



# Moya Holdings Asia

## (MHAL SP/MOYA.SI)

### Not Rated

Price as of 26 Sep 2017	0.119
12M target price (\$\$)	na
Previous target price (\$\$)	na
Upside, incl. div (%)	na

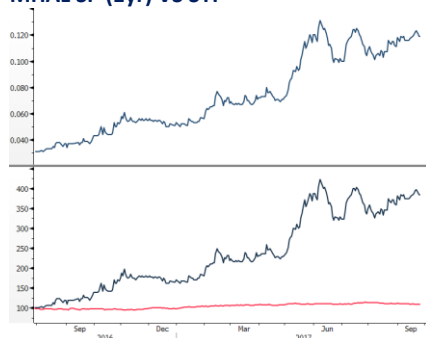
### Trading data

Mkt Cap (S\$m) / (US\$m)	333 / 247
Issued Shares (m)	2,801
Ave Daily Traded (3-Month) Vol / Val	19.3m / \$2.2m
52 week lo / hi	\$0.04 / \$0.13
Free Float	20.2%

### Major Shareholders

Tamaris Infrastructure	61.8%
Moya Holding	17.4%

### MHAL SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

## Indonesian infrastructure play

### Event

Moya Holdings Asia Limited (Moya) recently acquired four water treatment plants under Acuatico, lifting its total to six municipal treatment projects. Moya is backed by prominent Indonesian conglomerate, Salim Group, which has a 61.8% stake in Moya through billionaire Anthoni Salim.

### Impact

Post-acquisition, Moya is now one of the leading private players in Indonesia's water treatment sector with a total capacity of 13,935 litres per second. It operates in a monopolistic environment and currently serves the following regions in Indonesia, namely Bekasi (East of Jakarta), Tangerang (West of Jakarta), Eastern Jakarta, Northern Jakarta and Central Jakarta.

Indonesia accounts for the largest economy in Southeast Asia with a population of over 260 million. However, only 71% has access to safe drinking water according to 2016 Central Statistics Agency data, leaving the remaining 29% whom lack access to clean water supply to rely on groundwater or water vendors to fulfil their daily needs.

The Indonesian government aims to achieve 100% access to safe drinking water by 2019 under the National Mid-Term Development Plan. Thus the government initiative to expand safe water and sanitation access could facilitate growth opportunities for Moya: either via increasing existing production of clean water in the areas or getting new water service agreements to supply clean water to the populace.

### Valuation & Action

We have a DCF-derived fair value of \$0.15 based on a WACC of 8.0% (Cost of equity: 11%; terminal growth: 3.5%), which implies a FY18F P/E of 19.5x. There could be short-term upside potential from M&A activities or greenfield developments. Many Indonesian still lack access to clean water and there are ample opportunities for Moya to explore partnerships. With S\$60m cash on its balance sheet and a strong financial backer, obtaining financing may unlikely to prove difficult in our view.

### Risks

Mainly regulatory risks operating in Indonesia, including cessation of water service contracts.

### Financials & Key Operating Statistics

YE Dec SGD mn	2015	2016	2017F	2018F	2019F
Revenue	10	19	132	214	237
PATMI	0	3	13	21	23
Core PATMI	0	3	14	21	23
Core EPS (SGD cents)	0.00	0.13	0.51	0.77	0.85
Core EPS growth (%)	NM	4,333.2	296.8	52.2	10.4
Core P/E (x)	4,139.1	93.4	23.5	15.5	14.0
DPS (SGD cents)	0.00	0.00	0.00	0.00	0.00
Div Yield (%)	0.0	0.0	0.0	0.0	0.0
Price / Book (x)	2.2	2.6	2.4	2.1	1.8
Net Gearing (%)	(33.5)	(46.0)	57.8	56.8	51.8
Price / Book (x)	2.2	2.6	2.4	2.1	1.8
ROE (%)	0.9	3.1	9.9	14.2	13.7

Source: Company Data, KGI Research

## Valuation

We estimate the fair value of Moya's shares to about S\$0.15 based on our DCF-valuation, using a WACC of 8.0% (terminal growth: 3.5%). This implies a FY18F P/E of 19.5x, a justifiable multiple in view of the attractive return on invested capital (forecast average of 14.6% over the next five years) that Moya could generate above its listed comparables and favourable growth prospects from rapid urbanisation in Indonesia.

