

SMALL/MID CAP HIGHLIGHTS

Enviro-Hub Holdings (ENVH SP)

Pivotal Restructuring Years With Greater Potential

ENVH had undergone pivotal restructuring in 2021, streamlining its operations to focus on the recycling of e-waste and healthcare segments. This led to a robust 1H22 as net profit surged 40% yoy. The group's earnings are expected to be driven by: a) the 40% capacity expansion of its recycling of e-waste plant, and b) the contribution from the group's healthcare segment. ENVH's recent entry to the retail pharmaceutical business is a potential growth driver as it strives for a store count target of 90 by FY24.

- Higher revenue expected for its recycling segment in 2022.** In 1H22, higher revenue from its recycling e-waste segment of S\$16.4m (+17% yoy) was due to the increase of new MNC customers. Moving forward, Enviro-Hub Holdings (ENVH) expects to increase its recycling capacity of 3,600 tonnes a year to 5,100 tonnes a year by end-2H22, allowing it to leverage on its available capacity to gather a greater number of customers.
- Gradual sale of all of its investment properties to achieve net cash.** In 2021, ENVH disposed of S\$63m worth of investment properties. Most of its existing debt is related to property loans which would be paid down as the properties get disposed. As a result, ENVH has a stronger balance sheet with net gearing decreasing from 1.56x in 2020 to 0.48x in 2021 and 0.45x in 1H22. Assuming that ENVH were to sell of all of its remaining investment properties, S\$60.5m on the books, it would reverse its net debt position into net cash.
- Acquisition of Pastel Glove opens door to gloves and healthcare industry.** Pastel Glove (PGSB) is a glove manufacturing company that also owns 40% stake in Pastel Care (PCSB). Hence, the acquisition has provided ENVH access to both the gloves market and the pharmaceutical retail market. According to Malaysian Rubber Glove Manufacturers Association (MARGMA), the global demand for gloves would resume in 2023 with an expected increase of 12% to 15% growth. Key growth drivers cited were rising hygiene awareness, the ageing population and recovery in non-COVID-19-related demand. In Oct 22, PGSB has a total of four manufacturing lines which are operating at about 40% utilisation. Management also shared that several initiatives are underway in obtaining the International Organisation for Standardisation (ISO) and Sedex Members Ethical Trade Audit (SMETA) to potentially attract greater sales and deliver better margins. In Apr 22, PCSB opened its first retail pharmacy, R Pharmacy in Klang, Malaysia. Moreover, the company would tap on its internal funds to open 25 stores and 90 stores by 2023 and 2024 respectively.
- Virtuous cycle of its e-commerce platform.** To scale the business beyond geographical borders, ENVH has utilised Lazada to open R Pharmacy Flagship Store which has since achieved 99% positive seller ratings. The top product by sales was also cited to be the adult milk powder. Given the nature of the product, this could generate a recurring stream of income for ENVH and generate greater operating cash flows.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2017	2018	2019	2020	2021
Net turnover	61.0	26.2	34.2	30.8	40.4
EBITDA	(24.1)	8.7	6.9	5.8	11.1
Operating profit	(27.3)	6.6	4.2	2.8	7.9
Net profit (rep./act.)	(10.2)	0.5	0.3	(1.0)	3.2
Net profit (adj.)	(10.2)	0.5	0.3	(1.0)	3.2
EPS (US cents)	-0.99	0.1	0.0	(0.1)	0.2
PE (x)	n.a.	103.2	180.4	n.a.	21.0
P/B (x)	0.8	1.1	1.1	1.2	1.0
EV/EBITDA (x)	n.a.	11.6	14.6	17.3	9.1
Dividend yield (%)	7.5	0.0	0.0	0.0	0.0
Net margin (%)	(16.7)	2.0	0.9	(3.2)	7.9
Net debt/(cash) to equity (%)	164.5	192.2	207.9	145.1	47.1
Interest cover (x)	n.a.	3.0	2.1	1.7	4.9
ROE (%)	(19.0)	1.0	0.6	(1.9)	4.7

Source: Bloomberg, UOB Kay Hian

NOT RATED

Share Price	S\$0.052
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Enviro-Hub Holdings Limited is an investment holding company whose subsidiaries operate geotechnic and piling works, and develop properties. The Company also sells, services and rents engineering hardware, construction machinery and equipment, and recycles metals and plastics.

