sandakan-based Cymao is manufacturer of decorative and specialty plywood. It made its debut on the main board of Bursa Malaysia last March. Probably the main drawback for the company is its dependence on its suppliers for logs and timber. This stems from the fact that Cymao doesn't own any timber concessions.

The company has however secured several long-term contracts with log and timber suppliers in Sabah. Despite the drawback, Cymao has managed to record a 51.2% premium on its debut on Bursa Malaysia, closing the first day at a price of RM3.78. The issue price per share for the initial public offer (IPO) is RM2.50.

Mayban Securities notes that Cymao's shares are currently trading at a price earnings ratio (PER) of 11.2 times, based on an earnings per share (EPS) forecast of 34.4 sen. An analyst comments that timber and timber-related stocks are trading at an average PER of about 14 times. Applying that ratio will deem Cymao to be a stock which should be trading at a level closer to RM4.80.

Mayban Securities predicts that given Cymao's underlying financial strengths and its aim to manage its return on equity (ROE) to enhance shareholder value, the company is likely to declare good dividends going forward.

The stock broking house is confident that the company will maintain its superior profit margins, being one of the leading niche players in the timber-based industry.