Our terminal growth of 3.5% is warranted in view that Moya operates in a monopolistic water treatment environment in Indonesia and thus, its ROIC would be safeguarded from competition due to high barriers of entry.

Our fair value largely depends on the assumption that the cooperation agreement for Acuatico's Aetra Air Jakarta, which is due to expire in January 2023, as well as all other service contracts to be renewed.

**Figure 1: Valuations – DCF**

SGD million, YE 31 December	2016A	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F
Sales from Moya BOT plants	19	37	43	48	53	58	64	71	78	86	95
Sales from Acuatico concessions	0	95	170	189	195	217	224	248	255	282	290
<b>Revenue</b>	<b>19</b>	<b>132</b>	<b>214</b>	<b>237</b>	<b>248</b>	<b>275</b>	<b>288</b>	<b>319</b>	<b>333</b>	<b>368</b>	<b>385</b>
YoY (%)	n.m.	584.9%	61.4%	10.9%	4.7%	10.9%	4.6%	10.7%	4.6%	10.6%	4.6%
<b>PATMI</b>	<b>3</b>	<b>13</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>27</b>	<b>28</b>	<b>31</b>	<b>32</b>	<b>36</b>	<b>37</b>
YoY (%)	n.m.	338.6%	63.0%	10.4%	5.0%	10.4%	5.0%	10.3%	5.0%	10.3%	5.0%
SGD million, YE 31 December	2016A	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F
EBIT(1-T) + DA	(20)	31	37	39	40	43	45	48	50	53	55
Less: WC	(1)	37	(24)	(7)	(3)	(8)	(4)	(9)	(4)	(10)	(5)
Less: Capex	(0)	(416)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(4)	(4)
<b>FCFF</b>	<b>(21)</b>	<b>(348)</b>	<b>10</b>	<b>30</b>	<b>35</b>	<b>32</b>	<b>38</b>	<b>36</b>	<b>42</b>	<b>39</b>	<b>47</b>
Projected diluted shares	2,696	2,696	2,696	2,696	2,696	2,696	2,696	2,696	2,696	2,696	2,696
Diluted EPS, adj. (S cents)	0.13	0.51	0.77	0.85	0.89	0.99	1.03	1.14	1.20	1.32	1.39
BVPS (S cents)	4.55	5.02	5.79	6.64	7.53	8.51	9.55	10.69	11.89	13.21	14.60
FY17-26F FCFF present value		(139)									
Terminal value (present value)		463									
<b>Projected enterprise value</b>		<b>323</b>									
Add: cash & investments		63									
Less: debt		(5)									
Other adjustments		0									
<b>Projected equity value</b>		<b>382</b>									
<b>WACC %</b>		<b>8.0%</b>									
<b>Estimated fair value (S\$)</b>		<b>0.15</b>									
Implied P/E adj. (x)		29.7	19.5	17.7	16.8	15.2	14.5	13.1	12.5	11.3	10.8
Implied P/B (x)		3.0	2.6	2.3	2.0	1.8	1.6	1.4	1.3	1.1	1.0

Source: Company data, KGI Research

**Figure 2: Peer Comparison**

Ticker	Company	Last Price	Market Cap (S\$ m)	ROE (%)	ROIC (%)	P / E (x)		P / B (x)		Div Yield (%)	Net D/E (%)	
				Last FY	Last FY	Cur	FY+1	Cur	FY+1	Last FY	Cur	
MHAL SP	Moya Holdings Asia Ltd	SGD 0.12	333	3.1	0.7	49.3	23.5	2.3	2.4	0.0	240.9	
<b>SG PEERS</b>				<b>Average</b>	<b>8.4</b>	<b>4.8</b>	<b>14.8</b>	<b>13.3</b>	<b>1.2</b>	<b>1.0</b>	<b>0.4</b>	<b>44.6</b>
CEL SP	Citic Envirotech Ltd	SGD 0.72	1,625	12.4	8.1	16.0	15.5	1.8	1.3	0.5	4.3	
SIIC SP	Siic Environment Holdings Lt	SGD 0.54	1,395	7.9	2.8	11.7	12.7	0.9	0.9	0.0	86.6	
CEWL SP	China Everbright Water Ltd	SGD 0.42	1,103	5.0	3.6	16.7	11.6	1.0	0.9	0.8	43.0	
<b>REGIONAL PEERS</b>				<b>Average</b>	<b>14.5</b>	<b>7.8</b>	<b>17.3</b>	<b>12.8</b>	<b>1.5</b>	<b>1.9</b>	<b>3.6</b>	<b>31.2</b>
8473 TT	Forest Water Environmental	TWD 57.20	338	9.5	7.3	17.3	14.7	1.5	1.3	6.2	31.2	
371 HK	Beijing Enterprises Water Gr	HKD 6.26	9,492	19.7	6.7	-	13.5	-	2.8	2.3	-	
855 HK	China Water Affairs Group	HKD 5.53	1,523	15.7	7.8	-	8.9	-	1.5	2.0	-	
270 HK	Guangdong Investment Ltd	HKD 10.94	12,361	13.2	9.3	-	14.3	-	2.0	4.1	-	