STOCK DATA

GICS sector	Materials
Bloomberg ticker	ENVH SP
Shares issued (m):	1,244.5
Market cap (S\$ m):	64.7
Market cap (US\$ m):	45.3
3-mth avg t'over (US\$ m):	0.0

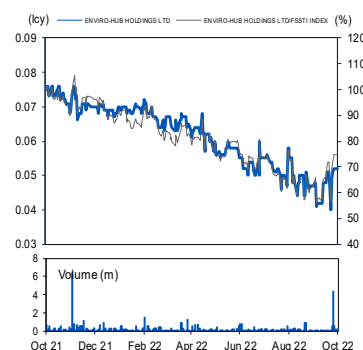
Price Performance (%)

52-week high/low	S\$0.078/0.040			
1mth	3mth	6mth	1yr	YTD
10.6	(5.5)	(20.0)	(31.6)	(26.8)

Major Shareholders

	%
Raymond Ng	28.42
Law Siau Woei	18.51
Seow Bao Shuen	9.64
NAV/Share (US\$)	0.05
Net Cash/Share (US\$)	(0.024)

PRICE CHART



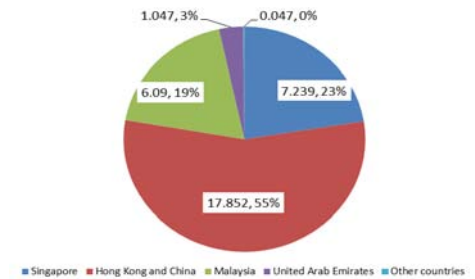
Source: Bloomberg

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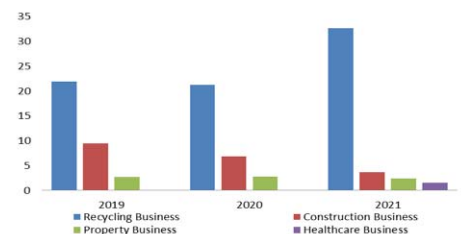
- Recycling business is ENVH's core segment.** This segment focuses on providing e-waste management solutions and recycling services. The segment contributed S\$32.7m, 81.0% of the group's revenue in 2021, as compared with S\$21.1m, 68.0% in 2020. The increase was largely attributed to increased sales volume of both e-waste and refined precious metal sales during 2021. Coupled with increased revenue and improved gross profit margin, the segment's profit increased almost four times from S\$1.6m in 2020 to S\$6.1m in 2021. In the near term, management is seeing strong demand for its services due to rising environmental awareness and climate pledges by major MNCs to reduce their carbon emissions. In 1H22, the increase of new MNC customers has driven higher revenues. By end of 2H22, ENVH expects to increase its annual recycling capacity by almost 40% to 5,100 tonnes from 3,600 tonnes. This would allow ENVH to leverage its available capacity to gather a greater number of customers. The group appears to be cautiously optimistic of the long-term outlook of the segment.
- Healthcare business is growing.** This segment relates to ENVH's sale, distribution and marketing of its healthcare products and more. The segment contributed S\$1.6m, 4% of the group's revenue for 2021 and a segmental profit of S\$0.2m, following the completion of acquisition of PGSB at the end of Oct 21. This segment was cited to be a vital segment to ENVH. The group plans to expand the healthcare supply chain and its healthcare products segment.
- Virtuous cycle of its retail pharmaceutical business...** In Apr 22 and through its 40% JV in PGSB, ENVH made its entry into Malaysia with its first pharmacy – R Pharmacy. By 2024, the company targets to achieve 90 pharmacies in strategic locations such as new housing estate areas, upcoming malls, and healthcare hubs. Coupled with the omni-channel sales strategy, other competitive advantages shared by the company include providing personalised advice from in-house pharmacists and delivering high-quality customer service. Then, ENVH would capture revenue from the sale of pharmaceutical products, as well as from the listing of SKUs and advertisements (eg posters, vending machines in its pharmacies).
- ...beyond geographical borders.** Virtually, to scale the business beyond geographical borders, ENVH has utilised Lazada to open R Pharmacy Flagship Store which has since achieved 99% positive seller ratings. The top product by sales was also cited to be the adult milk powder. Given the nature of the product, this could generate recurring stream of income for ENVH, thereby generating greater cash flows.
