



16 August 2012

Crest Builder Holdings

1H12 above expectations

OUTPERFORM ↔

Price: RM1.08
Target Price: RM1.49 ↔

- Period** ■ 2Q12 / 1H12
- Actual vs. Expectations** ■ The 1H12 core net profit of RM9.5m exceeded expectations slightly, making up 56% of our FY12E core earnings of RM17.1m on the back of higher than expected construction contributions.
- Dividends** ■ None as expected.
- Key Results Highlights** ■ YoY, the 1H12 core earnings grew 258% after stripping out 1H11 one-off gains (prepaid land gains on disposal of RM19m). Growth was also driven by 1H12 construction revenue, which rose 52% YoY against a slight margin compression of -0.8ppt in operating margins to 3.8%. The key ongoing contracts are Menara Binjai, Verticas, UniTapah. This helped to mitigate softer 1H12 property development operating profit (-19% YoY) as the group is focusing on completing its Alam Idaman project, which is near completion/completed.
- QoQ, a higher finance cost (+13% QoQ) eroded the impact of the revenue increase of 15% to RM155.5m, resulting in 2Q12 net profit sliding by 8% to RM4.6m.
- Outlook** ■ CBH will be looking to roll out its Dang Wangi project in 2H13. We also expect CBH to firm its JV project to develop the Lembaga Getah Malaysia (MRB) site (GDV: RM1.33b). Since UniTapah concession earnings will commence in FY14E, we expect the group to work towards ring-fencing the concession to allow for better net gearing levels. Currently, the net gearing has improved to 0.79x from last quarter's 0.84x.
- Change to Forecasts** ■ Maintaining FY12-13E core earnings pending our upcoming company visit. Estimates are based on 1) FY12-13E construction orderbook replenishment of RM250m-RM350m, 2) targeted FY12-13E property sales of RM105m-RM271m.
- Rating** **Maintain OUTPERFORM**
- CBH is at its inflection point for a re-rating as it moves from its traditional construction business into the property development scene while riding on the ETP play with Dang Wangi and MRB.
- Valuation** ■ Maintaining TP of RM1.49 based on a 10% 'holding company' discount to our FD SoP of RM1.67, inclusive of a 55% discount on property.
- Risks** ■ Capital management risks as well as property and construction sector risks, including negative policies and slow contract awards.

Share Price Performance



KLCI	1653.78
YTD KLCI chg	8.0%
YTD stock price chg	66.2%

Stock Information

Bloomberg Ticker	CBH MK Equity
Market Cap (RM m)	146.2
Issued shares	135.4
52-week range (H)	1.19
52-week range (L)	0.56
3-mth avg daily vol:	541,148
Free Float	60%
Beta	1.2

Major Shareholders

SOON CHOW YONG	31.9%
BIN ABDUL JA	5.0%
HUA LAN KOH	2.9%

Summary Earnings Table

FY Dec (RM'm)	2012E	2013E	2014E
Turnover	431.4	625.5	659.7
EBIT	44.4	67.0	99.2
PBT	22.8	28.3	56.9
Net Profit (NP)	17.1	19.8	35.0
Core Net Profit	17.1	19.8	35.0
Consensus (NP)	17.6	20.1	
Earnings Revision	N.A.	N.A.	N.A.
Core EPS (sen)	12.5	14.6	25.7
Core EPS growth (%)	9	16	77
NDPS (sen)	3.1	3.6	6.4
NTA/Share (RM)	1.9	2.0	2.2
Core PER	8.6	7.4	4.2
Price/NTA (x)	0.5	0.5	0.4
Net Gearing (x)	1.2	2.2	2.2
Dividend Yield (%)	6	7	4

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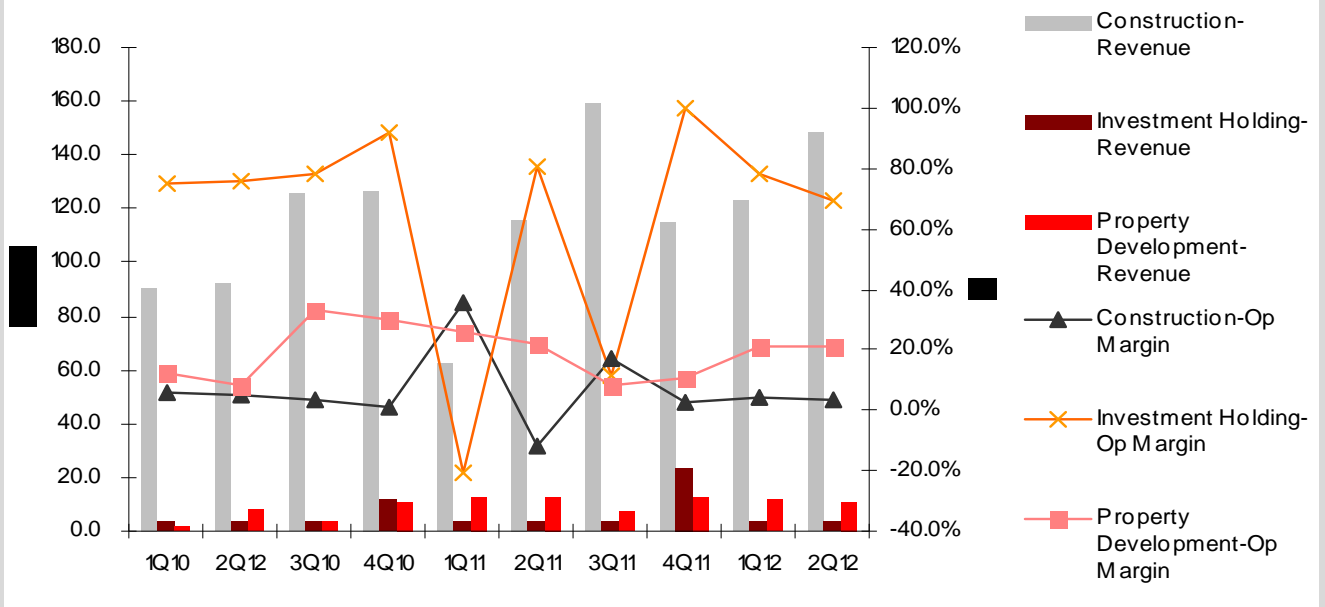
SoP Valuation		
	Valuation (RM'm)	Valuation Method
Property Development	80.6	55% discount to RNAV-DCF of future profits @ 11% WACC: Dang Wangi (51% stake) and Batu Tiga Projects (100% stake). 55% RNAV-DCF discount is the steepest discount factor due to the company having limited niche landbanks, oppose to sustainable bread and butter township ones.
Investment Holdings	142.7	1.0x FY12E Book Value (investment properties are valued annually); 100% stake
UiTM	24.5	NPV @ 10% over 23 years; 50% stake
Construction	29.2	7x FY12E PER i.e. slightly lower than mid-cap construction players of 9x.
Cash from placement + warrants A/B + ESOS	108.6	Based on placement price of RM1.00 and similar warrants B exercise price.
SoP	385.6	
FD No. of shares ('m)	232.4	
SoP (RM)	1.66	
Holding Company Discount	10%	
TP (RM)	1.49	

