

# Company Focus

## MKH Bhd

Bloomberg: MKH MK | Reuters: METR.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

2 Jan 2014

**BUY RM2.69** KLCI : 1,866.96

(Initiating Coverage)

Price Target : 12-Month RM 5.40

Reason for Report : Initiate Coverage

Potential Catalyst: Stronger property sales and CPO prices

DBSV vs Consensus: First to cover the stock

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### Price Relative



### Forecasts and Valuation

FY Sep (RM m)	2013A	2014F	2015F	2016F
Turnover	688	773	977	1,271
EBITDA	183	195	267	365
Pre-tax Profit	136	171	241	339
Net Profit	103	135	190	267
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
Diluted EPS (sen)	29.6	38.6	54.5	76.6
Net DPS (sen)	7.5	10.0	10.0	15.0
BV Per Share (sen)	272.4	303.6	348.0	414.6
PE (X)	9.1	7.0	4.9	3.5
PE Pre Ex. (X)	7.9	7.0	4.9	3.5
P/Cash Flow (X)	8.6	4.6	6.6	4.8
EV/EBITDA (X)	7.3	6.6	4.8	3.4
Net Div Yield (%)	2.8	3.7	3.7	5.6
P/Book Value (X)	1.0	0.9	0.8	0.6
Net Debt/Equity (X)	0.4	0.3	0.3	0.2
ROAE (%)	12.0	13.4	16.7	20.1

Consensus EPS (sen):

N/A

Other Broker Recs:

B: 1 S: 0 H: 0

ICB Industry : Real Estate

ICB Sector: Real Estate Investment & Services

**Principal Business:** MKH has long been recognised as 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, DBS Vickers, Bloomberg Finance L.P

## Diamond in the rough

- **Fastest-growing yet cheapest plantation proxy**
- **Largest beneficiary of value-enhancing MRT stations in Kajang**
- **Multi-year re-rating on the horizon, with deep value proposition at 5x FY15F PE**
- **Initiate coverage with BUY rating and RM5.40 SOP-derived TP, implying 101% upside**

**Under-appreciated jewel.** MKH is a niche township developer in Kajang with an uninterrupted 25-year profit track record. Its venture into palm oil cultivation in Indonesia since 2008 has started to bear fruit, driving up core profit by 96% in FY13. The market has severely under-appreciated its strong growth potential: we are projecting 31% (3-year) earnings CAGR drive by twin growth drivers (property and plantation). Valuation is compelling at 5x FY15F PE despite being at the inflection point of a multi-year rerating. The 10sen DPS for FY13 is also the highest in its record, suggesting better yields ahead. We believe MKH is on track to achieve 20% ROE and 5.7% yield by FY16.

**Fastest-growing planter.** MKH is poised to benefit from the uptrend in CPO prices. Despite a young age profile (c.4 years) for its 14.4k ha of palm oil estates in East Kalimantan, the segment booked RM29m EBIT in FY13 (17% of Group EBIT). Coming from a low base, MKH's plantation profit will be growing at an astounding 69% CAGR over FY13-16F. We expect plantation contribution to increase to 29% and 39% of Group earnings in FY14 and FY15, respectively. It is the cheapest plantation proxy at 5x PE – an undeserving 70% discount to its small-mid-cap peers' average of 16x.

**King of affordable housing.** MKH's property sales are unlikely to be affected by the recent cooling measures introduced by the government, largely because its properties are targeted at the mass market. It has RM503m unbilled sales (1.1x FY13 property sales). It will launch RM890m worth of new projects in FY14, capitalising on the two MRT stations in Kajang that will transform Kajang's property market landscape. Its established brand name in Kajang/Semenyih and 500-acre low cost land bank give the company an advantage over competitors.

### At A Glance

Issued Capital (m shrs)	349
Mkt. Cap (RMm/US\$m)	939 / 286
Major Shareholders	
Chen Choy & Sons Realty (%)	43.1
Public Bank Grp Off Fund (%)	9.8
Free Float (%)	47.1
Avg. Daily Vol.('000)	423

## SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> <li>Established brand name in Kajang/Semenyih, with a focus on affordable housing</li> <li>Largest landowner in Kajang/Semenyih with much lower land cost due to first-mover advantage</li> <li>Uninterrupted 25-year profit track record, since commencing business</li> <li>In-house construction management team to oversee development projects</li> <li>Growing contribution from 14.4k ha of young and immature oil palm estate</li> <li>Recurring income from investment properties in Kajang/Semenyih</li> <li>Trading business to supply building materials to contractors for its property projects</li> </ul>	<ul style="list-style-type: none"> <li>Heavy concentration in Kajang/Semenyih property projects</li> <li>Rising land prices would mean higher cost to replenish land bank</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Strong demand for its reasonably-priced property projects in Kajang/Semenyih</li> <li>More attractive property pricing strategy than competitors due to much cheaper land cost in Kajang/Semenyih</li> <li>Completion of two MRT stations in Kajang town to spur property demand</li> <li>Young population demography and increasing urbanisation help to boost demand for Kajang/Semenyih properties</li> <li>Higher-than-expected CPO prices will lift Group earnings substantially due to growing contribution from young trees</li> <li>Upgrade of palm oil mill at East Kalimantan estate by Jun14 to further improve operational efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Slow-down in property market due to cooling measures introduced by the government</li> <li>Rising building costs may erode profit margins for property projects</li> <li>Exposure to fluctuations in CPO prices</li> </ul>

Source: DBS Vickers

## Investment thesis

**Under-researched multi-baggers.** MKH (formerly known as Metro Kajang Holdings) is at the inflection point of an aggressive growth trajectory, thanks to twin drivers, property and plantation. However, market seems to ignore its strong growth prospects. As a result, we expect a sharp re-rating from its bargain basement valuation of 5x FY15 EPS, on the back of 3-year EPS CAGR of 31%. Our SOP-derived TP of RM5.40 implies 101% upside potential.

**Best of both worlds.** What sets MKH apart from other companies is its foothold in both plantation and property. The former provides long-term recurring income which is growing significantly over the next 3-4 years when the trees reach prime age. Meanwhile, MKH is set to be the major beneficiary of the booming property market in Kajang, by virtue of it being the largest landowner in the area. These twin boosters are expected to support its impressive growth momentum. The stock is one of the best value propositions for investors.

Our investment thesis is anchored on two core themes:

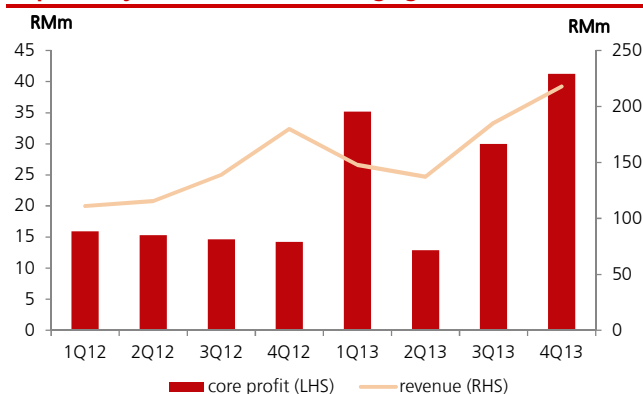
### i) Fastest-growing yet cheapest plantation proxy

**Best kept secret in plantation.** MKH ventured into oil palm cultivation in Indonesia in Jan 2008 after acquiring 15,942 ha of plantation land in East Kalimantan (35 years + 25 years lease, renewable for another 30 years). Within a short span of four years, by 2011, MKH has managed to achieve 14.4k ha of planted area with a 60MT/hour palm oil mill in full operation since Oct11. The plantation division posted maiden profits in FY13, and is projected to grow exponentially at 31% (3-year) earnings CAGR given the young tree profile, when the trees enter the strongest growth cycle.

**Unjustified discount.** Valuations remain at bargain basement levels as the market seems to ignore the full potential of its plantation business. Despite the promising prospects, MKH is only trading at 5x FY15 PE, an undeserving 70% discount to the Malaysian small-mid-cap plantation peers' average PE multiple. Its plantation operating statistics show that its FFB yield (16MT/ha) and oil extraction rate (21.7%) are on par with the best-managed estates.