Source: Bloomberg, KGI Research

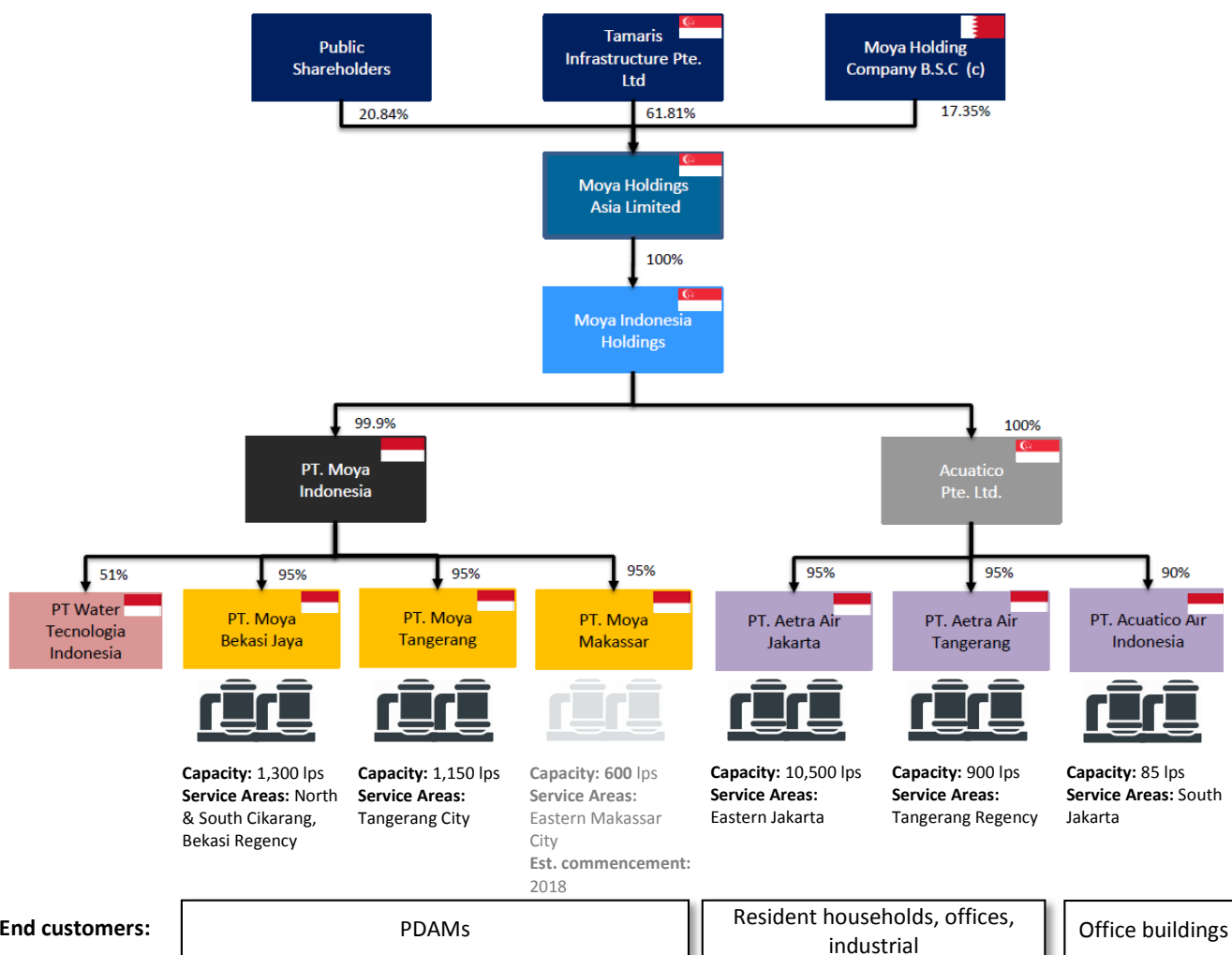
### Key catalysts

**M&A acquisitions and greenfield developments.** With many Indonesian still lacking access to clean water and sanitation, opportunities are abound for Moya to explore either acquisition of existing water plants or developments of new water treatment plants. The inorganic growth prospects need not necessarily be restricted to Java, Indonesia and could look beyond the main Indonesian island for developments, according to the management. With S\$60 million cash on its balance sheet and strong financial backer, obtaining financing to fund its acquisitions is unlikely to prove difficult in our view.

**Reducing water leakage.** PT Aetra Air Jakarta’s water reaches to around 435,777 – 429,573 regular customers and 6,204 commercial customer – representing 60.8% coverage as at end of 2016. However, about 43% or 132.4 million cubic meter of clean water from Acuatico's Aetra Air Jakarta was lost to leakage or theft (classified as non-revenue water).

