



AmInvestment Bank

Company report

CREST BUILDER

(CBH MK EQUITY, CREH.KL)

13 Nov 2019

New property development to drive earnings
UNRATED

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03-2036 2025

Rationale for report: Company update

Price	RM0.95
Fair Value	RM1.30
52-week High/Low	RM1.21/RM0.79

Key Changes

Fair value	-
EPS	-

YE to Dec	FY18	FY19F	FY20F	FY21F
Revenue (RM mil)	595.4	507.6	506.9	634.3
Core net profit (RM mil)	70.3	27.0	27.5	39.6
FD Core EPS (sen)	42.9	16.4	16.8	24.1
FD Core EPS growth (%)	150.7	(61.7)	2.1	43.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	4.5	4.0	4.0	4.8
PE (x)	2.2	5.8	5.7	3.9
EV/EBITDA (x)	4.1	6.3	6.3	4.6
Div yield (%)	4.7	4.2	4.2	5.1
ROE (%)	15.4	5.4	5.3	7.3
Net Gearing (%)	89.2%	70.7%	65.1%	59.8%

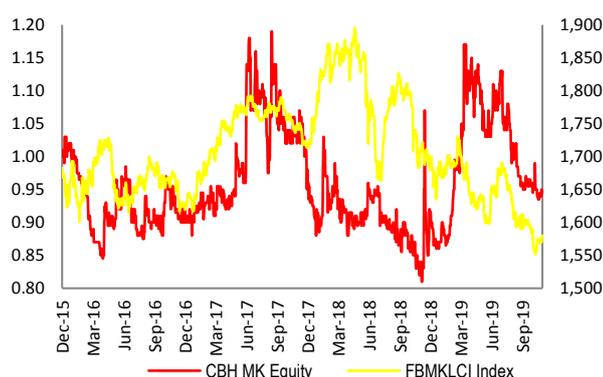
Stock and Financial Data

Shares Outstanding (million)	164.1
Market Cap (RM mil)	155.1
Book Value (RM/share)	3.21
P/BV (x)	0.3
ROE (%)	13.7
Net Gearing (%)	89.2%

Major Shareholders	SC Yong Holdings Sdn. Bhd	40.6%
	Siow Kwang Hwa	4.4%
	Oversea Chinese Bank	3.7%

Free Float	51.4%
Avg Daily Value (RM mil)	0.22

Price performance	3mth	6mth	12mth
Absolute (%)	(6.4)	(8.8)	20.1
Relative (%)	(3.7)	(5.8)	23.0


Investment Highlights

- We recently met up with Crest Builder Holdings Bhd (CBHB). Management shared the company's plan for FY20 and beyond. We believe the company's medium-term outlook is positive, anchored by several construction wins earlier this year while the upcoming property launch will be one of the earnings contributor beyond FY20. CBHB has stable income from property investments and concession arrangement. We value CBHB at RM1.30 based on SOP valuations (Exhibit 4).
- CBHB's income is mainly derived from 4 segments: (i) construction; (ii) property development; (iii) property investment & management; and (iv) concession arrangement. Refer to Exhibits 1 & 2 for FY18 breakdown.
- The construction business is mainly focused on infrastructure and building works of residential developments, healthcare amenities, infrastructure, leisure amenities, educational facilities and commercial developments. CBHB bagged a RM155.1mil contract from Glomac Segar for the construction of a proposed plaza in Kelana Jaya in October 2019. Meanwhile earlier this year, the company secured a contract worth RM99.6mil to construct a 26-storey hotel at Jalan P Ramlee, KL. Presently, the remaining order book stands at RM1.1bil (Exhibit 3), indicating stable income for the next 2–3 years.
- For the property development division, CBHB is planning a mixed commercial development, namely Latitud8, which is a JV project with Prasarana. Building on top of the Dang Wangi LRT station. Latitud8 will feature a lifestyle retail podium with a business centre and convention facilities. The project will also include 418 SOHO units with built-up areas ranging from 650 sq ft to 900 sq ft selling at about RM1,000 psf. CBHB is targeting to launch Latitud8 in early 2020. The project has a GDV of approximately RM1.1bil. The JV partner Prasarana will receive 21.2% of the total GDV in a combination of cash and completed units. The company had a soft launch in Hong Kong and China earlier and received a booking rate of 30%.
- The company is planning another mixed development located at Kelana Jaya, comprising retail units, serviced residential suites and offices. The project has a GDV of approximately RM1.0bil and is targeted to be launched in 2021.
- CBHB has two investment properties – The Crest and Tierra Crest. The Crest, located at Seksyen 19, PJ, is a 16-storey office tower with an NLA of 144.8K sq ft and 1,500 car parks. The rental rate is RM9.0mil p.a. Tierra Crest, in Kelana Jaya, is a 17-storey commercial development comprising a 3-level retail podium and two office towers with an NLA of 285K sq ft yielding RM9.0mil p.a. CBHB also manages a concession (51% stake) of the 5,000-student capacity UiTM Tapah 2 campus with the Ministry of Education and Universiti Teknologi Mara (UiTM). UiTM's Tapah campus receives annual concession income of RM43.5mil until January 2034.