**Don't miss the boat.** In fact, its promising growth potential has started to show in 4QFY13 results, where core earnings surged 189% y-o-y and 38% q-o-q to RM41m – a record high – led by strong contribution from property and plantation. But the market seemed to have taken the much lower reported profit – which included RM63m FX loss – at face value, and failed to recognise the stellar performance of its core operations. The FX loss resulted from US\$80m in foreign currency (US\$) borrowings, which is not uncommon for Indonesian plantation companies.

### Explosive yet sustainable earnings growth



Source: DBS Vickers, Company

### ii) Largest beneficiary of MRT project

**Largest landowner in Kajang/Semenyih.** MKH's strong foothold in Kajang and Semenyih – with 500 acres of land bank – makes it the largest beneficiary of the MRT project (completion in 2017) because there will be two MRT stations in Kajang. Given the bullish outlook for the area, some of its competitors have also jumped on the bandwagon by acquiring land in Kajang/Semenyih. However, MKH will be the major beneficiary of the escalating land prices in this hot suburb given its low land cost and strategically located land parcels, which are adjacent to the two MRT stations under construction.

**Record high property sales.** There is encouraging growth momentum in property sales, with FY13 unbilled sales at its record high of RM503m (vs RM73m in FY10). The impressive property sales were driven by the following: rising demand for mid-market housing, improved connectivity via MRT at its focus market, and growing affluence in Kajang/Semenyih areas. The improving accessibility within Greater KL with the two proposed MRT stations in Kajang (along Sungai Buloh-Kajang MRT line) will drive property sales going forward.

**Valuation**

**Best in its class.** MKH is a rare gem that provides both deep value and strong growth proposition. It is trading at bargain valuation of 5x FY15F PE currently, which is unjustified. The company is ripe for a multi-year re-rating as both its property development and plantation divisions are poised to register explosive growth.

**RM5.40 TP implies 101% upside potential.** We applied the sum-of-parts methodology to derive our TP. The key assumptions are:

- i) 35% discount to MKH's property land bank RNAV;
- ii) 8.7% WACC (Ke 13.1%, Kd 4.4%) for our DCF valuation for the plantation business;

Our TP implies 10x FY15F PE, which is still at 39% discount to its direct peers who are also involved in plantation and property development. The solid earnings delivery by its core businesses will be a strong re-rating catalyst as investors start to appreciate the value of the company.

**SOP valuation**

SOP	RMm	RM/share	Remarks
Shareholders fund	442	1.27	Exclude plantation, land bank
Land bank valuation	524	1.50	35% discount to RNAV
Plantation	1,015	2.91	95% stake; DCF (WACC 8.7%, TG 1.5%)
	1,982	5.67	
Warrant proceeds	66	-	conversion@RM2.26
Total	2,047	5.41	Fully diluted basis
	<b>TP</b>	<b>5.40</b>	

Source: DBS Vickers

**Property land bank RNAV**

Project	Location	Land (acre)	Tenure	market value	
				RMpsf	RMm
Kajang 2	Kajang	220	FH	25	234.1
Hill Park Shah Alam	Puncak Alam	558	LH	6.7	159.1
MKH Avenue I	Kajang city	3	LH	120	15.3
MKH Avenue II	Kajang city	15	LH	80	51.1
Pelanggi Heights	Pajam	45	FH	10	19.2
Hill Park Homes 3	Semenyih	28	FH	20	23.8
Kajang East	Semenyih	138	FH	20	117.5

**Future projects**

Hill Park Homes 4	Semenyih	75	FH	20	63.8
Saville@Kajang	Kajang city	6	FH	60	15.3
MKH World	Serdang	12	FH	150	76.6
MKH City	Kajang city	6	LH	120	30.6

**Total** **1,106** **806**

Source: DBS Vickers, Company

## Plantation DCF valuation

DCF	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating profit	55.9	103.5	137.4	159.1	173.4	180.9	184.4	184.1	182.0	178.4
(-) tax	(14.0)	(25.9)	(34.4)	(39.8)	(43.3)	(45.2)	(46.1)	(46.0)	(45.5)	(44.6)
Operating profit after tax	41.9	77.7	103.1	119.3	130.0	135.7	138.3	138.1	136.5	133.8
(+) depreciation	11.4	11.9	12.5	13.2	13.8	14.5	15.2	16.0	16.8	17.6
Operating cash flow	53.3	89.6	115.6	132.5	143.8	150.2	153.6	154.1	153.3	151.5
(-) capex	(50.0)	(21.2)	(21.8)	(22.5)	(23.2)	(23.9)	(24.6)	(25.3)	(26.1)	(26.9)
<b>Free cash flow</b>	<b>3.3</b>	<b>68.4</b>	<b>93.8</b>	<b>110.0</b>	<b>120.7</b>	<b>126.3</b>	<b>129.0</b>	<b>128.8</b>	<b>127.2</b>	<b>124.6</b>
NPV	620.3									
PV of residual value	748.4									
Firm value	1,368.7									
(-) borrowings	300.0									
<b>Equity value</b>	<b>1,068.7</b>									

Source: DBS Vickers, Company

## Forward PE band



## Forward PB band



Source: DBS Vickers, Bloomberg Finance L.P.

## Peer comparison

Company	Rating	Price	TP	Mkt Cap	PE (x)		PBV (x)		ROE (%)	EBIT margin (%)	EPS growth (%)	% of plantation contribution
		(RM)	(RM)	(RMm)	FY14	FY15	FY14	FY15	FY14	FY14	FY14	FY12/13
Boustead Holdings	Hold	5.62	5.60	5,812	12.8	11.5	1.2	1.2	8.9	6.5	26%	27%
Oriental Holdings	NR	8.49	NR	5,267	24.3	21.2	1.1	1.1	4.7	n.a.	9%	40%
Keck Seng	NR	6.88	NR	2,478	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25%
<b>MKH</b>	<b>Buy</b>	<b>2.69</b>	<b>5.40</b>	<b>939</b>	<b>7.0</b>	<b>4.9</b>	<b>0.9</b>	<b>0.8</b>	<b>12.8</b>	<b>24.8</b>	<b>31%</b>	<b>17%</b>
Fima Corp	NR	6.20	NR	499	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	37%
<b>Simple average (ex-MKH)</b>					<b>18.5</b>	<b>16.4</b>	<b>1.2</b>	<b>1.1</b>	<b>6.8</b>	<b>6.5</b>	<b>18%</b>	

Source: DBS Vickers, Bloomberg Finance L.P.

**MKH Bhd****Property peer comparison**

Company	Rating	Price	TP	Mkt Cap	PE (x)		PBV (x)		P/RNAV	FY13-15F earnings CAGR (%)
		(RM)	(RM)	(RMm)	FY14	FY15	FY14	FY15	(x)	
Matrix Concept	NR	3.41	NR	1,027	6.3	5.4	1.6	1.4	0.77	19%
<b>MKH</b>	<b>Buy</b>	<b>2.69</b>	<b>5.40</b>	<b>939</b>	<b>7.0</b>	<b>4.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.44</b>	<b>26%</b>
Glomac	NR	1.12	NR	814	6.6	5.8	0.9	0.8	0.51	16%
Wing Tai M'sia	Buy	2.23	2.90	701	6.6	5.2	0.6	0.6	0.50	12%
Hua Yang	NR	1.92	NR	507	5.7	4.5	1.3	1.1	0.56	26%
<b>Simple average (ex-MKH)</b>					<b>6.3</b>	<b>5.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.59</b>	<b>18%</b>

Source: DBS Vickers, Bloomberg Finance L.P.

**Plantation peer comparison**

Company	Rating	Price	TP	Mkt Cap	PE (x)		PBV (x)		FY13-16F FFB CAGR (%)	EV/ planted ha
		(RM)	(RM)	(RMm)	FY14	FY15	FY14	FY15		(RM)
IJM Plantations	Hold	3.55	3.30	2,848	29.6	21.5	1.9	1.8	19%	57,340
TSH	Buy	3.01	3.60	2,700	18.5	14.8	2.0	1.8	16%	106,188
Sarawak Oil Palm	NR	6.51	NR	2,853	15.0	11.9	2.0	1.8	n.a.	51,961
TH Plantations	NR	1.88	NR	1,654	22.9	17.9	1.4	1.4	n.a.	53,074
<b>MKH</b>	<b>Buy</b>	<b>2.69</b>	<b>5.40</b>	<b>939</b>	<b>7.0</b>	<b>4.9</b>	<b>0.9</b>	<b>0.8</b>	<b>20%</b>	<b>*11,177</b>
<b>Simple average (ex-MKH)</b>					<b>21.5</b>	<b>16.5</b>	<b>1.8</b>	<b>1.7</b>	<b>18%</b>	<b>67,141</b>

\*Proportionate EV based on plantation segmental book value

Source: DBS Vickers, Bloomberg Finance L.P.

