

Company Focus

MKH Bhd

Bloomberg: MKH MK | Reuters: METR.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

23 May 2014

BUY RM3.61 KLCI : 1,877.03

Price Target : 12-Month RM 5.85 (Prev RM4.50)

Reason for Report : Company update, TP upgrade, results preview

Potential Catalyst: Stronger property sales and CPO prices

AllianceDBS vs Consensus: First to cover the stock

Analyst

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Price Relative



Forecasts and Valuation

FY Sep (RM m)	2013A	2014F	2015F	2016F
Revenue	688	775	983	1,374
EBITDA	183	208	287	403
Pre-tax Profit	136	184	261	377
Net Profit	103	135	191	275
Net Pft (Pre Ex.)	119	135	191	275
EPS (sen)	24.7	32.3	45.5	65.7
EPS Pre Ex. (sen)	28.4	32.3	45.5	65.7
EPS Gth (%)	15	31	41	44
EPS Gth Pre Ex (%)	63	14	41	44
Diluted EPS (sen)	24.7	32.3	45.5	65.7
Net DPS (sen)	7.5	8.3	8.3	12.5
BV Per Share (sen)	272.4	253.1	290.2	347.5
PE (X)	14.6	11.2	7.9	5.5
PE Pre Ex. (X)	12.7	11.2	7.9	5.5
P/Cash Flow (X)	13.8	6.7	9.8	8.4
EV/EBITDA (X)	10.5	8.9	6.4	4.5
Net Div Yield (%)	2.1	2.3	2.3	3.5
P/Book Value (X)	1.3	1.4	1.2	1.0
Net Debt/Equity (X)	0.4	0.3	0.3	0.2
ROAE (%)	12.0	13.4	16.7	20.6
Earnings Rev (%):		0	0	3
Consensus EPS (sen):		31.0	40.0	64.0
Other Broker Recs:		B: 2	S: 0	H: 0

ICB Industry : Real Estate

ICB Sector: Real Estate Investment & Services

Principal Business: MKH is an established township developer in Kajang/Semenyih and Greater Klang Valley. Its 16k ha oil palm estates in Indonesia has started to contribute significantly

Source of all data: Company, AllianceDBS, Bloomberg Finance L.P.

Best is yet to come

- **Near-term catalyst: strong 2QFY14 earnings driven by FX gains, bullish CPO prices and progressive billings at property division**
- **To reach tipping point in 2016 with 3-year earnings CAGR of 32% over FY13-16**
- **Maintain high-conviction BUY with raised SOP-derived TP of RM5.85 (ex-bonus issue)**

Expect solid earnings. MKH is set to book impressive 2QFY14 results, premised on the following: i) stronger IDR resulting in c.RM20m FX gains from US\$80m borrowings for the Indonesian plantation business, ii) stronger-than-expected CPO prices (+7% q-o-q, +15% y-o-y) fuelled by concerns adverse weather would drive down FFB yields, iii) progressive billings of record high unbilled sales of RM602m. Strong earnings delivery would suggest visible and exponential growth ahead for MKH.

At inflection point of strong growth trajectory. Earnings growth will accelerate at the Property and Plantation divisions close to 2016, as the completion of MRT stations in Kajang drive up property sales and the oil palms enter prime age. MKH is gradually transforming into a resource-based player which deserves premium valuation given its unrivalled value propositions. The impact of bullish CPO prices is multi-fold because of the young age profile of its oil palms (average 4 years old). And MKH is the fastest-growing yet cheapest plantation proxy at 8x PE, which is at unwarranted 50% discount to its small-mid cap plantation peers.

High conviction BUY. We raise our SOP-derived TP to RM5.85 (ex-bonus issue), after: i) incorporating profit from unbilled sales and near-term launches, and ii) imputing the latest DBSV CPO price forecasts. MKH is a rare gem that offers both deep value and strong earnings growth unrivalled by peers. Recent share price weakness is a good entry opportunity. BUY for 62% upside potential.

