

04 June 2018

Investment Idea

Crest Builder Holdings Bhd

Undervalued construction gem

BUY

Price: RM0.91

Target price: RM1.05

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Crest Builder Holdings Bhd (CBHB) marked a good start for FY2018 in its recent quarter result. BUY with target price of RM1.05 premised on 5.6x PER FY19 as per its closest related peers.

CBHB has over 30 years track record in the construction industry with footprints in other segments namely property development, property investment & management and concession arrangement.

CBHB's construction arm hit its all-time high outstanding orderbook at RM1.3b, including the Quarza Mall project (RM438.3m) by Sime Darby located in Setapak. Meanwhile, contracts won during 1Q18 has already touched RM596.1m. This sizable orderbook translates into an orderbook cover ratio of 5.9x on FY2017 construction revenue, providing earnings visibility until 2020.

On its property development segment, the on-going and future GDV stands at RM4.13b. This includes its upcoming RM1.2b Transit-Oriented Development (TOD) project named Latitud8 which sits on top of the Dang Wangi LRT Station. In addition, CBHB has entered into a 23-year maintenance concession agreement with University Teknologi Mara (UiTM). Ending 2034, this concession provides decent rental income of RM43.5m p.a.

CBHB's net profit is expected to achieve double digit growth of circa 14.8% in FY2018 underpin by concession income from UiTM and management's active bidding on selected projects. CBHB is currently trading at around 64% discount to its book value/share and is currently at a multi-year low valuation with forward PER of only 4.9x, compared to its 3-year historical average of 10.7x.



Source: Thomson Reuters

KLCI	1,756.38
YTD KLCI change	-2.25%
YTD stock price change	0.55%

Stock Information

Market Cap (RM m)	155.3
Issued shares (m)	170.7
52-week range (H)	1.22
52-week range (L)	0.87

Major Shareholders

SC Yong Holdings Sdn Bhd	39.03%
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Summary Earnings Table

FY Dec (RM'm)	2016A	2017A	2018F	2019F
Turnover	282.2	498.3	578.0	664.7
EBIT	72.3	89.2	127.2	146.2
PBT	25.9	44.6	69.4	79.8
Net Profit	13.2	28.1	32.2	36.6
Consensus	-	-	-	-
EPS (sen)	7.7	16.4	18.9	21.4
EPS growth (%)	-	112	14.8	13.6
DPS (sen)	4.0	4.0	4.25	4.25
PER (x)	11.8	5.4	4.9	4.3
BV/Share (RM)	2.4	2.5	2.6	2.8
ROE (%)	3.3	6.6	7.2	7.7
Net Div Yield (%)	4.4	4.4	4.7	4.7

Source: Company & Rakuten Trade Research

Technically Speaking

Resistance level	RM0.940
Support level	RM0.885
Cut loss level	RM0.880

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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

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Published:

04 June 2018

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