## MKH is the most under-appreciated stock?

We draw comparison to Fima Corp – a listed small-mid cap company which ventured into oil palm plantation in Indonesia back in 2007. Its earnings had surged by 97% from FY08 to FY13, largely attributed to plantation contribution which grew exponentially as the trees matured on its 6.4k ha of planted estates. This represents 15% earnings CAGR, which might not have been possible without the plantation business.

The strategy to diversify from its business of producing and trading of security and confidential documents has proven to be a success, judging from Fima Corp's share price performance. Shareholders' value had increased by 310% within five years, reflecting profit growth driven by its mature palms.

And MKH is going through the phase Fima Corp experienced five years ago. But there is a stark difference: the difference in the size of their plantation land bank. MKH's 14.4k ha planted oil palm estates are more than double Fima Corp's 6.4k ha. It is even more impressive that MKH managed to plant 14.4k ha of the 15.9k ha of land bank that it acquired, matching the pace at the most established plantation companies in the world. Its plantation estates are achieving 21.6% OER and 16/MT FFB yield, which is no mean feat, considering this is the Group's maiden venture into the business.

### MKH: world-class oil palm estates

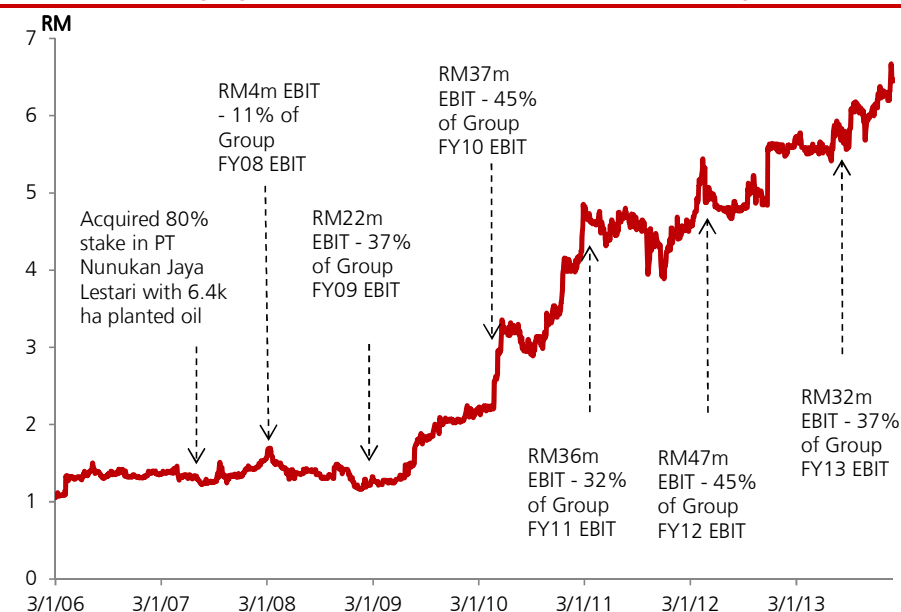
FY13	MKH	Fima Corp
Land bank (ha)	15,942	19,794
Planted (ha)	14,400	6,400
Age profile	3-4yrs	8-9yrs
FFB yield (MT/ha)	16.0	24.4
OER %	21.6%	23.4%
Revenue (RMm)	101.1	99.3
EBIT (RMm)	28.7	32.3

Source: DBS Vickers, Company

MKH's promising outlook is underpinned by its young tree profile: the trees are just entering the strongest growth cycle from year 4 to year 7. Despite bearish CPO prices in FY13 (-25% y-o-y), MKH's plantation division still chalked up a respectable core EBIT of RM29m, which is 17% of Group EBIT. MKH is on track to achieve its own target of deriving 50% of Group profits from plantation by 2017.

We forecast MKH's FFB production will grow by 20% (3-year CAGR) from FY13-16F due to its small base. This makes MKH the fastest-growing yet cheapest plantation proxy, given its current compelling valuation of only 5x FY15F PE.

### How did Fima Corp's plantation venture do wonders to the share price?



Source: DBS Vickers, Bursa, Bloomberg Finance L.P.

## Riding on Kajang property transformation

**Established brand name.** MKH (formerly known as Metro Kajang Holdings) is predominantly a property developer with a focus in Kajang and Semenyih area. It has c.500 acres of land bank in the area to capture the niche market from neighbouring townships. MKH has completed over 30,000 properties in township, high-rise & commercial/ industrial developments with a total GDV of over RM6bn. MKH has also ventured beyond its home ground to other hotspots within Greater KL such as Bangsar, Puncak Alam and Melawati.

**Award-winner.** The geographical diversification strategy also helps to boost its profile as one of the top developers in the country. In May13, MKH was awarded the "Asia Pacific Property Awards for Kajang 2- Architecture Single Residence" and "Asia Pacific Awards for Saville@The Park, Bangsar – Residential high rise development" prizes. This is testament to MKH's strength as an established and respected developer in Malaysia, with an uninterrupted 25-year profit track record.

Some of the previous projects completed by MKH:

**Pelangi Damansara:** 3,180 units of low-medium cost apartments in Bandar Utama, Petaling Jaya

**Hill Park Homes phase 1:** 272 units of 2-storey semi-detached/terrace houses in Kajang

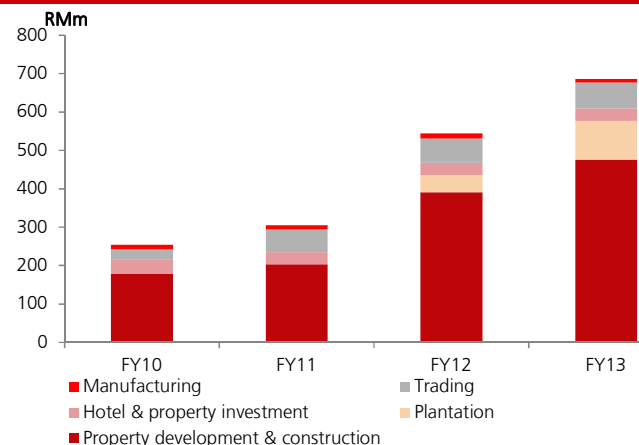
**Desa Mewah:** 851 units of 2-storey semi-detached/terrace houses in Kajang

**Saville Residence:** 181 units of serviced residence for 30-storey serviced apartments at Old Klang Road, KL

**Pelangi Semenyih:** 168-acre township development in Semenyih comprising over 1,000 units of terrace houses/semi-detached and bungalow units

**Sentosa Villa:** 73 units of 2-storey and 3-storey terrace houses within Kajang city centre

## Escalating revenue contribution

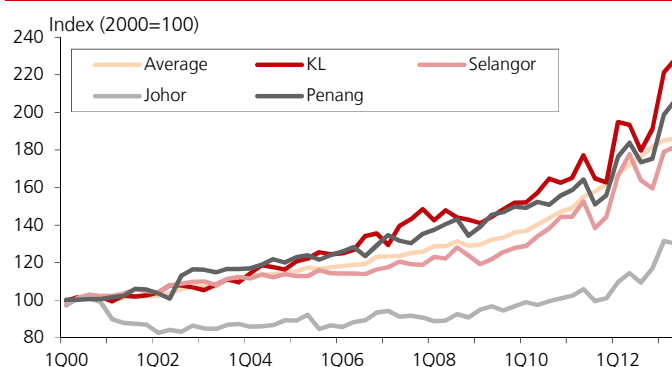


Source: DBS Vickers, Company

**Growing interest in Kajang/Semenyih.** There has been increasing interest in Kajang/Semenyih properties in recent years, mainly due to more affordable properties there after the sharp spike in property market in Malaysia. House prices had risen by 31% over the past three years, as residential sales value and volume hit record highs of RM67.8m and 272,699 units in 2012 (47% and 64% of overall property sales, respectively).