At A Glance

Issued Capital (m shrs)	419
Mkt. Cap (RMm/US\$m)	1,510 / 470
Major Shareholders	
Chen Choy & Sons Realty (%)	43.1
Public Bank Grp Off Fund (%)	9.8
Free Float (%)	47.1
Avg. Daily Vol. ('000)	755

Scaling greater heights

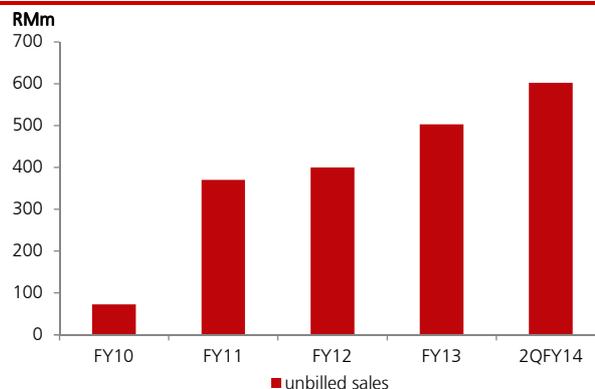
MKH has an unrivalled competitive advantage in Kajang/Semenyih property development because of their low land cost of RM10psf (vs peers' >RM20psf). Affordable homes - MKH's stronghold - remain the key theme for the property sector. Their large tract of property land bank in Kajang/Semenyih (500 acres) makes them the prime beneficiary of rising land prices there. Scarcity of land within Kajang also provides a distinct advantage for MKH's future launches, which are expected to see strong demand and fetch premium pricing.

Since the Malaysian government approved the construction of the MRT in Dec10, there has been a flurry of land-banking activities by property developers in Kajang/Semenyih because of the proposed two stations in Kajang. This is a game-changer in the property landscape in the area, which is now unveiling its full potential.

We have seen other major developers such as SP Setia, EcoWorld, Tropicana, Mah Sing and UEM Sunrise rushing into Kajang/Semenyih in recent years, as the areas gain recognition as strategic townships at a relatively comfortable distance from KL city centre, and that offer affordable housing and ready infrastructure:

- i) Education hub: there are several education institutions in the vicinity such as New Era University College, Universiti Kebangsaan Malaysia, Universiti Putra Malaysia, the Nottingham University campus, Universiti Tenaga Malaysia, the German Malaysia Institute and the Australia International School;
- ii) Easy access through several highways that link Kajang/Semenyih to other major townships within the Klang Valley. These include the Kajang SILK Highway and Persiaran Kajang-Semenyih. Other links to the area are Lebuhraya Utara Selatan, Lebuhraya Cheras-Kajang, Lebuhraya Kajang-Seremban and Lebuhraya Klang Selatan; and
- iii) Strong population growth driven by urban migration. According to the Department of Statistics, Kajang's population was estimated at 795,522 in 2010, making up 15% of Selangor's population of 5.4m. The local town council (MPKj) expects Kajang's population to exceed 1m by 2013.

Record high unbilled sales



Source: AllianceDBS, Company

MKH's recent launches have also continued to receive encouraging response from property buyers. We take comfort that their products generally attract more genuine buyers/upgraders rather than investors/speculators as witnessed in other developments. For instance, recently-launched projects such as Pelangi Heights@Pajam (RM198m GDV) and Kajang East@Semenyih (RM83m GDV) have seen more than 50% take-up, while MKH Avenue I@Kajang city centre (RM90m GDV) has been fully sold despite the hefty price tag of >RM4.2m for the commercial units.

Given the favourable product mix with strong emphasis on affordable houses, MKH is on track to achieve its record high property sales target of RM800m for FY14 (vs RM580m in FY13). MKH has registered RM410m sales in 1HFY14, of which RM96m is presale booking. Thanks to the robust sales, unbilled sales stand at an unprecedented RM602m as at Mar14, which is 1.3 times its FY13 property revenue.