FINANCIALS AND VALUATION

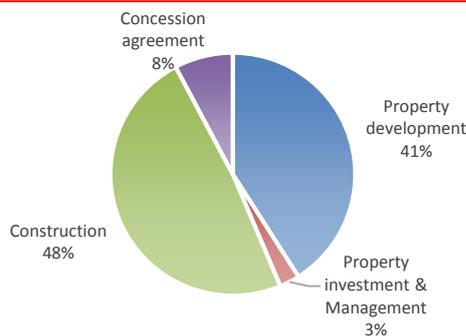
Based on our estimates, CBHB will make a net profit of RM27mil for FY19, which lower than FY18's RM70.3mil. This is mainly due to the absence of income from property development following the completion of the Residensi Hijauan project in 1QFY19. Net profit shall remain flat in FY20 due to the same reason. FY19–20 earnings will be mainly supported by construction, property investment, concession and inventories from property development. We expect earnings to expand to RM39.6mil in FY21, contributed mainly by Latitud8 which is scheduled for launching in early 2020. On top of that, CBHB is planning to tender RM2.2bil to RM2.8bil of construction jobs in FY20. Historically, the company has a success rate of between 15% and 20%.

CBHB does not have a dividend policy but the company has been consistently paying dividends for the past 10 years. For FY17 and FY18, CBHB paid dividends of 4 sen and 4.5 sen respectively. We expect a similar payout for FY19 and FY20.

We are cautious of the above average gearing level of 0.76x as of 1HFY19 (FY18: 0.89x) with interest coverage of about 3x.

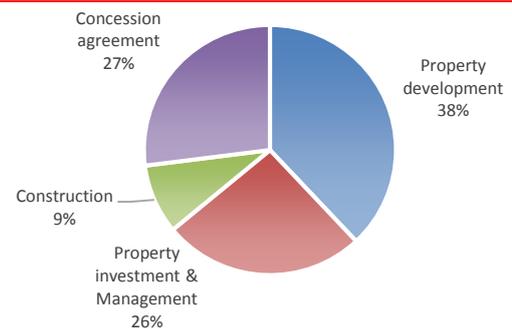
At current price, the stock is trading at an undemanding forward PER of 3.9x–5.8x and P/NTA of 0.4x for FY19F–21F. We value CBHB at RM1.30 based on SOP valuations (Exhibit 4) implying forward PERs of 7.9x, 7.8x and 5.4x for FY19F–21F respectively.

EXHIBIT 1: FY18 REVENUE BREAKDOWN



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 2: FY18 EBIT BREAKDOWN



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: CONSTRUCTION OUTSTANDING ORDER BOOK

Construction outstanding orderbook	Contract value Remaining value	
	(RM' mil)	(RM' mil)
Quarza Mall	438.3	47.6
Latitud8, Dang Wangi	350.0	342.1
Capri Hotel	149.5	129.8
South Brooks Desa Parkcity	328.8	205.1
Rumah Selangorku	29.8	28.8
Toyom Convention Centre	117.8	89.4
Techvance Hotel	99.6	96.5
Glomac Segar Plaza	155.1	155.1
Total	1,668.9	1,094.4

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 4: SOP VALUATION

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8.8% (RMmil)	Stake
Latitud8 @ Jalan Ampang	1,100.0	88.6	78.8%
Kelana Jaya	1,000.0	76.0	75.0%
Inventories		10.0	
Subtotal		174.6	
Property (30% discount to RNAV)		122.2	-
Investment properties as at 30 Jun 2019		299.3	100.0%
Construction (9x FY20F)		140.2	100.0%
Concession (NPV, WACC 8.8%)		29.3	51.0%
Total SOP		591.0	
Net cash/(debt) as at 30 Jun 2019		(377.3)	
Fair value		213.7	
Share base (mil shares)		164.1	
Fair value per share		1.30	

