

22 November 2012

Crest Builder Holdings

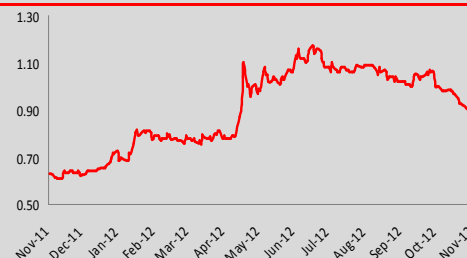
Meets expectations

- Period** ■ 3Q12 / 9M12
- Actual vs. Expectations** ■ 9M12 core earnings of RM13.5m is within expectation, making up 79% of our estimates.
- Dividends** ■ None as expected.
- Key Results Highlights** ■ **QoQ**, 3Q12 pretax profit grew 15% to RM4.5m given stable EBITDA margins of 7% and 20% growth in revenue. Construction revenue (main contributors are Menara Binjai, Setia Sky, Verticas and UniTapah) did exceed our initial estimates significantly, but this helped the softer than expected property billings as Avenue Crest (offices) was launched later than expected; the project has achieved 30% take up rate since the launch in 3Q12.
- **YoY**, 3Q12 core earnings dropped 40% to RM3.9m. Although revenue and EBITDA margins (7%) were flat, finance cost rose 23% to RM4.8m due to higher borrowings arising from UniTapah and Tierra Crest. Furthermore, effective interest rate was higher at 36% (3Q11: 24%).
- **Ytd-YoY**, 9M12 core earnings grew 46% on better revenue from construction (+32% YoY) and property (+9% YoY), as well as, stripping-off last period's non-cash fair value gains of RM19m.
- Outlook** ■ Dang Wangi project will start 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 being in FY14E, project financing is expected to be ring-fenced; if so, net gearing without UniTapah will improve to 0.5x from current 0.9x. CBH is tendering for another RM2.5b contracts, including the Langat 2 water treatment plant.
- Change to Forecasts** ■ No changes to FY12-13E estimates. Remaining construction orderbook is RM1.2b, which is largely driven by Dang Wangi. To date, the group has recorded RM115m sales from Alam Idaman (100% sold) and Avenue Crest (30% sold), which is inline with our estimates.
- Rating** ■ **Maintain OUTPERFORM**
- At current price, investors are getting the property segment and UniTapah concession for 'free' based on our TP. The stock is trading at FY12-13E core PER of 7x-6x or near mid-cycle.
- Valuation** ■ Maintain TP of RM1.34 based on 10% discount to FD SoP of RM1.49; our SoP uses property RNAV discount of 75% (steepest under coverage).
- Risks** ■ Capital management and sector risks; property (negative policies) and construction (slow awards).

OUTPERFORM ↔

Price: RM0.89
Target Price: RM1.34 ↔

Share Price Performance



KLCI	1622.97
YTD KLCI chg	6.0%
YTD stock price chg	36.9%

Stock Information

Bloomberg Ticker	CBH MK Equity
Market Cap (RM m)	122.8
Issued shares	138.0
52-week range (H)	1.19
52-week range (L)	0.61
3-mth avg daily vol:	283,070
Free Float	60%
Beta	1.2

Major Shareholders

SOON CHOW YONG	32.0%
BIN ABDUL JA SULAIM	4.9%
HUA LAN KOH	3.2%

Summary Earnings Table

FYE Dec (RM'm)	2011A	2012E	2013E
Turnover	499.8	514.3	651.1
EBIT	36.7	42.3	65.9
PBT	37.4	25.1	29.9
Net Profit (NP)	29.4	17.1	19.8
Core Net Profit	15.7	17.1	19.8
Consensus (NP)	N.A.	N.A.	N.A.
Earnings Revision	N.A.	N.A.	N.A.
Core EPS (sen)	11.5	12.5	14.6
Core EPS growth (%)	16%	9%	16%
NDPS (sen)	3.0	3.1	3.6
NTA/Share (RM)	1.7	1.9	2.0
Core PER	7.7	7.1	6.1
Price/NTA (x)	0.5	0.4	0.4
Net Gearing (x)	0.7	1.0	1.8
Dividend Yield (%)	3%	4%	4%

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OTHER POINTS/Continuation from previous page.