This has yet to include the overwhelming sales at Saville@Kajang (RM280m GDV) which has reached 70% take-up within a month of launch as the project was only launched in Apr14. In fact, MKH has brought forward the project launch to ride on strong sales momentum for their products. We believe MKH's property sales will continue to strengthen given its niche focus on the mass market at strategic locations.

Strong unbilled sales of RM602m as at Mar14

Project	Location	GDV (RMm)	Take-up %	Unbilled sales (RMm)	Remarks
Pelangi Semenyih 2	Semenyih	165	100	31	township development; affordable terrace houses selling for ~RM400
Kajang 2	Kajang	62	79	8	2-storey terrace houses & semi-Ds
Saville@Melawati	Melawati	191	95	7	408 serviced apartments, 12 2-storey shop offices
Saville@the Park, Bangsar	Bangsar	311	79	136	408 condos, 18 semi-D villas shop-offices, terrace houses, semi-Ds, medium cost apartments;
Pelangi Seri Alam 1	Puncak Alam	230	100	73	affordable houses selling for ~RM350k
Mewah 9 Residence	Kajang	35	98	4	120 apartments, 9 shop lots
MKH Boulevard	Kajang town	210	76	99	308 SOHO serviced apartments, 30 shop-offices 311 units of double-storey link houses, affordable houses selling for ~RM450k
Hill Park Shah Alam	Puncak Alam	222	66	133	46 bungalows with average price of RM1.2m, built up from 2995sf-
Pelangi Heights	Pajam	56	41	21	5176sf
Kajang East	Semenyih	40	49	37	56 units of 2-storey houses (22x75) priced from RM650k/unit
MKH Avenue 1	Kajang town	90	>90	53	18 units of 4-storey and 6-storey shop offices
				602	

Source: AllianceDBS, Company

Public-listed developers rushing to buy land in Semenyih/Kajang

Date	Buyer	Location	Size (acre)	RMm	RMpsf	Remarks
25-Apr-14	Eco World	Semenyih	1,073.1	950.0	20.3	near Bandar Rinching
21-May-12	Mah Sing	Bangi	412.0	333.3	18.6	3.2km away from UKM
01-Mar-12	Knusford	Semenyih	13.3	14.2	24.5	near Taman Kajang Perdana and Taman Jelok Impian
03-Oct-11	SP Setia	Semenyih	673.3	381.3	13.0	13km south of Kajang in Rinching
08-Sep-11	Ireka Corp	Kajang	20.6	22.4	25.0	within Bukit Angkat Industrial Zoning
05-Sep-11	Tropicana Corp	Semenyih	198.5	228.0	26.4	Kajang Hills
06-Dec-10	UEM Sunrise	Bangi	463.5	268.5	13.3	near Bandar Seri Putra

Source: AllianceDBS, Companies

MKH: RM8bn launch pipeline to capitalise on Kajang transformation

Current projects	Location	Land (acre)	Tenure	Total GDV (RMm)	Remaining GDV (RMm)	FY14 launches (RMm)	Est GDV beyond FY14	Dev. period (years)
Kajang 2	Kajang	270	FH	2,983	2,833	-	2,833	7
Pelangi Semenyih 2	Semenyih	168	FH	440	70	-	70	5
Hill Park Shah Alam	Puncak Alam	558	LH	1,300	1,168	374	794	5
MKH Avenue I	Kajang town	3	LH	147	147	90	57	3
MKH Avenue II	Kajang town	15	LH	134	134	134	-	4
Pelangi Heights	Pajam	45	FH	198	198	198	-	4
Hill Park Homes 3	Semenyih	28	FH	173	173	33	140	4
Kajang East	Semenyih	138	FH	600	600	83	517	6
Future projects								
Hill Park Homes 4	Semenyih	75	FH	300	300	-	300	5
Saville@Cheras	Cheras	2	FH	280	280	-	280	4
Saville@Kajang	Kajang town	6	FH	280	280	-	280	3
MKH World	Seri Kembangan	12	FH	760	760	-	760	5
MKH City	Kajang town	6	LH	500	500	-	500	4
		1,326		8,095	7,443	912	6,531	

