

Result Snapshot MKH Bhd

Bloomberg: MKH MK | Reuters: METR.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

28 Feb 2014

BUY RM3.90 KLCI : 1,831.66

Price Target : 12-Month RM 5.40

Analyst

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Result Summary

FY Sep (RM m)	1Q 2014	1Q 2013	4Q 2013	% Chg y-o-y	% Chg q-o-q
P&L Items					
Turnover	182.5	147.8	217.9	23.4	(16.2)
Gross Profit	64.3	56.3	76.3	14.3	(15.7)
Opg Profit	43.6	39.8	44.6	9.6	(2.3)
EBITDA	44.6	50.2	45.2	(11.2)	(1.4)
*Net Profit	16.7	34.2	24.2	(51.1)	(30.8)

Other Data

Gross Margin (%)	35.3	38.1	35.0
Opg Margin (%)	23.9	26.9	20.5
Net Margin (%)	9.2	23.1	11.1

*inclusive of tax deduction arising from FX loss

Financial Summary

FY Sep (RM m)	2013A	2014F	2015F	2016F
Turnover	688	773	977	1,271
Operating Profit	158	192	264	362
EBITDA	183	195	267	365
Net Pft (Pre Ex.)	119	135	190	267
EPS (sen)	29.6	38.6	54.5	76.6
EPS Pre Ex. (sen)	34.1	38.6	54.5	76.6
EPS Gth (%)	15	31	41	41
EPS Gth Pre Ex (%)	63	13	41	41
PE Pre Ex. (X)	11.4	10.1	7.2	5.1
EV/EBITDA (X)	9.7	8.8	6.4	4.5
Net Div Yield (%)	1.9	2.6	2.6	3.8
P/Book Value (X)	1.4	1.3	1.1	0.9
Net Debt/Equity (X)	0.4	0.3	0.3	0.2
ROAE (%)	12.0	13.4	16.7	20.1

At A Glance

Issued Capital (m shrs)	349
Mkt. Cap (RMm/US\$m)	1,362 / 415
Avg. Daily Vol.('000)	1,472

Price Relative



Source: Company, HwangDBS Vickers

Exciting times ahead

- **1QFY14 results in line**
- **Twin earnings boosters - Plantation and Property - to drive impressive 3-year earnings CAGR of 31%**
- **High conviction pick; reiterate BUY with RM5.40 TP**

Highlights

1QFY14 results in line. Excluding net FX loss of RM20m, MKH booked RM32m core profit in the quarter (-23% q-o-q, -10% y-o-y). This is 23% of our full-year estimate. Sales came in at RM183m in the quarter (-16% q-o-q, +23% y-o-y), lifted by progressive recognition of its ongoing property projects as well as maturing plantation estates.

On track for record year. Plantation segment achieved record high core EBIT of RM16m (+92% q-o-q, +169% y-o-y), driven by exponential growth from its young oil palms and higher CPO prices. This helped to offset slightly weaker Property EBIT of RM27m (-37% q-o-q, -4% y-o-y). Group core EBIT margin remained healthy at 24% (vs 21% in 4QFY13).

Our View

Robust property sales. Despite perceived weaker property sentiment in 1QFY14 after cooling measures were announced in Oct13, MKH managed to book RM122m in new sales in the quarter with encouraging response to Hill Park Shah Alam, Pelangi Heights and Kajang East. Also, recently launched MKH Avenue I (RM90m GDV) comprising 18 lots of 4-storey and 6-storey blocks (>RM4m/unit) is sold out, indicating strong demand for MKH's projects in Kajang. Coupled with robust unbilled sales of RM514m (as at Dec13), we expect MKH's launch pipeline worth RM912m GDV in FY14 to sustain strong growth going forward.

Potential boost from recovering CPO price. CPO price rose 14% y-o-y to RM2,540/MT in 1HFY14, compared to our conservative FY14 net ASP assumption of RM2,366/MT. This could provide further earnings upside if CPO price remains bullish. We estimate a 5% increase over our assumption would lift FY14 earnings by 4%. MKH's results could surprise on the upside in subsequent quarters given the strong CPO price, likely absence of FX losses, as well as robust take-up at its property projects.

Recommendation

Maintain BUY with RM5.40 SOP-derived TP. The share price has risen 45% since our initiation report on 2 Jan 2014, but we believe there is further upside. MKH is a rare gem that offers both deep value and explosive earnings growth. Current valuation at 7x FY15F PE remains attractive given highly visible and strong growth potential.

Segmental breakdown

Revenue (RMm)	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	QoQ (%)	YoY (%)
Property development & construction	102	87	120	167	125	-25%	23%
Hotel & property investment	8	8	9	8	8	0%	0%
Trading	15	16	20	16	12	-21%	-19%
Manufacturing	3	2	3	2	3	42%	-1%
Plantation	19	23	33	25	34	37%	77%
Others	1	1	0	0	0		
	148	137	185	218	182	-16%	23%
*EBIT (RMm)							
Property development & construction	28	14	30	42	27	-37%	-4%
Hotel & property investment	4	4	5	2	4	88%	-5%
Trading	1	1	1	1	1	-13%	-27%
Manufacturing	0	(0)	0	(0)	0	n.m.	383%
Plantation	6	6	9	8	16	92%	169%
Others	0	(1)	(2)	5	2	-61%	n.m.
	38	24	44	59	50	-15%	26%
EBIT margin (%)							
Property development & construction	27%	17%	25%	25%	21%		
Hotel & property investment	57%	44%	57%	28%	53%		
Trading	8%	5%	7%	7%	7%		
Manufacturing	2%	-12%	6%	-9%	8%		
Plantation	24%	27%	28%	34%	47%		
Others							
	26%	18%	24%	27%	27%		

*Adjusted for FX gain/loss

Source: Company, HwangDBS Vickers

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date	Closing Price	Target Price	Rating
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Source: HwangDBS Vickers

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