Eita Resources Berhad (5208)

Mixed Prospects for FY26

By Tan Jia Hui / jiahui@tradeviewcapital.my

SELL ⇔

TP: RM0.41 (-19%) ⇔

Current Share Price: RM 0.505

Valuation

Our target price is based on:

FY27F PE of 13x, which is at -1 std dev below its regional peers average PE of 17x, justified by its smaller market capitalization. However, we anticipate better recovery in margins and new market penetration in Southeast Asia.

Results Report | **Growth** | **Investment Horizon : 12 months**

Results Review

EITA's FY25 core earnings came in 25% above our full-year expectation but were in line with consensus. The positive variance was driven by stronger revenue across all segments. QoQ, revenue increased by 29%, supported by growth in manufacturing (+26% QoQ), marketing and distribution (+27% QoQ), and the high-voltage system segment (+53% QoQ), which helped offset the 9% QoQ decline in the service segment. Earnings turned positive, posting a RM1.5mn profit compared to a RM0.4mn loss in 3QFY25, driven by improved profitability that helped absorb losses from the high-voltage system segment. The group declared interim dividend of 1.5sen, bringing total FY25 dividend of 3sen, which above our expectation of 2.5sen.

Outlook

Moving forward, we remain cautious on EITA's earnings growth, as losses from the high-voltage system segment continue to weigh on overall performance despite resilient growth in its manufacturing and marketing & distribution segments. Although management is implementing corrective measures for low-margin legacy contracts, we view its new strategy of expanding into Sarawak substations cautiously, given the company's limited experience and the intense margin pressure from established competitors. On a brighter note, we expect the manufacturing and marketing & distribution segments to continue growing, supported by replacement demand, price adjustments in both public and private sector contracts, and strong momentum in the high-growth busduct segment. Thus, we maintain our forecast and introduce FY28F forecast numbers. We maintain our SELL call and target price of RM0.41 with unchanged FY27F PE of 13x.

Key Assumption

	Before			After		
Revenue growth	**FY2026F**	**FY2027F**	**FY2028F**	**FY2026F**	**FY2027F**	**FY2028F**
Manufacturing	5%	5%	New	5%	5%	7%
Services	5%	5%	New	5%	5%	2%
Marketing & distribution	5%	5%	New	5%	5%	2%
High voltage system	6%	0%	New	6%	0%	0%

Results Summary

FYE 30 Sept (RMmn)	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	103.8	103.4	132.8	*28.5*	*27.8*	394.2	430.6	*9.2*
EBITDA	-4.0	1.1	5.0	*>100*	*nm*	18.9	26.1	*37.8*
Depreciation/Amortisation	-1.4	-1.5	-1.6	*-2.9*	*-10.8*	-5.7	-6.2	*-9.2*
EBIT	-5.5	-0.5	3.4	*nm*	*nm*	13.3	19.9	*50.0*
Pretax Profit	-6.1	-1.2	2.7	*nm*	*nm*	10.5	16.9	*60.7*
Taxation	-0.9	-1.0	-3.2	*-203.8*	*-267.6*	-7.3	-8.5	*-17.4*
Net Profit	-7.0	-2.3	-0.5	*78.5*	*93.0*	3.2	8.3	*>100*
PATAMI	-3.8	-0.4	1.5	*nm*	*nm*	9.4	13.9	*48.1*
Margin (%)								
EBITDA	-3.9	1.0	3.8			4.8	6.1	
Pretax	-5.9	-1.2	2.0			2.7	3.9	
PATAMI	-3.7	-0.4	1.2			2.4	3.2	
Segmental								
Marketing and Distribution	23.4	21.7	27.5	26.6	17.4	88.8	97.1	9.3
Manufacturing	49.9	41.1	51.8	26.0	3.7	164.2	175.0	6.6
Services	14.7	13.7	12.4	-9.4	-15.9	55.6	54.2	-2.5
High Voltage System	15.7	26.8	41.1	53.0	160.8	85.6	104.4	21.9

Financial Exhibits

FYE 30 Sept	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RMmn)	394.7	430.6	434.8	353.1	369.7
EBITDA (RMmn)	18.6	25.5	28.5	33.1	37.1
Pretax profit (RMmn)	10.7	16.9	20.1	25.5	30.5
Net profit (RMmn)	9.6	13.9	17.7	19.1	22.9
EPS (sen)	3.2	4.6	5.9	6.3	7.6
PER (x)	15.8	10.9	8.6	8.0	6.7
Core net profit (RMmn)	9.6	13.9	17.7	19.1	22.9
Core EPS (sen)	3.2	4.6	5.9	6.3	7.6
Core EPS growth (%)	(6.9)	44.4	26.9	8.3	19.4
Core PER (x)	15.8	10.9	8.6	8.0	6.7
Net DPS (sen)	2.25	3.0	2.5	2.5	3.5
Dividend Yield (%)	4.5	5.9	5.0	5.0	6.9
ROE (%)	3.9	5.5	6.5	6.4	6.9
P/BV (x)	0.6	0.6	0.6	0.5	0.5