Source: AllianceDBS, Company

MKH Bhd

MKH has also started its annual property carnival, aptly themed *MKH Treasures You* which was officially launched on 20 Apr 2014. This is where MKH will showcase its existing and future projects in conjunction with the 6-month property carnival. We understand that residential projects adjacent to the MRT stations namely Saville@Kajang (RM250m GDV) and Saville@Cheras (RM280m) GDV have received strong enquiries. Particularly, Saville@Kajang is 70% sold since the launch of *MKH Treasures You*, with the first block fully sold on the day of launch.

Block A of Saville@Kajang fully sold on Carnival day



Source: AllianceDBS

Strong response to MKH's Carnival day



Source: AllianceDBS

Huge crowd listening to property talks



Source: AllianceDBS

Purchasers checking out new launches



Source: AllianceDBS

Don't underestimate plantation earnings

MKH's plantation business remains one of the best gems in the group. This is premised on the exponential growth potential arising from strong FFB production growth (we are projecting 3-year CAGR of 20%). The fact that MKH managed to plant 14.4k ha of the 14.8k ha plantable area (15.9k ha estate) within four years (since 2008) underpins its strong operational track record.

The plantation division posted a maiden profit in FY13, and is poised to grow exponentially at 69% (3-year earnings CAGR) over FY13-16F given the young tree profile. They are entering the strongest growth cycle. Furthermore, we understand MKH's plantation land is of decent quality, i.e. flat and slightly undulating terrain with good soil and climate. This might explain the high FFB yield of 16 MT/ha in FY13 although the average age of the palms was only 4 years then.

MKH: planting schedule

Plantation schedule

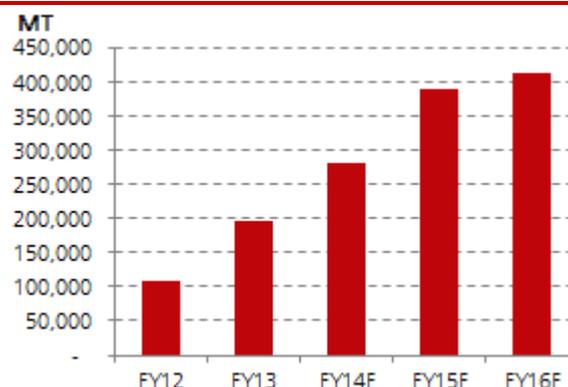
Year	New planting (ha)	Age	Status
2008	3,800	6	mature
2009	5,200	5	mature
2010	4,300	4	mature
2011	1,100	3	immature
Total	14,400		
Weighted average age:		4.81	

Source: AllianceDBS, Company

MKH's Plantation segment booked record high core EBIT of RM16m (+92% q-o-q, +169% y-o-y) in 1QFY14, driven by exponential FFB output growth and higher CPO prices. That accounted for 56% of FY13 contribution. MKH is on track to meet our FY14 FFB production estimate of 272k MT, given that it has achieved 71k MT in 1QFY14.

MKH is also poised to benefit from the current bullish CPO price trend. CPO prices rose 16% y-o-y to RM2,593/MT in 1HFY14 compared to our conservative FY14 net ASP assumption of RM2,526/MT. This suggests upside to earnings if CPO prices remain bullish. We estimate a 5% increase over our assumed price would lift FY14 earnings by 5%.

MKH: 3-year FFB volume CAGR of 20% over FY13-16F



Source: AllianceDBS, Company

We expect plantation contribution to increase to 33% and 38% of Group earnings in FY14 and FY15, respectively (from 17% in FY13). Given the impressive projected FFB output growth, the plantation business could account for half of Group earnings by FY17. Yet, MKH is the cheapest plantation proxy at 8x PE – an undeserving 50% discount to its small-mid-cap peers' average of 16x.