According to news source from Bisnis Indonesia, the group will focus on tackling water leaks which numbered to around 26,600 points throughout its pipeline network of 6,200 kilometres, and work with local authorities to deal with 1,400 cases of cheating and water theft by the community. All these would likely lead to boost in revenue and margins ahead.

Figure 3: Overview of group structure

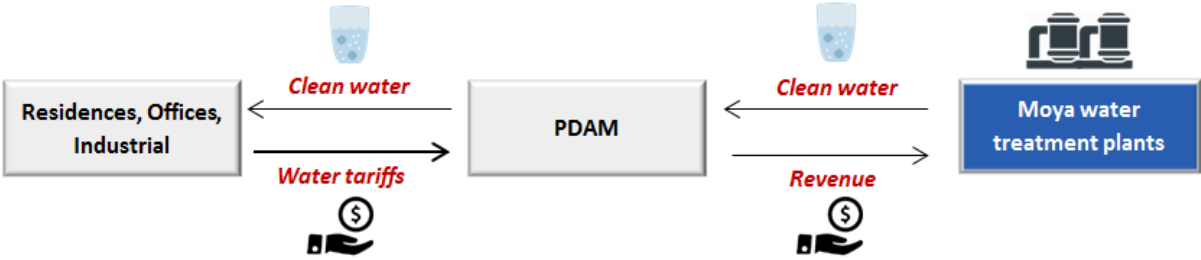


Source: Company data, KGI Research

**Revenue model**

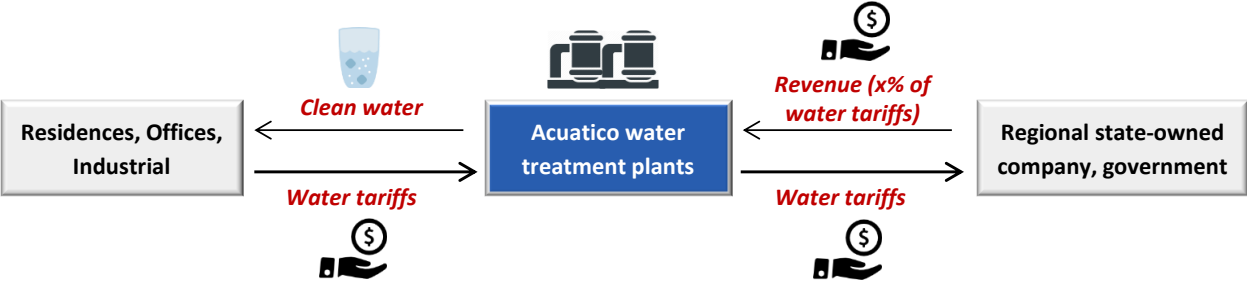
Water treatment service agreements under the group are typically for a cooperation period of 25-30 years. Moya has three build-operate-transfer (BOT) projects (two in operations, one expected to commence in 2018) which earns income stream from the regional water utility companies (Perusahaan Daerah Air Minum or PDAM) dependent on amount of treated clean water supplied. The other water treatment plants under Acuatico would earn a specified percentage of water tariffs charged to the end-users from the regional state-owned water companies, based on the production output.