**Niche market.** MKH's niche focus in mass landed residential property has allowed the company to create a strong brand name in Kajang/Semenyih, carving out resilient demand for its property launches. The company still owns about 500 acres of land bank in the area which will continue to underpin the growth momentum from property development.

## House price index at record high

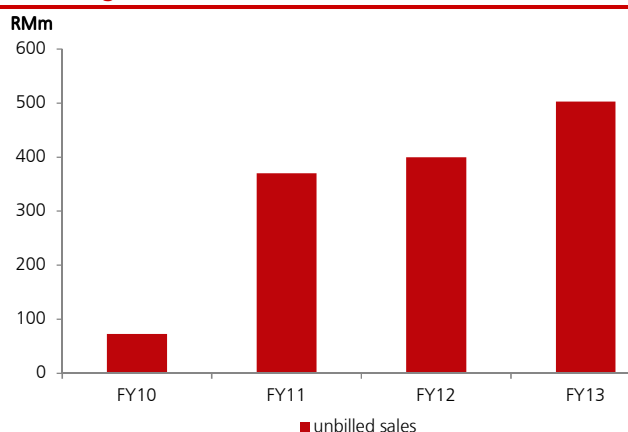


Source: NAPIC, DBS Vickers

**Record high unbilled sales.** Expensive landed properties in prime areas are among the main factors supporting strong sales in Kajang/Semenyih. Rising demand for mid-market housing and growing affluence in Kajang/Semenyih areas have also contributed to the robust sales. This is evident in MKH's unbilled sales, which have risen almost 7-fold to RM503m (as at Sep13) from RM73m in FY10.

**Public transport connectivity.** In addition, improved connectivity via the Klang Valley Mass Rapid Transit (MRT) has changed the landscape of Kajang/Semenyih property market. There will be two new MRT stations in Kajang (along Sungai Buloh-Kajang MRT line) by 2016/2017. Better accessibility within Greater KL will continue to drive property sales going forward.

### Record high unbilled sales



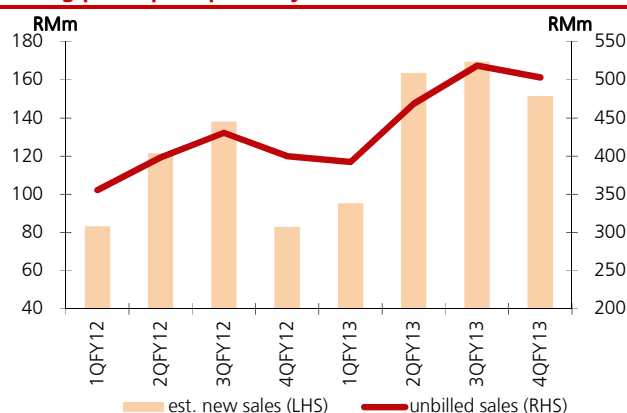
Source: DBS Vickers, Company

### Strong unbilled sales of RM503m as at Sep13

Project	Location	GDV (RMm)	Take-up %	Unbilled sales (RMm)	Remarks
Pelangi Semenyih 2	Semenyih	165	96	53	township development; affordable terrace houses selling for ~RM400k
Kajang 2	Kajang	62	64	17	2-storey terrace houses & semi-Ds
Saville@Melawati	Melawati	191	89	29	408 serviced apartments, 12 2-storey shop offices
Saville@the Park, Bangsar	Bangsar	311	71	162	408 condos, 18 semi-D villas
Pelangi Seri Alam 1	Puncak Alam	209	95	102	shop-offices, terrace houses, semi-Ds, medium cost apartments; affordable houses selling for ~RM350k
Mewah 9 Residence	Kajang	35	86	10	120 apartments, 9 shop lots
MKH Boulevard	Kajang town	210	34	69	308 SOHO serviced apartments, 30 shop-offices
Hill Park Shah Alam	Puncak Alam	132	45.9	60	311 units of double-storey link houses, affordable houses selling for ~RM450k
			<b>Total</b>	<b>503</b>	

Source: DBS Vickers, Company

### Strong pick-up in quarterly sales trend



Source: DBS Vickers, Company

**Resilient demand.** The recent cooling measures announced by the Malaysian government are unlikely to affect property demand in Kajang/Semenyih, largely due to the resilient owner-occupied market which continues to favour affordable houses. MKH is likely to have a strong edge over its competitors given its established brand name and low land costs, which will allow the company a more flexible pricing strategy. In addition, residents from neighbouring townships are increasingly looking for properties in the area as cost of properties in Cheras, Putrajaya, Cyberjaya, etc. has risen significantly. Demand from civil servants for its Semenyih projects also remains strong because of the relatively short distance to the government offices.

## MRT network a game-changer

**MKH is the largest beneficiary.** MKH's large tract of property land bank in Kajang/Semenyih (500 acres) makes it the prime beneficiary of rising land prices there. The scarcity of land within Kajang provides a distinct advantage to MKH's future launches, which are expected to fetch premium pricing and attract strong demand. Since the Malaysian government gave approval to construct 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.

**Competitors jumping on the bandwagon.** We have seen other major developers such as SP Setia, Mah Sing, and Sime Darby, rushing into Kajang/Semenyih in recent years, as the areas gain recognition as strategic townships at a relatively comfortable distance from KL city center, 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 with the opening of several highways that link Kajang/Semenyih to other major townships within Klang Valley. These include the Kajang SILK Highway and Persiaran Kajang-Semenyih. Other links to the area are Lebuhraya Utara Selatan, Lebuhraya Cheras-Kajang 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 about 15% of Selangor's population of 5.4m. The local town council (MPKj) expects Kajang's population to exceed 1m by 2013.

## Publicly-listed developers rushing to buy land in Semenyih/Kajang

Date	Buyer	Location	Size (acre)	RMm	RMpsf	Remarks
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: DBS Vickers, Company

## MKH: RM7bn launch pipeline to capitalise on Kajang transformation

Current projects	Location	Land (acre)	Tenure	Total GDV (RMm)	Remaining GDV (RMm)	Est. 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	1,198	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	195	195	195	-	4
Hill Park Homes 3	Semenyih	28	FH	173	173	33	140	4
Kajang East	Semenyih	138	FH	600	600	67	533	6
<b>Future projects</b>								
Hill Park Homes 4	Semenyih	75	FH	300	300	-	300	5
Saville@Kajang	Kajang town	6	FH	250	250	-	250	3
MKH World	Seri Kembangan	12	FH	760	760	-	760	5
MKH City	Kajang town	6	LH	500	500	-	500	4
		<b>1,324</b>		<b>7,782</b>	<b>7,160</b>	<b>893</b>	<b>6,237</b>	

Source: DBS Vickers, Company

### Details of property projects

Current projects	Type	Details
Kajang 2	mixed development	5,000 units of commercial and residential properties, KTM station interlinked with bus terminal and MRT, International school and vernacular primary school
Pelangi Semenyih 2	township	Leverage on success of Pelangi Semenyih
Hill Park Shah Alam	integrated township	Access to six major highways, near to University Teknologi Mara, medical center, supermarkets
MKH Avenue I	commercial	Prime commercial land in Kajang town targetted for retail/commercial project
MKH Avenue II	commercial	Prime commercial land in Kajang town targetted for retail/commercial project
Pelangi Heights	mixed development	gated & guarded development within the education hub
Hill Park Homes 3	Residential	2-storey terrace houses, shop-offices
Kajang East	development	gated & guarded precincts with clubhouse facilities
<b>Future projects</b>		
Hill Park Homes 4	Residential	Leverage on success of earlier phases of Hill Park Homes
Saville@Kajang	high-rise residential	proximity to MRT station, lifestyle shoplex and serviced apartments
MKH World	mixed development	serviced apartments, retail mall, shop offices and office tower
MKH City	commecial	Prime commercial land in Kajang town, within walking distance to MRT station. Planning for 1m sf GFA shopping mall, hotel, office tower

Source: DBS Vickers, Company

### Strategic land bank in the vicinity of Kajang MRT stations



Source: Company

**30 acres of prime land within Kajang town**



Source: Company

## Gearing up to reach greater heights

**Strong launch pipeline.** MKH still has RM7bn worth of launches in the pipeline to sustain earnings growth. The group is targeting RM800m in new property sales in FY14 (vs RM580m in FY13), which will be underpinned by Hill Park Shah Alam (RM374m GDV), MKH Avenue I & II (RM224m GDV), Pelangi Heights (RM195m GDV), Hill Park Homes 3 (RM33m GDV) and Kajang East (RM67m GDV). These launches are expected to receive good response because they will be affordable and there is demand from home buyers.