There is unlikely to be major capital spending on the existing plantation estates going forward, especially after the upgrading of its palm oil mill to meet rising own FFB production. The strong cash flow may come in handy for further acquisitions or even benefit MKH shareholders in the form of higher dividend payouts. For instance, MKH declared 10sen gross dividend/share for FY13, representing 25% payout ratio compared to just 15% in FY12.

Valuation

Stock offers 62% upside to RM5.85 TP. We raise our SOP-derived TP to RM5.85 (from RM4.50) after the following revisions:

- i) Incorporating record high unbilled sales and profit NPV for their property development projects. We assume RM2.7bn property sales over FY14-16F, and believe MKH can comfortably achieve that premised on RM1.4bn worth of planned launches in FY14 alone. Property sales may be more robust closer to the completion of MRT stations in Kajang by 2017, which would be a strong re-rating catalyst for MKH; and,
- ii) Imputing latest DBSV CPO price forecasts of RM2,790/RM2,680/ RM2,820 for CY14-16F, representing a revision of 8.6%/0.4%/0.4%. We assumed MKH's net selling price for CPO would be at 6% discount to the forecast spot prices.

There is minimal change to our EPS forecasts despite the upward revision in CPO price assumptions and property sales projections because we also raise the effective tax rate to 25% (from 21% previously) following management's guidance. Also, we factor in longer construction period for some projects, such as 42 months for Saville@Kajang instead of the typical 36 months.

Our TP implies 13x FY15F PE, which is undemanding given the solid long-term growth prospects at both the Property and Plantation businesses. MKH is a rare gem that offers both deep value and strong earnings growth. The share price has surged 61% since our initiation report on 2 Jan 2014, and is trading at 8x FY15 PE, but there is still significant upside potential to our TP.

SOP valuation

SOP	RMm	RM/share	Remarks
Shareholders fund	835	1.99	Exclude plantation NAV
Land bank surplus	122	0.29	35% discount
Property unbilled sales	84	0.20	RM602mas at Mar14
NPV of near-term projects	535	1.28	Assumed RM2.7bn sales within FY14-16F
Plantation	1,017	2.43	95% stake; DCF (WACC 8.7%, TG 1.5%)
	<u>2,594</u>	<u>6.19</u>	
Warrant proceeds	66	-	conversion@RM1.89
Total	<u>2,660</u>	<u>5.86</u>	Fully diluted basis
	TP	5.85	

Source: AllianceDBS

Property land bank surplus

Project	Location	Tenure	land size (acre)	Book value (RMm)	(RMpsf)	Market value (RMm)	(RMpsf)	Surplus (RMm)
Kajang 2	Kajang	FH	220	109.4	11.4	239.6	25	130.1
Kajang East	Semenyih	FH	138	62.2	10.4	120.2	20	58.0
								188.2

Source: AllianceDBS

Plantation DCF valuation

DCF	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating profit	66.6	109.2	138.4	154.9	165.5	172.4	176.6	179.0	180.1	179.8
(-) tax	(16.6)	(27.3)	(34.6)	(38.7)	(41.4)	(43.1)	(44.2)	(44.8)	(45.0)	(44.9)
Operating profit after tax	<u>49.9</u>	<u>81.9</u>	<u>103.8</u>	<u>116.2</u>	<u>124.2</u>	<u>129.3</u>	<u>132.5</u>	<u>134.3</u>	<u>135.1</u>	<u>134.8</u>
(+) depreciation	11.4	11.9	12.5	13.2	13.8	14.5	15.2	16.0	16.8	17.6
Operating cash flow	<u>61.3</u>	<u>93.8</u>	<u>116.3</u>	<u>129.3</u>	<u>138.0</u>	<u>143.8</u>	<u>147.7</u>	<u>150.3</u>	<u>151.9</u>	<u>152.5</u>
(-) capex	(50.0)	(21.2)	(21.8)	(22.5)	(23.2)	(23.9)	(24.6)	(25.3)	(26.1)	(26.9)
Free cash flow	11.3	72.6	94.5	106.8	114.8	119.9	123.1	124.9	125.8	125.6
NPV	616.4									
PV of residual value	<u>754.4</u>									
Firm value	<u>1,370.8</u>									
(-) borrowings	<u>300.0</u>									
Equity value	1,070.8									