Source: Kenanga Research

Result Highlights								
FY Dec (RM'm)	2Q12	1Q12	QoQ	2Q11	YoY	1H12	1H11	YY-Ytd %
Revenue	155.5	134.9	15%	122.0	27%	290.3	186.6	56%
Operating Cost	(147.5)	(125.7)	17%	(113.4)	30%	(267.2)	(164.1)	63%
Other Operating Income	1.9	0.9	118%	0.8	129%	2.7	19.6	-86%
EBITDA	11.1	11.4	-2%	10.5	5%	22.5	34.5	-35%
EBIT	9.8	10.1	-3%	9.4	5%	19.9	32.0	-38%
One-offs								
Finance Costs	(4.2)	(3.9)	9%	(3.1)	33%	(8.0)	(6.0)	34%
Profit Before Taxation	5.6	6.2	-10%	6.2	-10%	11.9	26.0	-54%
Tax	(1.7)	(1.8)	-3%	(2.8)	-39%	(3.5)	(5.2)	-34%
Profit After Tax	3.9	4.5	-13%	3.4	15%	8.4	20.7	-59%
Minority Interest	0.7	0.5	33%	0.0	>100%	1.1	0.0	>100%
Net Profit	4.6	5.0	-8%	3.4	33%	9.5	20.7	-54%
Core Net Profit	4.6	5.0	-8%	3.4	33%	9.5	2.7	258%
GDPS (sen)	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
NAV/unit (RM)	2.31	2.19	6%	2.12	9%	2.31	2.12	9%
Gearing (x)	0.9	0.8		0.8		0.8	0.79	
EBITDA Margins	7%	8%		9%		8%	19%	
PBT Margins	4%	5%		5%		4%	14%	
Effective tax rate	-30%	-28%		-45%		-29%	-20%	

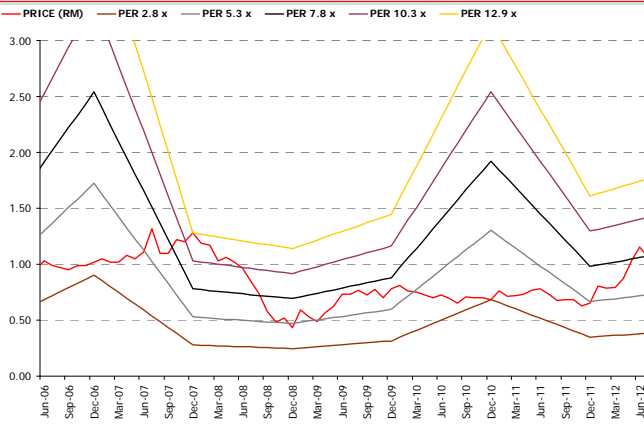
Source: Company, Kenanga Research

Segment Trends

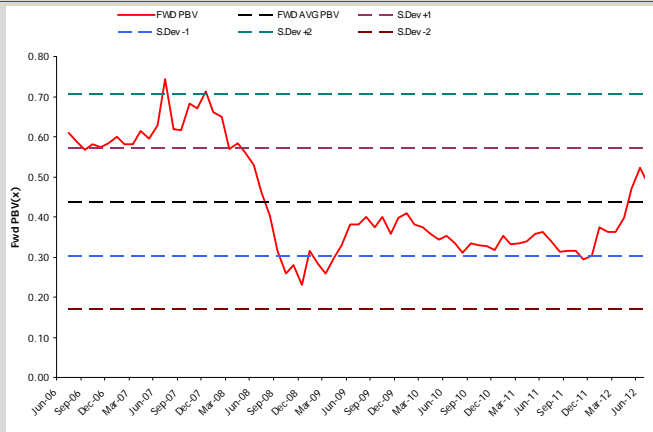


Source: Company, Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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