FD SoP	Valuation (RM'm)	Valuation Method
Property Development	44.8	75% discount to RNAV-DCF of future profits @ 11% WACC: Dang Wangi (51% stake) and Batu Tiga Projects (100% stake). RNAV-DCF discount is the steepest amongst our coverage 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	26.5	5x FY12E PER i.e. lower than mid-cap construction players of 8x-9x.
Cash from placement + warrants A/B + ESOS	108.6	Based on placement price of RM1.00 and similar warrants B exercise price.
SoP	347.1	
FD No. of shares ('m)	232.4	
SoP (RM)	1.49	
Holding Company Discount	10%	
TP (RM)	1.34	

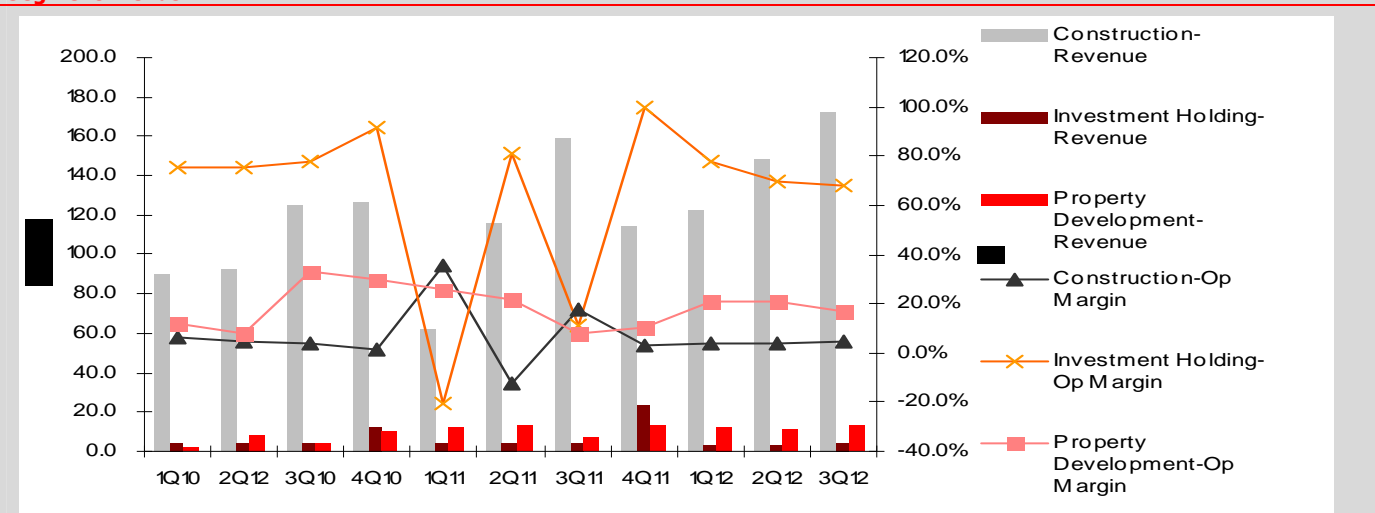
Source: Kenanga Research

Result Highlights

FYE 31 Dec (RM'm)	3Q12	2Q12	QoQ	3Q11	YoY	9M12	9M11	YoY-Ytd %
Revenue	186.7	155.5	20%	186.2	0%	477.0	372.8	28%
Operating Cost	(175.7)	(147.5)	19%	(175.6)	0%	(448.8)	(349.7)	28%
Other Operating Income	0.8	1.9	-59%	1.2	-38%	3.5	20.8	-83%
EBITDA	13.0	11.1	18%	13.0	0%	35.5	47.3	-25%
EBIT	11.8	9.8	20%	11.8	0%	31.7	43.8	-28%
Finance Costs	(4.8)	(4.2)	14%	(3.9)	23%	(12.8)	(9.9)	30%
Profit Before Taxation	7.0	5.6	24%	7.9	-12%	18.8	33.9	-44%
Tax	(2.5)	(1.7)	45%	(1.9)	31%	(5.9)	(7.1)	-17%
Profit After Tax	4.5	3.9	15%	6.0	-26%	12.9	26.8	-52%
Minority Interest	(0.6)	0.7	-188%	0.5	-207%	0.6	0.5	4%
Net Profit	3.9	4.6	-14%	6.6	-40%	13.5	27.3	-51%
Core Net Profit	3.9	4.6	-14%	6.6	-40%	13.5	9.3	46%
EPS (sen)	2.9	3.7		5.3		10.6	22.0	-52%
GDPS (sen)	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
NAV/unit (RM)	2.12	2.31	-8%	2.13	-1%	2.12	2.13	-1%
Net Gearing (x)	0.9	0.8		0.7		0.9	0.7	
EBITDA Margins	7.0%	7.1%		7.0%		7.4%	7.8%	
PBT Margins	3.7%	3.6%		4.3%		4.0%	9.1%	
Effective tax rate	-36%	-30%		-24%		-32%	-21%	