Source: AllianceDBS

Key Assumptions

FY Sep	2012A	2013A	2014F	2015F	2016F
CPO ASP (RM/MT)			2,525.5	2,545.1	2,617.9
FFB production (MT)			271,681.3	340,780.5	382,445.0
property sales (RMm)			728.6	896.6	1,058.0

Sensitivity Analysis

	2015
Property sales +/- 5%	Net Profit +/- 3%
CPO price +/- 5%	Net Profit +/- 5%

Segmental Breakdown

FY Sep	2012A	2013A	2014F	2015F	2016F
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Revenues (RM m)

Property development & construction	391	476	489	610	964
Hotel & property	32	32	34	36	38
Trading	63	67	72	78	85
Manufacturing	13	9	9	10	10
Plantation	45	101	170	249	277
Total	545	688	775	983	1,374

Riding on two MRT stations in Kajang

EBIT (RM m)

Property development & construction	82	115	118	153	239
Hotel & property	13	15	15	16	17
Trading	4	4	5	5	6
Manufacturing	1	0	0	0	0
Plantation	0	29	67	109	138
Total	101	163	205	284	400

Exponential growth driven by maturing trees

EBIT Margins (%)

Property development & construction	21.0	24.2	24.1	25.1	24.7
Hotel & property	41.4	46.9	45.0	45.0	45.0
Trading	7.1	6.7	7.0	7.0	7.0
Manufacturing	8.2	(2.3)	1.0	1.5	1.8
Plantation	0.5	28.3	39.2	43.8	49.9
Total	18.6	23.7	26.4	28.9	29.1

Low land cost advantage

Income Statement (RM m)

FY Sep	2012A	2013A	2014F	2015F	2016F
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Revenue	545	688	775	983	1,374
Cost of Goods Sold	(362)	(441)	(416)	(536)	(801)
Gross Profit	183	247	359	447	572
Other Opng (Exp)/Inc	(90)	(90)	(154)	(163)	(173)
Operating Profit	93	158	205	284	400
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	15	11	3	3	3
Net Interest (Exp)/Inc	(22)	(17)	(23)	(26)	(26)
Exceptional Gain/(Loss)	14	(16)	0	0	0
Pre-tax Profit	100	136	184	261	377
Tax	(27)	(29)	(46)	(65)	(94)
Minority Interest	2	(3)	(3)	(5)	(8)
Preference Dividend	0	0	0	0	0
Net Profit	75	103	135	191	275
Net Profit before Except.	61	119	135	191	275
EBITDA	114	183	208	287	403

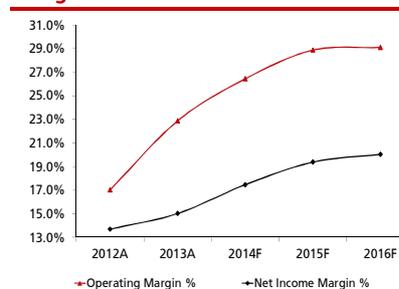
Growth

Revenue Gth (%)	78.2	26.2	12.5	26.9	39.7
EBITDA Gth (%)	105.6	59.8	13.8	38.1	40.4
Opg Profit Gth (%)	169.0	69.7	30.1	38.6	40.8
Net Profit Gth (%)	96.3	38.5	30.9	40.8	44.5