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY17	FY18	FY19F	FY20F	FY21F
Revenue	498.3	595.4	507.6	506.9	634.3
EBITDA	93.0	142.7	82.3	79.9	106.5
Depreciation/Amortisation	(6.8)	(7.4)	(6.8)	(6.8)	(7.7)
Operating income (EBIT)	86.3	135.3	75.5	73.1	98.8
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(41.7)	(37.0)	(31.6)	(31.5)	(39.4)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	44.6	98.3	43.9	41.6	59.4
Taxation	(14.2)	(26.1)	(15.4)	(12.5)	(17.8)
Minority interests	(2.3)	(1.8)	(1.6)	(1.6)	(2.0)
Net profit	28.1	70.3	27.0	27.5	39.6
Core net profit	28.1	70.3	27.0	27.5	39.6
Balance Sheet (RMmil, YE 31 Dec)	FY17	FY18	FY19F	FY20F	FY21F
PPE	33.1	35.9	37.0	38.1	39.2
Intangible assets	33.6	33.6	33.6	33.6	33.6
Other long-term assets	620.9	607.6	607.6	607.6	607.6
Total non-current assets	687.6	677.1	678.2	679.3	680.4
Cash & equivalent	114.0	123.9	140.8	140.3	141.7
Inventories	375.8	317.1	303.0	304.2	375.9
Trade receivables	226.6	209.3	166.9	191.8	223.8
Other current assets	97.7	141.3	123.2	123.1	128.4
Total current assets	814.0	791.6	733.8	759.4	869.8
Trade payables	386.1	358.5	363.6	365.0	451.2
Short-term borrowings	229.2	163.0	162.5	148.0	140.1
Other current liabilities	14.3	16.2	15.8	15.8	16.4
Total current liabilities	629.5	537.8	541.9	528.8	607.7
Long-term borrowings	428.8	395.3	337.0	336.6	336.9
Other long-term liabilities	27.3	35.5	15.1	34.4	31.3
Total long-term liabilities	456.1	430.8	352.2	371.0	368.2
Shareholders' funds	424.4	487.3	507.7	528.6	560.3
Minority interests	15.9	17.8	15.1	15.1	18.9
BV/share (RM)	2.59	2.97	3.09	3.22	3.41
Cash Flow (RMmil, YE 31 Dec)	FY17	FY18	FY19F	FY20F	FY21F
Pretax profit	44.6	98.3	43.9	41.6	59.4
Depreciation/Amortisation	6.8	7.4	6.8	6.8	7.7
Net change in working capital	10.4	68.1	79.3	(24.6)	(22.3)
Others	3.8	(9.5)	(35.8)	(1.6)	(26.8)
Cash flow from operations	65.6	164.4	94.2	22.1	18.0
Capital expenditure	(0.8)	(1.7)	(1.1)	(1.1)	(1.1)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	11.9	0.2	0.0	0.0	0.0
Cash flow from investing	11.1	(1.5)	(1.1)	(1.1)	(1.1)
Debt raised/(repaid)	(28.3)	(71.5)	(58.8)	(14.9)	(7.6)
Equity raised/(repaid)	0.0	(0.7)	0.0	0.0	0.0
Dividends paid	(41.6)	(36.7)	(6.6)	(6.6)	(7.9)
Others	(6.3)	(26.7)	0.0	0.0	0.0
Cash flow from financing	(76.2)	(135.6)	(65.4)	(21.5)	(15.5)
Net cash flow	0.4	27.3	27.7	(0.5)	1.4
Adjustments	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) b/f	61.4	61.8	89.1	116.8	116.3
Net cash/(debt) c/f	61.8	89.1	116.8	116.3	117.7
Key Ratios (YE 31 Dec)	FY17	FY18	FY19F	FY20F	FY21F
Revenue growth (%)	76.6	19.5	(14.7)	(0.1)	25.1
EBITDA growth (%)	19.7	53.4	(42.4)	(2.9)	33.3
Pretax margin (%)	9.0	16.5	8.6	8.2	9.4
Net profit margin (%)	5.6	11.8	5.3	5.4	6.2
Interest cover (x)	2.1	3.7	2.4	2.3	2.5
Effective tax rate (%)	31.9	26.6	35.0	30.0	30.0
Dividend payout (%)	23.4	10.5	24.4	23.9	20.0
Receivable turnover (days)	166.0	128.3	120.0	138.1	128.8
Inventory turnover (days)	137.6	212.4	222.9	218.6	195.7
Payable turnover (days)	141.4	228.2	259.6	262.3	234.8

Source: Company, AmlInvestment Bank Bhd estimates

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