Source: Company, Kenanga Research

Segment Trends

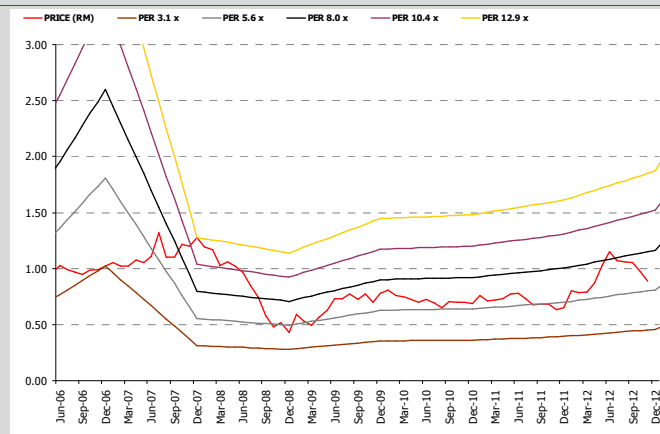


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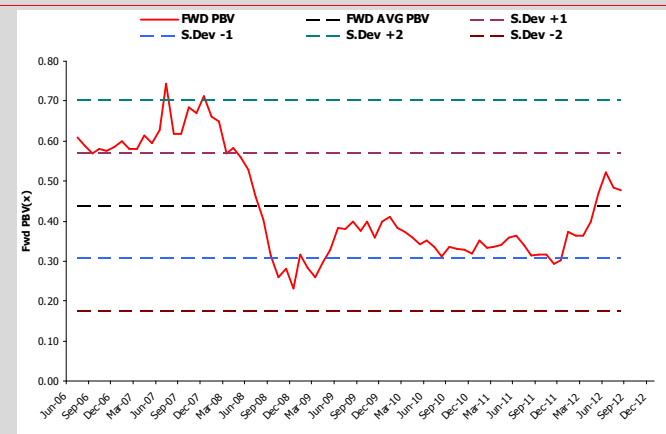
Income Statement						Financial Data & Ratios					
FYE Dec (RM m)	2010A	2011A	2012E	2013E	2014E	FYE Dec (RM m)	2010A	2011A	2012E	2013E	2014E
Revenue	460.1	499.8	514.3	651.1	678.6	Growth					
EBITDA	34.5	41.4	47.4	71.4	125.7	Turnover (%)	39.6	8.6	2.9	26.6	4.2
Depreciation	-4.4	-4.7	-5.1	-5.5	-20.4	EBITDA (%)	15.5	19.7	14.7	50.5	76.2
Operating Profit	30.1	36.7	42.3	65.9	105.3	Operating Profit (%)	16.4	21.9	15.4	55.6	59.8
Other Income	1.5	7.9	5.1	6.5	6.8	PBT (%)	16.4	82.7	-32.7	19.0	101.7
Interest Exp	-10.4	-14.0	-17.2	-36.0	-45.0	Core Net Profit (%)	23.4	15.6	9.1	16.0	89.7
Associate	0.0	0.0	0.0	0.0	0.0	Profitability (%)					
Exceptional Items	0.4	-4.3	0.0	0.0	0.0	EBITDA Margin	7.5	8.3	9.2	11.0	18.5
PBT	20.4	37.4	25.1	29.9	60.3	Operating Margin	6.5	7.3	8.2	10.1	15.5
Taxation	-6.2	-7.9	-8.0	-8.7	-15.1	PBT Margin	4.4	7.5	4.9	4.6	8.9
Minority Interest	0.0	0.0	0.0	-1.4	-7.6	Core Net Margin	2.9	3.1	3.3	3.0	5.5
Net Profit	14.2	29.4	17.1	19.8	37.6	Effective Tax Rate	30.4	21.2	32.0	29.0	25.0
Core Net Profit	13.6	15.7	17.1	19.8	37.6	ROA	2.3	2.2	2.2	1.8	3.1
						ROE	5.6	5.9	5.8	6.4	11.2
Balance Sheet						DuPont Analysis					
FYE Dec (RM m)	2010A	2011A	2012E	2013E	2014E	Net Margin (%)	3.1	5.9	3.3	3.0	5.5
Fixed Assets	57.7	18.0	15.9	13.4	10.6	Assets Turnover (x)	0.8	0.7	0.7	0.6	0.6
Intangible Assets	33.6	33.6	33.6	33.6	33.6	Leverage Factor (x)	2.4	2.6	2.7	3.5	3.7