Figure 4: Revenue model of Moya’s water treatment plants under BOT scheme



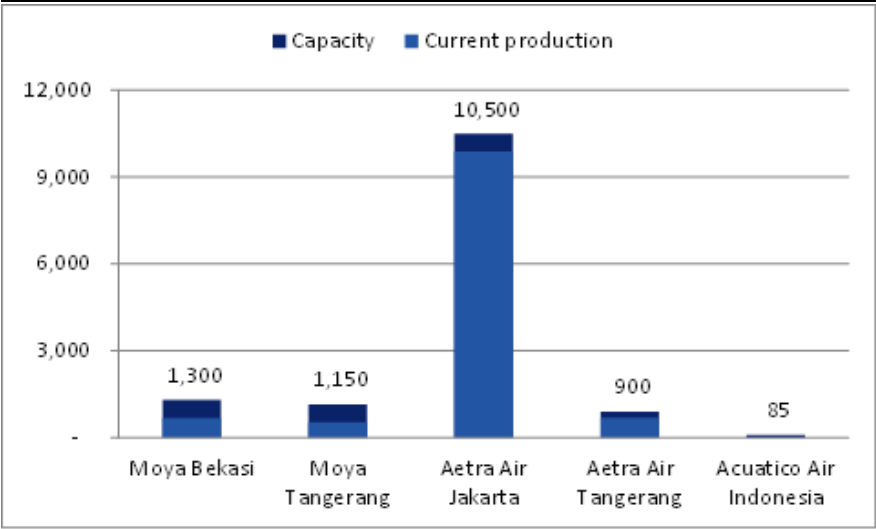
Source: KGI Research

Figure 5: Revenue model of Acuatico’s water treatment plants under concession scheme



Source: KGI Research

Figure 6: Current production and capacity of various water treatments under the Group



Source: Company data, KGI Research

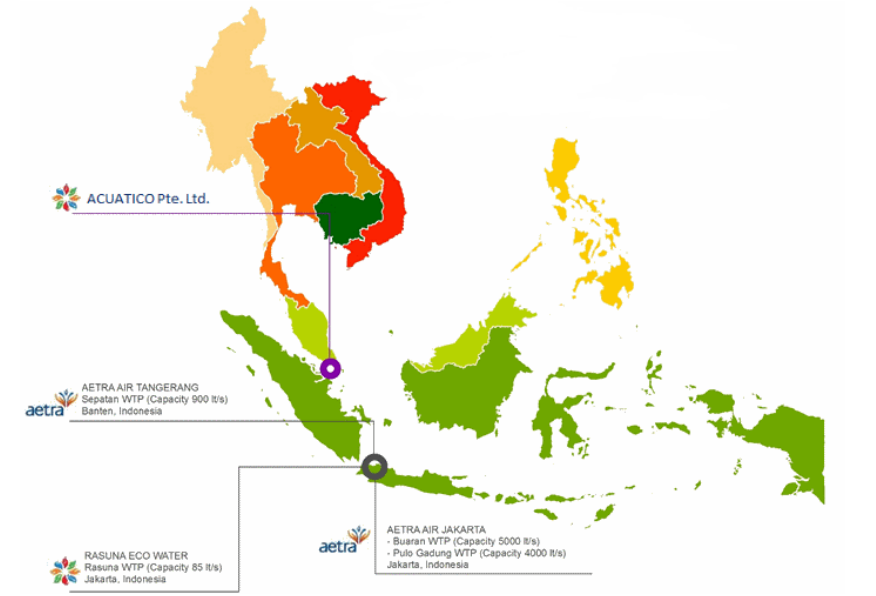
**Industry background**

Indonesia accounts for the largest economy in Southeast Asia with a population of over 260 million. However, only 71% has access to safe drinking water according to 2016 Central Statistics Agency (Badan Pusat Statistik) data, leaving many whom lack access to clean water supply to rely on groundwater or water vendors to fulfill their daily needs.

The Indonesian government aims to achieve 100% access to safe drinking water by 2019 under the National Mid-Term Development Plan. Thus the government initiative to expand safe water and sanitation access could facilitate growth opportunities for Moya: either via increasing existing production of clean water in the areas or getting new water service agreements to supply clean water to the populace.