**To benefit from low land cost.** MKH's first-mover advantage in the Kajang property market has helped it to secure the present large tract of land bank. We understand its land bank cost is relatively low at c.RM8psf, implying strong margins for future property launches. This also will offer a competitive advantage against other established developers like SP Setia (RM13psf) and Dijaya (RM26psf) which had been swooping up large tracts of land bank in Kajang/Semenyih in recent years at higher prices. MKH's unrivalled land cost and strong brand name should ensure robust property sales going forward.

**Unique value proposition.** Its flagship development in Kajang 2 offers an entirely different lifestyle to the more discerning buyers. This has been a success, judging by the strong price appreciation for its earlier launches. The 270-acre Kajang 2 development will be offering Raflessia International School, a vernacular (Chinese) primary school, shopping mall, medical center and convention center. These value-added elements have contributed to the keen interest expressed by potential buyers.

**Investment properties to underpin recurring income.** Apart from property development, MKH also has a sizeable portfolio of investment properties within the prime areas of Kajang/Semenyih which have been providing stable and growing recurring income over the years. Among the key investment properties are Plaza Metro Kajang (600k sf; 99% tenanted) and Metro Point Complex (357k sf; 96% tenanted). MKH also has four parcels of commercial land in Kajang and Semenyih that is leased to two hypermarkets and two fast-food restaurants. The investment properties contributed RM15m EBIT in FY13 (+14% y-o-y), or 9% of Group EBIT.

### Investment properties

Investment properties	Location	Occupancy (%)	Value (RMm)	Description
Plaza Metro Kajang	Kajang town	99%	133	shopping complex
Metro Point Complex	Kajang town	96%	49.5	shopping complex
				Long-term leases to 2
4 parcels of commercial land	Kajang/Semenyih	-	36.5	hypermarkets & 2 fast-food chains
4 lots of offices & 125 car park bays	Old Klang Road/Kajang	-	2	offices used as sales offices with
			9.5	the remaining up for lease
		<b>Total</b>	<b>228.5</b>	

Source: DBS Vickers, Company

### MKH continues to buy quality land bank for future growth

Date	Location	Size (acre)	RMm	RMpsf	Remarks
17-Oct-13	Bandar Teknologi Kajang	64.0	50.7	18.2	near Hill Park Homes, 8km east of Kajang town
13-Sep-13	Semenyih	10.5	8.5	18.4	freehold agricultural land
					located at the Northern Growth Corridor and is
06-Aug-13	Puncak Alam	550.0	160.6	6.7	opposite the existing UiTM Puncak Alam Campus
06-Feb-13	Kajang	18.3	40.0	50.2	3.15 acres in Kajang town

Source: DBS Vickers, Company

## Plantation: Reaping the fruit of hard labour

**Best kept secret.** MKH ventured into oil palm plantation in Indonesia in Dec07 after acquiring 15,942 ha of plantation land bank (35 years + 25 years lease, renewable for another 30 years) in Kecamatan Muara Kaman, East Kalimantan via 95%-owned PT Khaleda Agroprima Malindo. The land has two small rivers running through it, which provides an ideal transportation mode to ship out its CPO. Within a short span of four years, by 2011, MKH had managed to achieve 14.4k ha of planted area. It has a 60MT/hour palm oil mill in full operation since Oct11. MKH is also upgrading its palm oil mill to 90MT/hour, to be completed by Jun14.

**Leverage on past experience.** There are arguments that MKH has no prior experience in the plantation business. But MKH's founder and executive chairman, Tan Sri Alex Chen, has 20 years of experience in the plantation business. This had helped the company to venture into this relatively lucrative industry in Indonesia when the opportunity came. The recurring income from the oil palm plantation business also helps to complement MKH's property business, which is more cyclical.

**Low hanging fruits.** The plantation division posted 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, good soil and climate. This might explain the high FFB yield of 16 MT/ha in FY13 although the average age of the palms is only 3.8 years.

### MKH: planting schedule

Year	New planting (ha)	Age	Status
2008	3,800	5	mature
2009	5,200	4	mature
2010	4,300	3	mature
2011	1,100	2	immature

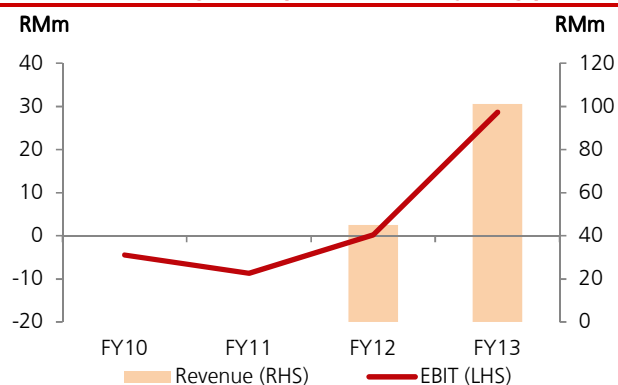
**Total** 14,400

**Weighted average age:** 3.81

Source: DBS Vickers, Company

**Efficient planter.** MKH's oil palms started bearing fruits in FY12, when the company posted RM45m revenue. It jumped to RM101m in FY13 (+125% y-o-y) despite lower market CPO prices (-25% y-o-y). FY13 EBIT margin came in at a respectable 17% possibly driven by good cost control as we understand that MKH's CPO production cost was c.RM1,400/MT, comparable to that at established plantation companies.

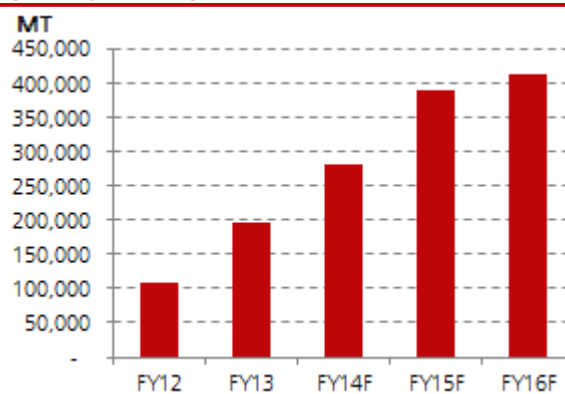
### Under-estimated growth potential from young palms



Source: DBS Vickers, Company

**Strongest FFB volume growth.** By virtue of the young tree profile, MKH will be the fastest-growing plantation company in Malaysia after the relatively long gestation period (from initial planting). We expect MKH to achieve 3-year FFB production CAGR of 20%, driven by exponential FFB production growth from maturing trees, which output typically surge from c.8MT/ha at year 3 to c.22MT/ha by year 6. Therefore, MKH is perched on an inflection point of a multi-year re-rating as its plantation business lays the growth foundation.

### Expect 3-year FFB production CAGR of 20%



Source: DBS Vickers, Company

**Under-appreciated potential.** The management had earlier projected that half of the Group's earnings would come from the plantation division by 2017. The plantation business comprised 17% of MKH's FY13 operating profit with RM29m EBIT (vs RM0.2m in FY12). The company is on track to achieve its target as the palm trees will reach prime age then.

**Tasting sweet harvest.** There is unlikely to be major capital spending for its existing plantation estates going forward, especially after the completion of the upgrade of its palm oil mill to meet its 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 pay-outs. For instance, MKH declared 10sen gross dividend/share for FY13, its highest ever.

**Potential land bank acquisition.** MKH is also looking to acquire additional plantation land bank in East Kalimantan. We understand it wants to expand the Group's plantation land bank to 100k ha within the next five years. But it may not be easy to undertake aggressive acquisition in Indonesia given the stiff competition between Malaysian and Indonesian planters to expand their land banks. In addition, land cost has risen considerably over the past few years; it is estimated to cost US\$2,000/ha now compared to c.US\$500/ha paid by MKH in Dec07.