Other FA	124.3	207.7	335.1	504.4	544.2	ROE (%)	5.6	5.9	5.8	6.4	11.2
Inventories	2.0	2.0	2.1	2.6	2.5	Leverage					
Receivables	324.4	388.4	346.0	403.6	360.1	Debt/Asset (x)	0.3	0.3	0.4	0.5	0.6
Other CA	35.5	40.2	43.9	105.5	259.5	Debt/Equity (x)	0.7	0.8	1.0	1.9	2.1
Cash	5.5	16.7	12.4	16.2	15.2	Net Cash/(Debt)	161.8	198.3	293.3	567.8	701.6
Total Assets	583.0	706.5	789.0	1079.3	1225.7	Net Debt/Equity (x)	0.7	0.7	1.0	1.8	2.1
Payables	169.9	142.8	186.9	184.8	178.4	Valuations					
ST Borrowings	54.5	50.9	50.9	50.9	50.9	EPS (sen)	10.5	21.6	12.5	14.6	27.6
Other ST Liability	0.1	1.3	0.0	0.0	0.0	FD EPS (sen)	5.8	6.7	7.4	8.5	16.2
LT Borrowings	112.8	164.2	254.8	533.1	666.0	Core EPS (sen)	10.0	11.5	12.5	14.6	27.6
Other LT Liability	4.5	2.7	4.3	5.0	4.3	FD Core EPS (sen)	5.8	6.7	7.4	8.5	16.2
Minorities Int.	0.0	0.0	0.0	0.0	0.0	NDPS (sen)	3.0	3.0	3.1	3.6	6.9
Net Assets	241.3	344.7	292.2	305.6	326.2	FD NDPS (sen)	2.1	2.1	2.5	2.8	5.4
Share Capital	124.1	124.1	136.5	136.5	136.5	NTA (RM)	1.5	1.7	1.9	2.0	2.2
Reserves	116.9	143.6	156.4	171.3	199.5	Core PER (x)	8.9	7.7	7.1	6.1	3.2
Equity	240.8	267.5	292.7	307.6	335.8	Div. Yield (%)	3.4	3.4	3.5	4.1	7.8
						P/NTA (x)	0.5	0.5	0.4	0.4	0.4
Cashflow Statement						EV/EBITDA (x)	7.9	7.4	8.5	9.5	6.5
FY Dec (RM m)	2010.0	2011E	2012E	2013E	2014E						
Operating CF	-4.6	-46.6	121.1	-60.4	-13.8						
Investing CF	-44.5	-50.4	-129.3	-173.1	-51.1						
Financing CF	2.6	31.0	81.6	237.3	78.5						
Change In Cash	-46.4	-65.9	73.4	3.8	13.6						
Free CF	39.8	3.8	250.4	112.6	37.2						