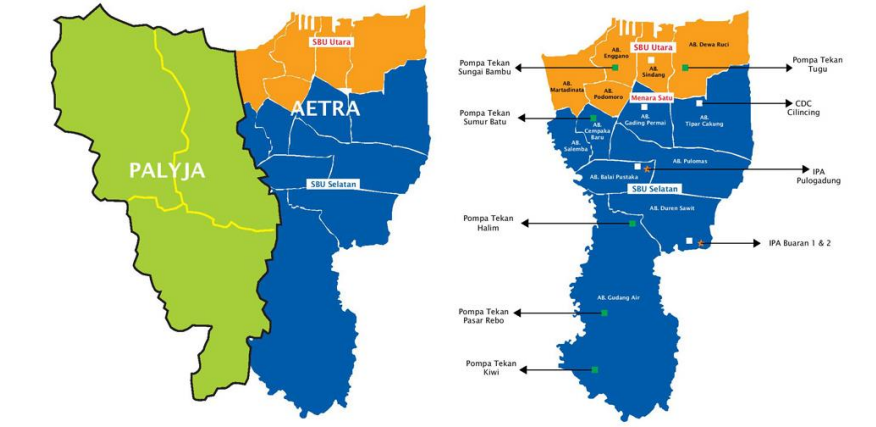
The piped water system in Jakarta is currently operated by two private companies – PT PAM Lyonnaise Jaya for the western part of the capital and PT Aetra Air Jakarta (under Acuatico) for the eastern part – which could seemingly fulfill only about 35% of the population. The remaining 65% rely on groundwater. Thus this hints there is still plenty of headroom for PT Aetra Air Jakarta to increase penetration rate of piped water access in Jakarta. PT Aetra Air Jakarta accounts for 75.4% of the group’s total capacity in Indonesia.

**Figure 7: Locations of Acuatico's operating companies**



Source: Company website

**Figure 8: Aetra Air Jakarta's service areas**



Source: Company website

### Key risks

**Cessation of water service contract.** Currently the water treatment projects under Aetra Air Jakarta accounts for 75.4% of Moya's total capacity in Indonesia and water agreement under Aetra Air Jakarta is effective till Jan 2023. There is no guarantee that the agreement will be renewed in future. In the worst case scenario in which the cooperation agreement for Aetra Air Jakarta is not renewed, Moya's share price could be worth S\$0.05 based on our estimates.

**Legal lawsuit arising from citizens' rights group.** The Coalition of Jakarta Residents Opposing Water Privatization claimed that PT Aetra Air Jakarta had failed to provide adequate supplies of clean portable water and had successfully led to the water service agreement being annulled by the Central Jakarta District Court in favour of the citizens' group in 2015. Following the company's appeal, the court decision was subsequently overturned by the Jakarta High Court in 2016. Management has shared there has been no follow-up lawsuit to repeal the water service agreement since and this risk is very minimal in view that the claimed negligence on Aetra Air Jakarta's part was unsubstantiated.