- ...and beyond its market cap.** In Jul 22, 7-Eleven Malaysia Holdings was reported to be considering an exit for its pharmacy chain, Caring Pharmacy Group, with 120 stores across Malaysia. It was reported that the pharmaceutical chain had a potential valuation of US\$400m. With 120 stores, an average pharmacy would amount to US\$3.33m and with ENVH's target of 90 stores, its retail pharmaceutical business can be valued as US\$300m - beyond ENVH's current market cap of US\$41.6m with its 90 store target by 2024. R-Pharmacy has opened seven retail pharmaceutical stores in less than a year as of Oct 22.
- Synergistic opportunities from gloves.** The acquisition of PGSB has allowed ENVH to tap on the expertise of veterans in the industry. Furthermore, according to the Malaysian Rubber Glove Manufacturers Association, Malaysia held the highest market share of 65% in 2022. Hence, with its plants located in this key market, the company is well-positioned. The company also shared that instead of focusing solely on latex gloves, it would resume manufacturing its specialty gloves which are of higher quality, higher margins and are typically used in the tattoo, medical and law enforcement industries.
- Construction business slowed.** ENVH's role in the construction industry is to provide piling services, as well as the rental and sale of cranes and heavy machinery. The segment contributed S\$3.7m, 9.0%, and S\$6.9m, 22%, of the group's revenue for FY21 and 2020, respectively. The decline was due to a smaller number of sizeable projects secured during FY21. A slow recovery in the construction industry after the peak of the COVID-19 pandemic was seen. With smaller revenue, the segmental loss increased from S\$0.06m in 2020 to S\$1.08m in 2021. Moving forward, management would continue to monitor its costs in this segment.
- Property business.** Management may continue to dispose of its remaining investment properties, as the group focuses on its healthcare and e-waste recycling businesses.

CORE SEGMENT REVENUE BY GEOGRAPHY (\$M) 2021



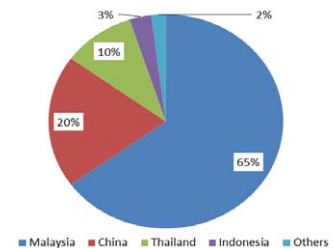
Source: Enviro-Hub Holdings Ltd, UOB Kay Hian

REVENUE BY SEGMENT (\$M) (2019-21)



Source: Enviro-Hub Holdings Ltd, UOB Kay Hian

MARKET SHARE OF GLOVES INDUSTRY IN 2022



Source: Malaysian Rubber Glove Manufacturers Association (MARGMA), UOB Kay Hian

PASTEL GLOVE FACTORY IN PERAK IPOH



Source: Enviro-Hub Holdings Ltd, UOB Kay Hian

LATEX VS SPECIALTY GLOVES



Source: Enviro-Hub Holdings Ltd

PROFIT & LOSS

Year to 31 Dec (US\$m)	2018	2019	2020	2021
Net turnover	26.248	34.196	30.770	40.423
EBITDA	8.681	6.911	5.846	11.101
Deprec. & amort.	2.084	2.738	3.062	3.196
EBIT	6.597	4.173	2.784	7.905
Total other non-operating income	0.000	0.000	0.000	0.000
Associate contributions	0.000	0.000	0.000	0.516
Net interest income/(expense)	(2.872)	(3.286)	(3.403)	(2.277)
Pre-tax profit	3.725	0.887	(0.619)	6.144
Tax	(0.034)	(0.045)	0.014	(0.045)
Minorities	(3.171)	(0.544)	(0.385)	(2.899)
Net profit	0.520	0.298	(0.990)	3.200
Net profit (adj.)	0.520	0.298	(0.990)	3.200

