

Malaysia Result Snapshot

MKH Bhd

Bloomberg: MKH MK | Reuters: METR.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 May 2014

BUY RM3.66 KLCI : 1,867.57

Price Target : 12-Month RM 5.85

Analyst

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Result Summary

FY Sep (RM m)	2Q 2014	2Q 2013	1Q 2014	yoy % chg	qoq % chg
P&L Items					
Turnover	188.1	137.2	182.5	37.1	3.1
Gross Profit	75.6	44.9	64.3	68.4	17.5
Opg Profit	51.7	25.1	48.6	105.9	6.3
EBITDA	52.8	25.4	49.7	108.0	6.4
Net Profit	50.7	12.7	16.7	300.0	203.1
Other Data					
Gross Margin (%)	40.2	32.7	35.3		
Opg Margin (%)	27.5	18.3	26.7		
Net Margin (%)	26.9	9.2	9.2		

Financial Summary

FY Sep (RM m)	2013A	2014F	2015F	2016F
Turnover	688	775	983	1,374
Operating Profit	158	205	284	400
EBITDA	183	208	287	403
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
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)	14.8	11.3	8.1	5.6
PE Pre Ex. (X)	12.9	11.3	8.1	5.6
EV/EBITDA (X)	10.6	9.0	6.5	4.5
Net Div Yield (%)	2.0	2.3	2.3	3.4
P/Book Value (X)	1.3	1.4	1.3	1.1
Net Debt/Equity (X)	0.4	0.3	0.3	0.2
ROAE (%)	12.0	13.4	16.7	20.6

At A Glance

Issued Capital (m shrs)	419
Mkt. Cap (RMm/US\$m)	1,535 / 479
Avg. Daily Vol.('000)	887

Price Relative



Source: Company, AllianceDBS

Building up to a record year

- **2QFY14 results meet expectations**
- **All-time high unbilled sales and seasonally higher 2HFY14 FFB production to drive record year**
- **Maintain high-conviction BUY with RM5.85 TP**

Highlights

2QFY14 in line. Stripping out RM29.4m of unrealised FX gain, MKH reported a 2QFY14 core profit of RM28.7m (-9% q-o-q, +122% y-o-y). This takes its 1HFY14 core earnings to RM60.3m (+25% y-o-y) which comprises 45% of our full-year forecast. Property and Plantation segments remain the core earnings drivers, contributing 60% and 29% of 2QFY14 EBIT respectively.

A solid performance. MKH's 2QFY14 revenue came in at RM188m (+3% q-o-q, +37% y-o-y) while EBIT grew 6% q-o-q and 106% y-o-y to RM51.7m, implying a 27.5% margin. This was mainly supported by its plantation core EBIT margin of 41%, despite the seasonally low FFB production (-16% q-o-q).

Our View

Cruising towards sales target. We believe that 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 pre-sale booking. This has yet to include the overwhelming sales from Saville@Kajang (RM280m GDV) which has achieved an impressive 75% take-up although the project was launched only recently in Apr14. Thanks to the robust sales, unbilled sales stand tall at an unprecedented RM602m as at Mar14, which is 1.3x its FY13 property revenue.

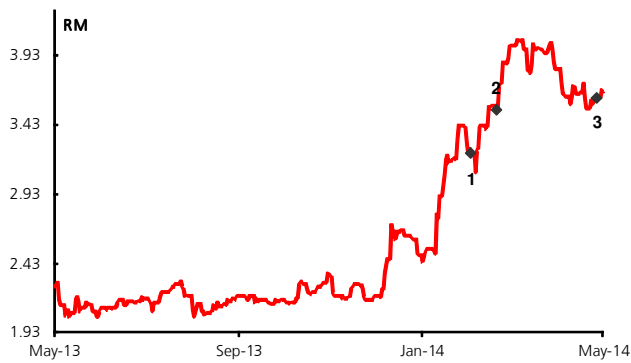
Launching to a robust outlook. MKH recently launched its new sales gallery for the RM1.3bn Hillpark@Shah Alam which focuses on affordable landed homes (>RM450k/unit). New phases have been launched progressively due to the encouraging sales (70% take-up). Also, upcoming launches for MKH include MKH Avenue 2@Kajang City (RM200m GDV, shop offices), Saville@Cheras (RM280m, high-rise) and Hill Park Homes 3@Semenyih (RM173m, 2-storey terraces) which are likely to be well-received due to their strategic locations and affordable pricing.

Expect strong 2HFY14 plantation profit. FFB production in 1HFY14 has hit 130k MT (48% of our full-year projection) and we understand that Apr14 FFB yield has been rather impressive. We expect plantation contribution to increase to 33% and 38% of Group earnings in FY14 and FY15 respectively (from 17% in FY13).

Recommendation

Maintain BUY. MKH is a rare gem that offers both deep value and strong earnings growth unrivalled by peers. We reiterate our high-conviction BUY on MKH with RM5.85 SOP-derived TP (60% potential upside).

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	28 Feb 14	3.22	5.40	Buy
2:	17 Mar 14	3.53	5.40	Buy
3:	23 May 14	3.62	5.85	Buy

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

Source: AllianceDBS

DBSV recommendations are based on Absolute Total Return* Rating system, defined as follows:

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 i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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