Margins & Ratio

Gross Margins (%)	33.5	36.0	46.3	45.5	41.7
Opg Profit Margin (%)	17.0	22.9	26.4	28.9	29.1
Net Profit Margin (%)	13.7	15.0	17.5	19.4	20.0
ROAE (%)	9.9	12.0	13.4	16.7	20.6
ROA (%)	5.4	6.2	7.0	8.9	11.3
ROCE (%)	5.4	8.4	9.1	11.7	14.8
Div Payout Ratio (%)	14.6	25.3	25.8	18.3	19.0
Net Interest Cover (x)	4.3	9.2	8.7	10.9	15.3

Margins Trend



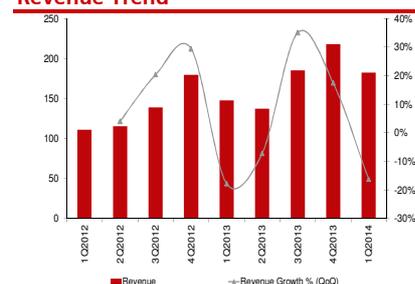
Margins to be lifted by plantation business

Source: Company, AllianceDBS

Quarterly / Interim Income Statement (RM m)

FY Sep	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014
Revenue	148	137	185	218	182
Cost of Goods Sold	(92)	(92)	(115)	(142)	(118)
Gross Profit	56	45	70	76	64
Other Oper. (Exp)/Inc	(17)	(20)	(22)	(32)	(21)
Operating Profit	40	25	48	45	44
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	10	0	0	1	1
Net Interest (Exp)/Inc	(4)	(5)	(6)	(2)	(5)
Exceptional Gain/(Loss)	(1)	0	2	(17)	(15)
Pre-tax Profit	45	20	44	27	25
Tax	(9)	(5)	(12)	(2)	(6)
Minority Interest	(2)	(2)	0	0	(2)
Net Profit	34	13	32	24	17
Net profit bef Except.	35	13	30	41	32

Revenue Trend



FX losses arising from US\$ borrowings at its Indonesian plantation company

Growth

Revenue Gth (%)	(17.8)	(7.2)	35.1	17.5	(16.2)
EBITDA Gth (%)	57.8	(49.5)	88.8	(5.6)	(1.4)
Opg Profit Gth (%)	48.2	(36.9)	91.6	(7.3)	(2.3)
Net Profit Gth (%)	27.0	(63.0)	155.0	(25.2)	(30.8)

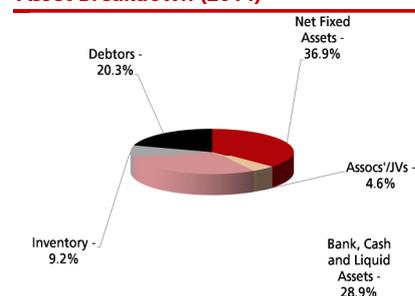
Margins

Gross Margins (%)	38.1	32.7	37.8	35.0	35.3
Opg Profit Margins (%)	26.9	18.3	26.0	20.5	23.9
Net Profit Margins (%)	23.1	9.2	17.4	11.1	9.2

Balance Sheet (RM m)