BALANCE SHEET

Year to 31 Dec (US\$m)	2018	2019	2020	2021
Fixed assets	150.5	162.3	145.5	95.5
Other LT assets	0.0	0.2	0.0	26.9
Cash/ST investment	5.4	5.0	17.3	15.3
Other current assets	12.5	13.5	15.0	19.7
Total assets	168.4	181.0	177.8	157.4
ST debt	4.1	6.7	9.6	32.6
Other current liabilities	10.6	10.2	10.2	19.5
LT debt	94.0	99.3	88.8	20.6
Other LT liabilities	16.2	20.3	17.3	4.8
Shareholders' equity	48.2	48.6	55.9	80.6
Minority interest	(4.7)	(4.0)	(3.9)	(0.8)
Total liabilities & equity	168.4	181.0	177.8	157.4

CASH FLOW

Year to 31 Dec (US\$m)	2018	2019	2020	2021
Operating	(2.8)	4.0	4.0	(3.1)
Profit for the year	3.7	0.9	(0.6)	6.1
Tax	(0.0)	(0.0)	0.0	(0.0)
Deprec. & amort.	2.1	2.7	3.1	3.2
Associates	0.0	0.0	0.0	(0.5)
Working capital changes	(5.4)	0.5	0.2	(8.3)
Non-cash items	(0.0)	(0.0)	(0.1)	(0.1)
Other operating cashflows	(3.2)	(0.1)	1.4	(3.6)
Investing	8.6	(6.5)	12.6	56.4
Capex (growth)	(1.1)	(11.6)	(0.6)	(1.3)
Investment	0.0	0.0	0.0	(4.9)
Others	9.8	5.0	13.2	62.6
Financing	(21.7)	2.0	(4.4)	(55.3)
Dividend payments	(3.3)	0.0	0.0	0.0
Proceeds from borrowings	0.0	13.9	0.5	0.0
Loan repayment	(15.7)	(8.0)	(9.4)	(52.3)
Others/interest paid	(2.7)	(3.8)	4.5	(3.0)
Net cash inflow (outflow)	(15.9)	(0.5)	12.3	(2.0)
Beginning cash & cash equivalent	19.9	4.0	3.5	15.8
Changes due to forex impact	0.0	(0.0)	(0.0)	(0.0)
Ending cash & cash equivalent	4.0	3.5	15.8	13.7

KEY METRICS

Year to 31 Dec (%)	2018	2019	2020	2021
Profitability				
EBITDA margin	33.1	20.2	19.0	27.5
Pre-tax margin	14.2	2.6	(2.0)	15.2
Net margin	2.0	0.9	(3.2)	7.9
ROA	0.3	0.2	(0.6)	1.9
ROE	1.0	0.6	(1.9)	4.7
Growth				
Turnover	(57.0)	30.3	(10.0)	31.4
EBITDA	n.a.	(20.4)	(15.4)	89.9
Pre-tax profit	n.a.	(76.2)	n.a.	n.a.
Net profit	n.a.	(42.7)	n.a.	n.a.
Net profit (adj.)	n.a.	(42.7)	n.a.	n.a.
EPS	n.a.	(42.8)	n.a.	n.a.
Leverage				
Debt to total capital	58.2	58.6	55.3	33.9
Debt to equity	203.4	218.3	176.0	66.1
Net debt/(cash) to equity	192.2	207.9	145.1	47.1
Interest cover (x)	3.0	2.1	1.7	4.9

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