Financial Exhibits

FYE 30 Sept (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	394.7	430.6	434.8	353.1	369.7
Operating expenses	(376.1)	(405.1)	(406.4)	(320.0)	(331.5)
EBITDA	**18.6**	**25.5**	**28.5**	**33.1**	**38.1**
Depreciation	(5.4)	(6.2)	(5.1)	(5.1)	(5.1)
EBIT	**13.2**	**19.3**	**23.3**	**28.0**	**33.0**
Net int income/(expense)	(2.5)	(2.5)	(3.2)	(2.5)	(2.5)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	**10.7**	**16.9**	**20.1**	**25.5**	**30.5**
Tax	(7.3)	(8.5)	(8.0)	(6.4)	(7.6)
Minority interest	(6.2)	(5.6)	(5.6)	0.0	0.0
Net profit	**9.6**	**13.9**	**17.7**	**19.1**	**22.9**
Core net profit	**9.6**	**13.9**	**17.7**	**19.1**	**22.9**

Balance Sheet Statement

FYE 30 Sept (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	44.2	42.9	45.8	46.6	48.2
Other long term assets	28.0	28.0	22.9	6.9	7.9
Total non-current assets	**72.3**	**70.9**	**68.8**	**53.4**	**56.1**
Cash and equivalents	68.4	65.4	55.0	83.7	99.0
Inventories	64.5	55.3	67.0	68.4	69.9
Receivables	70.7	86.3	78.3	84.7	88.7
Other current assets	127.1	133.0	128.2	120.6	130.2
Total current assets	**330.6**	**340.0**	**328.5**	**357.4**	**387.8**
Payables	61.4	86.8	67.0	69.9	71.5
Short term borrowings	43.9	49.1	49.1	49.1	49.1
Other current liabilities	45.6	24.1	18.0	2.0	2.0
Total current liabilities	**150.9**	**160.1**	**134.1**	**121.0**	**122.6**
Long term borrowings	10.7	8.9	8.9	8.9	8.9
Other long term liabilities	2.0	1.7	-	-	-
Total long term liab.	**12.7**	**10.6**	**8.9**	**8.9**	**8.9**
Shareholders' Funds	**245.0**	**251.6**	**271.2**	**297.9**	**329.3**
Minority Interest	**-5.8**	**-11.4**	**-17.0**	**-17.0**	**-17.0**

Cash Flow Statement

FYE 30 Sept (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	10.7	16.9	20.1	25.5	30.5
Depreciation & amortisation	5.4	5.8	5.1	5.1	5.1
Working capital changes	(19.5)	(5.4)	(15.5)	16.9	1.6
Cash tax paid	(7.4)	(8.2)	(8.0)	(6.4)	(7.6)
Others	16.2	0.1	0.0	0.0	0.0
C/F from operation	**5.5**	**9.1**	**1.7**	**41.2**	**29.6**
Capex	(2.9)	(2.2)	(5.2)	(5.5)	(7.5)
Others	0.7	(1.0)	0.6	0.6	0.7
C/F from investing	**(2.2)**	**(3.2)**	**(4.6)**	**(4.9)**	**(6.8)**
Debt raised/(repaid)	(0.4)	3.9	0.0	0.0	0.0
Dividends paid	(6.4)	(7.5)	(7.5)	(7.5)	(7.5)
Others	11.2	(5.2)	0.0	0.0	0.0
C/F from financing	**4.4**	**(8.9)**	**(7.5)**	**(7.5)**	**(7.5)**
Net change in cash flow	**7.7**	**(2.9)**	**(10.4)**	**28.7**	**15.2**
Free Cash Flow	**2.6**	**6.9**	**(3.5)**	**35.7**	**22.1**

Investment Risk

1. Project-based revenue volatility. A significant portion of EITA's revenue comes from large-scale, project-based contracts in the construction and power sectors. The completion and timing of these projects can lead to uneven and sometimes volatile earnings from quarter to quarter.

2. Operational and execution risk. The successful execution of large, complex projects, particularly in high-voltage systems and infrastructure, is crucial. Delays, cost overruns, or failure to meet project specifications could lead to penalties, reputational damage, and financial losses.

3. Intense competition. The company operates in competitive markets, especially in the elevator and busduct systems segments, where it faces both domestic and international players. This competition can put pressure on profit margins and limit its ability to secure new contracts.

Tradeview Research Investment Rating System

Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period