Source: Kenanga Research

Fwd Core PER Band



Fwd PBV Band



Source: Kenanga Research

NAME	Price (21/11/12)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld.	Historic al ROE	P/BV (x)	Net Profit (RMm)			FY12/ 13 NP Growth (%)	FY13/1 4 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY11/ 12	FY12/ 13	FY13/ 14	(%)	(%)		FY11/ 12	FY12/ 13	FY13/ 14				
DEVELOPERS UNDER COVERAGE															
UEM Land	2.22	9607.9	31.8	25.5	24.1	1.2%	8.0%	1.9	301.7	361.9	402.9	20.0%	11.3%	2.07 (Under Review)	MARKET PERFORM (Under Review)
SP Setia	3.41	6839.8	26.7	24.5	20.7	1.8%	11.6%	1.6	328.0	357.6	422.5	9.0%	18.1%	3.80	MARKET PERFORM
IJM Land*	2.09	2932.3	16.9	13.9	12.6	1.7%	9.1%	1.2	193.7	235.0	259.0	21.3%	10.2%	2.60	OUTPERFORM
UOA Development*	1.77	2249.3	12.0	8.7	6.4	6.9%	30.7%	1.1	193.9	269.7	362.4	39.1%	34.4%	2.30	OUTPERFORM
Mah Sing Group	2.29	1921.9	11.3	8.8	7.2	4.3%	16.9%	1.6	168.6	209.1	268.0	24.0%	28.2%	2.45	MARKET PERFORM
Hunza Properties*	1.50	291.6	7.9	16.3	22.2	1.4%	20.3%	0.5	32.5	15.8	11.6	-51.3%	-26.4%	1.50	UNDERPERFORM
Crest Builder*	0.89	122.8	7.7	7.1	6.1	3.4%	5.9%	0.4	15.7	17.1	19.8	8.9%	16.2%	1.34	OUTPERFORM
* Core NP and Core PER															
** FD Core PER, FD PBV, FD Core Net Profit . Note FY11 is only 9 months due to changes in year end.															
CONSENSUS NUMBERS															
SUNWAY BHD	2.30	2,972.8	7.2	8.7	7.7	2.7%	13.6%	0.9	411.9	339.9	386.5	-17.5%	13.7%	2.87	BUY
YNH PROPERTY BHD	1.93	796.5	18.5	12.3	11.0	3.3%	5.4%	1.0	43.1	64.8	72.2	50.4%	11.5%	1.81	NEUTRAL
KSL HOLDINGS BHD	1.42	554.6	5.7	5.6	4.4	3.0%	10.0%	0.6	97.2	98.8	126.9	1.6%	28.5%	1.69	NEUTRAL
GLOMAC BHD	0.85	615.0	5.4	5.2	4.4	6.6%	13.3%	0.4	113.0	117.2	141.2	3.7%	20.5%	1.07	BUY
PARAMOUNT CORP BHD	1.50	506.7	8.5	8.3	7.1	4.7%	8.8%	0.7	59.4	60.8	70.9	2.4%	16.7%	1.90	BUY
IGB CORPORATION BHD	2.37	3,532.0	13.1	16.3	15.0	3.0%	8.0%	1.0	269.9	216.1	235.5	-19.9%	9.0%	2.71	BUY
YTL LAND & DEVELOPMENT BHD	0.94	789.4	34.8	36.0	28.3	N.A.	3.2%	0.8	22.7	22.0	27.9	-3.3%	26.9%	N.A.	BUY
BERJAYA LAND BHD	0.85	4,250.3	63.4	141.7	85.0	1.2%	1.3%	0.8	67.0	30.0	50.0	-55.2%	66.7%	N.A.	NEUTRAL
BOLTON BHD	0.82	252.6	4.1	16.0	7.4	2.2%	10.9%	0.6	61.8	15.8	34.1	-74.4%	115.7%	N.A.	SELL

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

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