**Financials**

FYE 31 December

<b>INCOME STATEMENT (SGD mn)</b>	<b>2015A</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Revenue	9.8	19.3	132.4	213.7	237.0
<b>Gross Profit</b>	<b>1.3</b>	<b>2.3</b>	<b>54.5</b>	<b>92.0</b>	<b>102.2</b>
EBITDA	(1.0)	(2.3)	36.5	47.9	51.1
<b>Operating profit</b>	<b>(1.9)</b>	<b>(1.7)</b>	<b>35.9</b>	<b>45.1</b>	<b>48.0</b>
Exceptional gains/(loss)	0.8	(0.8)	(1.2)	0.0	0.0
Interest Expenses	(0.7)	(0.5)	(26.3)	(26.0)	(26.0)
Interest Income	2.9	7.4	7.4	7.4	7.4
Share of results from associates	0.0	0.0	0.9	0.9	0.9
<b>Profit Before Tax</b>	<b>1.1</b>	<b>4.4</b>	<b>16.8</b>	<b>27.4</b>	<b>30.3</b>
Tax Expenses	(0.5)	(1.5)	(4.0)	(6.6)	(7.3)
(Minority Interest)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>PATMI</b>	<b>0.4</b>	<b>2.9</b>	<b>12.7</b>	<b>20.8</b>	<b>22.9</b>
<b>BALANCE SHEET (SGD mn)</b>	<b>2015A</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Cash	28.0	63.1	90.2	81.5	97.3
Accounts Rec	3.5	6.0	40.9	66.0	73.3
Other current assets	0.0	0.0	5.3	8.3	9.2
<b>Total current assets</b>	<b>31.6</b>	<b>69.0</b>	<b>136.5</b>	<b>155.9</b>	<b>179.7</b>
PP&E	0.4	1.2	24.8	24.2	23.4
Other assets	40.8	62.1	395.4	396.4	397.3
<b>Total assets</b>	<b>72.8</b>	<b>132.3</b>	<b>556.7</b>	<b>576.4</b>	<b>600.5</b>
Trade and other payables	1.0	1.5	7.0	11.0	12.2
Borrowings (current)	0.6	0.7	5.7	0.7	0.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>1.6</b>	<b>2.2</b>	<b>12.7</b>	<b>11.7</b>	<b>12.9</b>
LT Borrowings	3.9	3.9	393.0	393.0	393.0
Other non-current liabilities	1.2	3.1	15.2	15.2	15.2
<b>Total liabilities</b>	<b>6.7</b>	<b>9.3</b>	<b>421.0</b>	<b>419.9</b>	<b>421.1</b>
Shareholders' equity	65.7	122.6	135.3	156.0	179.0
Non-controlling interests	0.3	0.4	0.4	0.4	0.4
<b>Total equity</b>	<b>66.1</b>	<b>123.0</b>	<b>135.7</b>	<b>156.5</b>	<b>179.4</b>
<b>Total liabilities and equity</b>	<b>72.8</b>	<b>132.3</b>	<b>556.7</b>	<b>576.4</b>	<b>600.5</b>
<b>CASH FLOW STATEMENT (SGD mn)</b>	<b>2015A</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
<b>Tax Expenses</b>	<b>(0.5)</b>	<b>(1.5)</b>	<b>(4.0)</b>	<b>(6.6)</b>	<b>(7.3)</b>
Other non-cash adjustments	(6.7)	(13.6)	21.5	35.9	39.8
Changes in working capital	(1.7)	(0.8)	36.7	(24.2)	(6.9)
Taxes paid	(0.0)	(0.0)	(0.7)	(6.6)	(7.3)
<b>Cash from operations</b>	<b>(8.9)</b>	<b>(15.9)</b>	<b>53.6</b>	<b>(1.5)</b>	<b>18.2</b>
Capex	(0.4)	(1.0)	(1.3)	(2.1)	(2.4)
Other investing	0.7	0.8	(414.8)	0.0	0.0
<b>Cash in investing</b>	<b>0.3</b>	<b>(0.1)</b>	<b>(416.2)</b>	<b>(2.1)</b>	<b>(2.4)</b>
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (bought back)	29.3	50.1	0.0	0.0	0.0
Borrowings raised / (repaid)	0.0	0.1	394.1	(5.0)	0.0
Other financing	0.0	(0.5)	(0.1)	(0.1)	(0.1)
<b>Cash from financing</b>	<b>29.3</b>	<b>49.7</b>	<b>394.0</b>	<b>(5.1)</b>	<b>(0.1)</b>
FX Effects, Others	(0.1)	1.4	0.0	0.0	0.0
<b>Net increase in cash</b>	<b>20.5</b>	<b>35.0</b>	<b>31.4</b>	<b>(8.7)</b>	<b>15.8</b>
Beginning cash	7.5	28.0	63.1	94.5	85.8
Ending cash	28.0	63.1	94.5	85.8	101.5
<b>KEY RATIOS</b>	<b>2015A</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Core EPS (SGD cents)	0.0	0.1	0.5	0.8	0.8
Core EPS Growth (%)	(99.7)	4,333.2	296.8	52.2	10.4
DPS (SGD cents)	0.0	0.0	0.0	0.0	0.0
Dividend yield %	0.0	0.0	0.0	0.0	0.0
<b>Profitability (%)</b>					
Gross Margin	13.5	12.0	41.1	43.1	43.1
EBITDA margin	(10.4)	(12.1)	27.5	22.4	21.5
Net Margin	4.5	15.0	9.6	9.7	9.7
ROE	0.9	3.1	9.9	14.2	13.7
ROA	0.7	2.8	3.7	3.7	3.9
<b>Financial Structure (x)</b>					
Interest Coverage	(1.74)	(5.52)	1.32	1.74	1.85
Net Debt / Equity	(0.36)	(0.48)	2.28	2.00	1.66

Source: Bloomberg, KGI Research

**KGI's Ratings**

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
<b>BUY</b>	>10% total return over the next 12 months
<b>HOLD</b>	-10% to +10% total return over the next 12 months
<b>SELL</b>	<-10% total return over the next 12 months

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