**Riding on CPO price recovery.** CPO prices have been bearish since 2HCY12, but there has been an uptick recently due to stronger-than-expected demand, which is likely to balance the supply growth over the next two years. Over the longer term, we expect global palm oil supply growth to lag demand growth from 2016 given the drop in new planting since 2012. MKH is poised to benefit substantially from the potential uptrend in CPO prices as a result of the exponential growth driven by its young palms. We estimate a 5% increase over our CPO price assumptions would lift FY14-15F earnings by 4% and 5%, respectively.

Recent requirement by the Indonesian government to raise palm oil blend to 10% in blended biodiesel from 7.5% previously, is expected to absorb as much as 2.5m MT of palm oil.

#### Earnings sensitivity to CPO price movements

CPO price	Profit (RMm)		Profit change %	
	FY14F	FY15F	FY14F	FY15F
+10%	146.2	207.4	8%	9%
+5%	140.6	198.8	4%	5%
base case	134.9	190.2	0%	0%
-5%	129.3	181.6	-4%	-5%
-10%	123.7	173.0	-8%	-9%

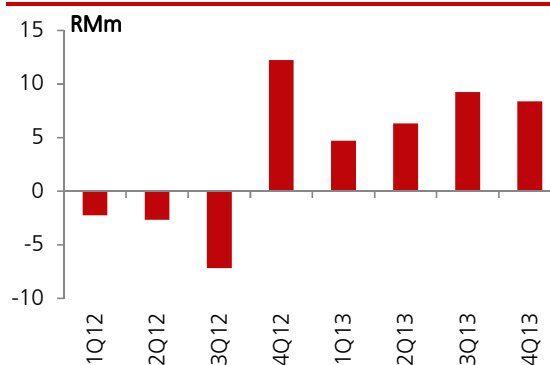
Source: DBS Vickers, Company

#### The worst is over for CPO prices



Source: DBS Vickers, Bloomberg Finance L.P.

#### Increasing plantation quarterly EBIT



Source: DBS Vickers, Company

## Long-term forecast oil palm plated area and palm oil production

## Oil palm planted area ('000 hectares)

	2010	2011	2012	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Mature	4,202.2	4,281.8	4,352.9	4,540.9	4,696.3	4,792.3	4,870.4	4,947.1	4,994.2	5,022.0	5,037.3
Immature	651.6	718.3	724.1	647.6	564.7	515.9	468.4	411.7	377.5	358.1	348.2
Implied new planting	279.4	232.2	165.7	201.3	167.5	146.8	133.9	126.4	122.7	120.9	120.3
<b>Malaysia</b>	<b>4,853.8</b>	<b>5,000.1</b>	<b>5,076.9</b>	<b>5,188.5</b>	<b>5,261.0</b>	<b>5,308.2</b>	<b>5,338.8</b>	<b>5,358.7</b>	<b>5,371.7</b>	<b>5,380.1</b>	<b>5,385.6</b>
Mature	5,562.3	6,550.8	6,585.9	7,037.7	7,605.1	7,946.3	8,052.5	8,091.9	8,114.1	8,132.2	8,132.6
Immature	2,823.1	2,442.0	2,488.7	2,159.6	1,705.7	1,469.5	1,460.4	1,510.8	1,571.7	1,630.5	1,701.2
Implied new planting	639.2	698.4	190.6	231.2	201.8	201.8	199.8	265.9	262.7	259.6	303.5
<b>Indonesia</b>	<b>8,385.4</b>	<b>8,992.8</b>	<b>9,074.6</b>	<b>9,197.3</b>	<b>9,310.8</b>	<b>9,415.8</b>	<b>9,512.9</b>	<b>9,602.7</b>	<b>9,685.8</b>	<b>9,762.7</b>	<b>9,833.8</b>
Mature	9,764.5	10,832.6	10,938.8	11,578.6	12,301.5	12,738.6	12,922.9	13,039.0	13,108.3	13,154.2	13,169.9
Immature	3,474.6	3,160.3	3,212.8	2,807.2	2,270.4	1,985.3	1,928.8	1,922.5	1,949.2	1,988.6	2,049.4
Implied new planting	918.6	930.6	356.3	432.5	369.3	348.6	333.7	392.3	385.4	380.5	423.8
<b>Total</b>	<b>13,239.2</b>	<b>13,992.9</b>	<b>14,151.6</b>	<b>14,385.8</b>	<b>14,571.8</b>	<b>14,724.0</b>	<b>14,851.7</b>	<b>14,961.5</b>	<b>15,057.5</b>	<b>15,142.8</b>	<b>15,219.3</b>
% growth	5.4	5.7	1.1	1.7	1.3	1.0	0.9	0.7	0.6	0.6	0.5

## CPO production (m MT)

	2010	2011	2012	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Malaysia	16.994	18.912	18.785	19.273	20.074	20.926	21.746	22.689	23.635	24.516	25.349
vol. growth	-0.6	1.9	-0.1	0.5	0.8	0.9	0.8	0.9	0.9	0.9	0.8
% growth	-3.3	11.3	-0.7	2.6	4.2	4.2	3.9	4.3	4.2	3.7	3.4
Indonesia	22.100	24.300	26.900	28.792	30.835	33.155	34.918	36.569	37.978	39.335	40.141
vol. growth	1.1	2.2	2.6	1.9	2.0	2.3	1.8	1.7	1.4	1.4	0.8
% growth	5.2	10.0	10.7	7.0	7.1	7.5	5.3	4.7	3.9	3.6	2.1
Others	6.820	7.580	8.010	8.498	9.302	10.203	11.028	11.889	12.733	13.583	14.331
vol. growth	0.3	0.8	0.4	0.5	0.8	0.9	0.8	0.9	0.8	0.8	0.7
% growth	1.7	10.6	5.7	5.3	6.4	6.8	5.3	5.1	4.5	4.2	3.1
<b>Total</b>	<b>45.914</b>	<b>50.792</b>	<b>53.695</b>	<b>56.563</b>	<b>60.211</b>	<b>64.284</b>	<b>67.692</b>	<b>71.148</b>	<b>74.347</b>	<b>77.433</b>	<b>79.821</b>
vol. growth	0.8	4.9	2.9	2.9	3.6	4.1	3.4	3.5	3.2	3.1	2.4
% growth	1.4	10.5	5.7	5.2	5.9	6.2	4.8	4.6	4.0	3.6	2.6

Source: Oil World, MPOB, Ministry of Agriculture of Indonesia, DBS Vickers estimates

## MKH's plantation estate in East Kalimantan



Source: Company

## Management

**Helmed by seasoned corporate figures.** MKH is 49%-owned by the Chen family. Tan Sri Dato' Alex Chen Kooi Chiew, Tan Sri Eddy Chen Lok Loi and Chen Fook Wah sit as Executive Chairman, Managing Director and Deputy Managing Director of the Group, respectively. The Chen brothers have vast experience in property development, construction and plantation, which are also MKH's core businesses.

Tan Sri Dato' Alex has been conferred the "Property Man of the Year" award recently at the FIABCI Malaysia Property Awards 2013 for his significant role in transforming, developing and elevating Kajang into a modern township. His brother, Tan Sri Datuk Eddy was also awarded the Real Estate and Housing Developers' Association (Rehda) Personality of the Year at the recent inaugural Rehda Recognition Award.