FY Sep	2012A	2013A	2014F	2015F	2016F
Net Fixed Assets	163	163	243	323	403
Invt in Associates & JVs	50	28	31	34	37
Invt & Devt Properties	238	264	264	264	264
Other LT Assets	564	713	763	784	806
Cash & ST Invt	110	123	191	208	252
Dev Props held for sale	129	280	203	262	392
Inventory	43	41	61	77	108
Debtors	94	113	134	170	238
Other Current Assets	370	561	526	637	865
Total Assets	1,495	1,851	2,016	2,250	2,627
ST Debt	193	107	107	107	107
Creditor	140	182	199	252	353
Other Current Liab	26	40	77	96	125
LT Debt	307	415	415	415	415
Other LT Liabilities	55	152	152	152	152
Shareholder's Equity	775	951	1,061	1,216	1,457
Minority Interests	(2)	3	6	11	19
Total Cap. & Liab.	1,495	1,851	2,016	2,250	2,627
Non-Cash Wkg. Capital	204	339	250	289	388
Net Cash/(Debt)	(391)	(399)	(331)	(313)	(270)
Debtors Turn (avg days)	62.6	54.9	58.1	56.5	54.2
Creditors Turn (avg days)	109.7	137.6	167.2	153.5	137.7
Inventory Turn (avg days)	28.0	35.8	44.6	47.0	42.2
Asset Turnover (x)	0.4	0.4	0.4	0.5	0.6
Current Ratio (x)	1.3	2.1	1.9	1.9	1.9
Quick Ratio (x)	0.6	0.7	0.8	0.8	0.8
Net Debt/Equity (X)	0.5	0.4	0.3	0.3	0.2
Net Debt/Equity ex MI (X)	0.5	0.4	0.3	0.3	0.2
Capex to Debt (%)	18.1	33.4	15.3	15.3	15.3
Z-Score (X)	0.0	0.0	0.0	0.0	0.0

Asset Breakdown (2014)



50% net gearing as at Dec13

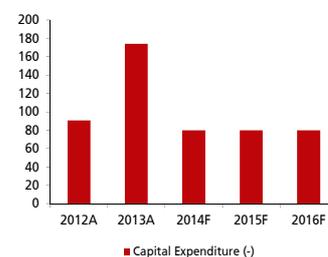
Source: Company, AllianceDBS

Cash Flow Statement (RM m)

FY Sep	2012A	2013A	2014F	2015F	2016F
Pre-Tax Profit	100	136	184	261	377
Dep. & Amort.	7	14	0	0	0
Tax Paid	(29)	(36)	(9)	(46)	(65)
Assoc. & JV Inc/(loss)	(15)	(11)	(3)	(3)	(3)
Chg in Wkg.Cap.	(53)	(6)	52	(58)	(128)
Other Operating CF	9	13	0	0	0
Net Operating CF	20	109	224	154	181
Capital Exp.(net)	(91)	(174)	(80)	(80)	(80)
Other Invts.(net)	(51)	(24)	(50)	(21)	(22)
Invts in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	34	0	0	0
Other Investing CF	57	0	0	0	0
Net Investing CF	(86)	(164)	(130)	(101)	(102)
Div Paid	(10)	(13)	(26)	(35)	(35)
Chg in Gross Debt	112	49	0	0	0
Capital Issues	0	52	0	0	0
Other Financing CF	0	0	0	0	0
Net Financing CF	102	88	(26)	(35)	(35)
Currency Adjustments	11	(20)	0	0	0
Chg in Cash	47	13	68	18	44
Opg CFPS (sen)	20.6	27.6	41.1	50.5	73.6
Free CFPS (sen)	(20.4)	(15.5)	34.4	17.6	24.0

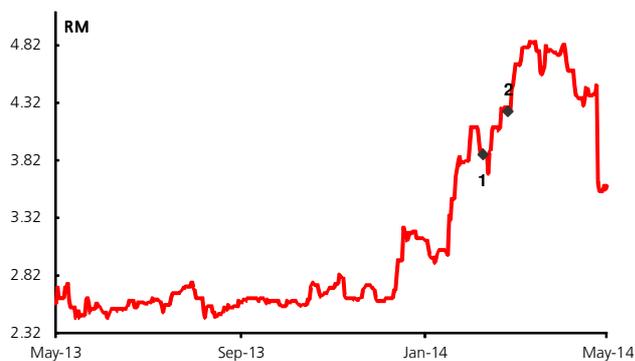
Source: Company, AllianceDBS

Capital Expenditure



Capex for plantation business

Target Price & Ratings History



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

S.No.	Date	Closing Price	Target Price	Rating
1:	28 Feb 14	3.86	5.40	Buy
2:	17 Mar 14	4.24	5.40	Buy

Source: AllianceDBS

DISCLOSURE**Stock rating definitions**

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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