## Board of directors

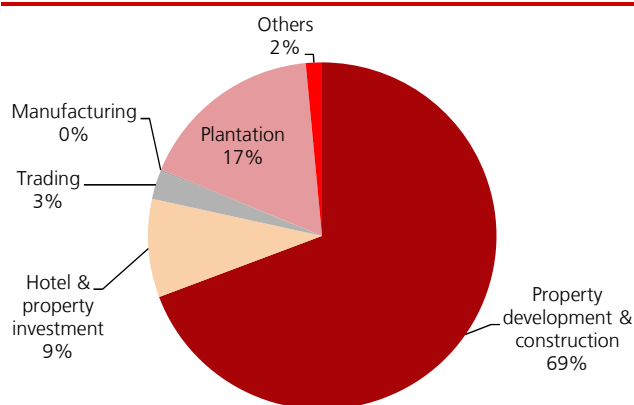
Name	Position	Background
Tan Sri Dato' Chen Kooi Chiew@Cheng Ngi Chong	Executive Chairman	- Chairman of the Merchant Club in Kajang, member of Yu Hua School Board - 52 years of experience in business, of which 34 years in property development and 20 years in plantation sector
Tan Sri Datuk Chen Lok Loi	Managing Director	- Bachelor of Business Studies from Monash University, Australia - Patron, Past President of Real Estate and Housing Developers' Association of Malaysia, sit on various government-private sector committees related to policy formulation for the housing and real estate industry - More than 31 years of experience in property development and construction related business
Chen Fook Wah	Deputy Managing Director	- MBA from University of Wales - Admitted to the Board of Valuers and Real Estate Agent of Malaysia in 1986
Mah Swee Buoy	Executive Director/Chief Operating Officer	- 25 years of working experience in MKH
Haji Othman Bin Sonoh	Independent Non-Executive Director	- civil servant from 1968-1993 in various government departments
Mohammed Chudi Bin Haji Ghazali	Senior Independent Non-Executive Director	- Attached to Standard Chartered Bank Malaysia for 36 years
Haji Mohamed Bin Ismail	Independent Non-Executive Director	- Former director general and chairman of Lembaga Tembakau Negara
Jeffrey Bin Bosra	Independent Non-Executive Director	- Member of MICPA and MIA - Former senior manager in Ernst & Young before starting own audit firm

Source: DBS Vickers, Company

## Financials

**Impressive FY13 results.** Stripping out exceptional items, MKH's FY13 core profit came in at RM119m, a whopping 96% increase y-o-y. In tandem with the record high earnings, revenues grew 26% y-o-y to RM688m. Meanwhile, FY13 core EBIT surged 70% to RM158m. There was significant improvement in property development & construction earnings, which EBIT jumped 40% y-o-y to RM115m. Plantation EBIT came in at RM29m (vs RM0.2m in FY12).

### FY13 core EBIT segmental breakdown



Source: DBS Vickers, Company

We expect its property development & construction and plantation divisions to anchor MKH's 3-year earnings CAGR of 31%. We imputed following key assumptions in our financial model:

- i) FY14-16F property sales of RM640m/ RM736m/ RM990m
- ii) FY14-16F CPO ASP of RM2,366/ RM2,486/ RM2,609
- iii) FY14-16F FFB production of 272k MT/ 341k MT/ 382k MT

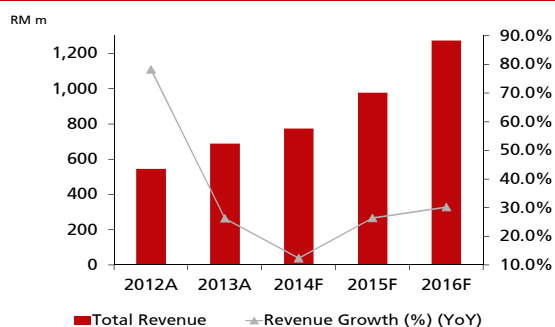
## Key Risks

**Slowdown in property market.** The steep increase in property prices over the past three years has prompted the government to introduce a string of cooling measures to curb excessive speculation. But this should have mild impact on MKH property sales given the relatively affordable price range for its products, and the mass market it targets, who normally buy for own stay.

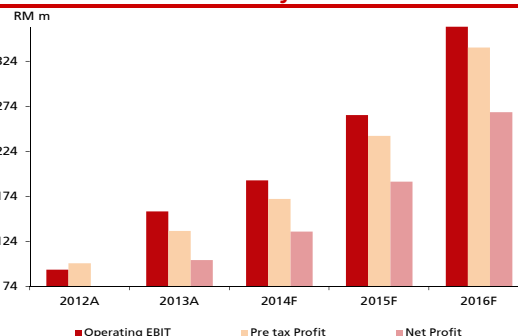
**Rising raw material prices.** Pricing of properties is typically a function of construction and land costs. The rising building material prices could erode the profitability of developers if they fail to pass incremental costs to buyers. MKH has a trading arm that supplies building materials and fixtures that could help to source materials at competitive prices.

**Fluctuations in CPO prices.** CPO price movement is subject to a myriad of factors beyond planters' control. The high level of palm oil inventory last year had caused CPO prices to drop drastically. Nevertheless, prices have been improving in recent quarters, underpinned by expectations of strong and resilient demand for this vegetable oil.

### Sales Trend



### Profitability Trend



Source: Company, DBS Vickers

## Key Assumptions

FY Sep	2011A	2012A	2013A	2014F	2015F	2016F
CPO ASP (RM/MT)	N/A	N/A	N/A	2,366.5	2,486.3	2,608.5
FFB production (MT)	N/A	N/A	N/A	271,681.3	340,780.5	382,445.0
property sales (RMm)	N/A	N/A	N/A	640.0	736.0	990.0

## Sensitivity Analysis

	2014
CPO price +/- 5%	Net Profit +/- 4%
Property sales +/- 5%	Net Profit +/- 1%

## Segmental Breakdown

FY Sep	2011A	2012A	2013A	2014F	2015F	2016F
<b>Revenues (RM m)</b>						
Property development & construction	203	391	476	498	610	863
Hotel & property investment	32	32	32	34	36	38
Trading	59	63	67	72	78	85
Manufacturing	11	13	9	9	10	10
Plantation	0	45	101	159	244	276
<b>Total</b>	<b>306</b>	<b>545</b>	<b>688</b>	<b>773</b>	<b>977</b>	<b>1,271</b>
<b>EBIT (RM m)</b>						
Property development & construction	26	82	115	115	139	202
Hotel & property investment	13	13	15	15	16	17
Trading	3	4	4	5	5	6
Manufacturing	0	1	0	0	0	0
Plantation	(9)	0	29	56	104	137
<b>Total</b>	<b>34</b>	<b>101</b>	<b>163</b>	<b>192</b>	<b>264</b>	<b>362</b>
<b>EBIT Margins (%)</b>						
Property development & construction	12.6	21.0	24.2	23.2	22.8	23.4
Hotel & property investment	41.8	41.4	46.9	45.0	45.0	45.0
Trading	5.9	7.1	6.7	7.0	7.0	7.0
Manufacturing	4.1	8.2	(2.3)	1.0	1.5	1.8
Plantation	N/A	0.5	28.3	35.1	42.5	49.7
<b>Total</b>	<b>11.1</b>	<b>18.6</b>	<b>23.7</b>	<b>24.8</b>	<b>27.0</b>	<b>28.5</b>

Riding on two MRT stations in Kajang

Exponential growth driven by maturing trees

Low land cost advantage

Source: Company, DBS Vickers

## Company Focus

### MKH Bhd

#### Income Statement (RM m)

FY Sep	2011A	2012A	2013A	2014F	2015F	2016F
Revenue	306	545	688	773	977	1,271
Cost of Goods Sold	(213)	(362)	(441)	(427)	(550)	(737)
<b>Gross Profit</b>	<b>93</b>	<b>183</b>	<b>247</b>	<b>346</b>	<b>427</b>	<b>535</b>
Other Opng (Exp)/Inc	(58)	(90)	(90)	(154)	(163)	(173)
<b>Operating Profit</b>	<b>35</b>	<b>93</b>	<b>158</b>	<b>192</b>	<b>264</b>	<b>362</b>
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	15	15	11	3	3	3
Net Interest (Exp)/Inc	(16)	(22)	(17)	(23)	(26)	(26)
Exceptional Gain/(Loss)	12	14	(16)	0	0	0
<b>Pre-tax Profit</b>	<b>46</b>	<b>100</b>	<b>136</b>	<b>171</b>	<b>241</b>	<b>339</b>
Tax	(8)	(27)	(29)	(36)	(51)	(71)
Minority Interest	0	2	(3)	0	0	(1)
Preference Dividend	0	0	0	0	0	0
<b>Net Profit</b>	<b>38</b>	<b>75</b>	<b>103</b>	<b>135</b>	<b>190</b>	<b>267</b>
Net Profit before Except.	26	61	119	135	190	267
EBITDA	56	114	183	195	267	365

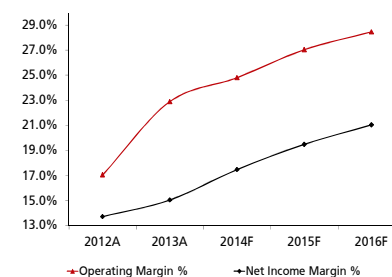
#### Growth

Revenue Gth (%)	19.6	78.2	26.2	12.3	26.4	30.1
EBITDA Gth (%)	40.2	105.6	59.8	6.7	37.3	36.6
Opg Profit Gth (%)	10.1	169.0	69.7	21.8	37.8	37.0
Net Profit Gth (%)	24.3	96.3	38.5	30.5	41.0	40.6

#### Margins & Ratio

Gross Margins (%)	30.3	33.5	36.0	44.7	43.7	42.0
Opg Profit Margin (%)	11.3	17.0	22.9	24.8	27.0	28.5
Net Profit Margin (%)	12.4	13.7	15.0	17.5	19.5	21.0
ROAE (%)	5.4	9.9	12.0	13.4	16.7	20.1
ROA (%)	3.3	5.4	6.2	7.0	9.0	11.2
ROCE (%)	2.7	5.4	8.4	9.0	11.5	14.2
Div Payout Ratio (%)	26.1	14.6	25.3	25.9	18.4	19.6
Net Interest Cover (x)	2.1	4.3	9.2	8.2	10.1	13.9

#### Margins Trend



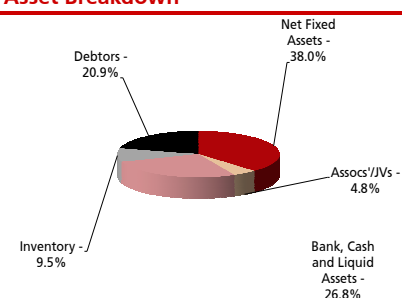
Margins to be lifted by  
plantation business

Source: Company, DBS Vickers

## Balance Sheet (RM m)

FY Sep	2011A	2012A	2013A	2014F	2015F	2016F
Net Fixed Assets	124	163	163	243	323	403
Invts in Associates & JVs	38	50	28	31	34	37
Other LT Assets	718	801	976	1,026	1,048	1,069
Cash & ST Invts	63	110	123	172	179	237
Inventory	12	43	41	61	77	100
Debtors	93	94	113	134	169	220
Other Current Assets	232	233	407	336	396	488
<b>Total Assets</b>	<b>1,279</b>	<b>1,495</b>	<b>1,851</b>	<b>2,003</b>	<b>2,226</b>	<b>2,555</b>
ST Debt	133	193	107	107	107	107
Creditor	74	140	182	198	251	326
Other Current Liab	43	26	40	67	82	102
LT Debt	243	307	415	415	415	415
Other LT Liabilities	52	55	152	152	152	152
Shareholder's Equity	734	775	951	1,060	1,216	1,448
Minority Interests	0	(2)	3	3	4	4
<b>Total Cap. &amp; Liab.</b>	<b>1,279</b>	<b>1,495</b>	<b>1,851</b>	<b>2,003</b>	<b>2,226</b>	<b>2,555</b>
Non-Cash Wkg. Capital	220	204	339	266	310	380
Net Cash/(Debt)	(314)	(391)	(399)	(350)	(343)	(285)
Debtors Turn (avg days)	99.0	62.6	54.9	58.2	56.6	55.9
Creditors Turn (avg days)	122.8	109.7	137.6	162.4	149.1	142.9
Inventory Turn (avg days)	24.7	28.0	35.8	43.4	45.7	43.8
Asset Turnover (x)	0.3	0.4	0.4	0.4	0.5	0.5
Current Ratio (x)	1.6	1.3	2.1	1.9	1.9	2.0
Quick Ratio (x)	0.6	0.6	0.7	0.8	0.8	0.9
Net Debt/Equity (X)	0.4	0.5	0.4	0.3	0.3	0.2
Net Debt/Equity ex MI (X)	0.4	0.5	0.4	0.3	0.3	0.2
Capex to Debt (%)	27.0	18.1	33.4	15.3	15.3	15.3

## Asset Breakdown



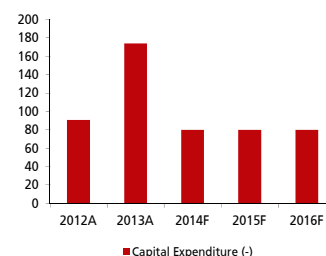
42% net gearing as at Sep13

Source: Company, DBS Vickers

## Cash Flow Statement (RM m)

FY Sep	2011A	2012A	2013A	2014F	2015F	2016F
Pre-Tax Profit	46	100	136	171	241	339
Dep. & Amort.	6	7	14	0	0	0
Tax Paid	(14)	(29)	(36)	(9)	(36)	(51)
Assoc. & JV Inc/(loss)	(15)	(15)	(11)	(3)	(3)	(3)
Chg in Wkg.Cap.	(23)	(53)	(6)	46	(59)	(90)
Other Operating CF	(5)	9	13	0	0	0
<b>Net Operating CF</b>	<b>(5)</b>	<b>20</b>	<b>109</b>	<b>205</b>	<b>143</b>	<b>195</b>
Capital Exp.(net)	(102)	(91)	(174)	(80)	(80)	(80)
Other Invs.(net)	(58)	(51)	(24)	(50)	(21)	(22)
Invs in Assoc. & JV	0	0	0	0	0	0
Div from Assoc & JV	2	0	34	0	0	0
Other Investing CF	2	57	0	0	0	0
<b>Net Investing CF</b>	<b>(155)</b>	<b>(86)</b>	<b>(164)</b>	<b>(130)</b>	<b>(101)</b>	<b>(102)</b>
Div Paid	(9)	(10)	(13)	(26)	(35)	(35)
Chg in Gross Debt	127	112	49	0	0	0
Capital Issues	0	0	52	0	0	0
Other Financing CF	2	0	0	0	0	0
<b>Net Financing CF</b>	<b>120</b>	<b>102</b>	<b>88</b>	<b>(26)</b>	<b>(35)</b>	<b>(35)</b>
Currency Adjustments	13	11	(20)	0	0	0
Chg in Cash	(27)	47	13	49	7	58
Opg CFPS (sen)	6.8	24.8	33.1	45.5	57.9	81.7
Free CFPS (sen)	(40.3)	(24.5)	(18.6)	35.8	18.1	33.0

## Capital Expenditure



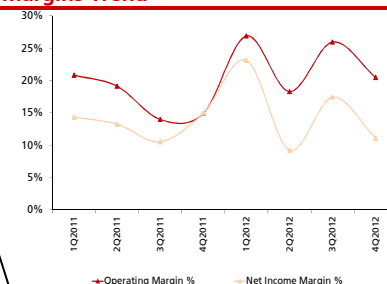
For plantation business

Source: Company, DBS Vickers

## Quarterly / Interim Income Statement (RM m)

FY Sep	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Revenue	139	180	148	137	185	218
Cost of Goods Sold	(92)	(119)	(92)	(92)	(115)	(142)
<b>Gross Profit</b>	<b>47</b>	<b>61</b>	<b>56</b>	<b>45</b>	<b>70</b>	<b>76</b>
Other Oper. (Exp)/Inc	(28)	(34)	(17)	(20)	(22)	(32)
<b>Operating Profit</b>	<b>19</b>	<b>27</b>	<b>40</b>	<b>25</b>	<b>48</b>	<b>45</b>
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	6	5	10	0	0	1
Net Interest (Exp)/Inc	(6)	(6)	(4)	(5)	(6)	(2)
Exceptional Gain/(Loss)	0	13	(1)	0	2	(17)
<b>Pre-tax Profit</b>	<b>20</b>	<b>38</b>	<b>45</b>	<b>20</b>	<b>44</b>	<b>27</b>
Tax	(6)	(12)	(9)	(5)	(12)	(2)
Minority Interest	1	0	(2)	(2)	0	0
<b>Net Profit</b>	<b>15</b>	<b>27</b>	<b>34</b>	<b>13</b>	<b>32</b>	<b>24</b>
Net profit bef Except.	15	14	35	13	30	41
EBITDA	26	32	50	25	48	45

## Margins Trend



Record high sales

Largely due to FX loss arising from US\$ borrowings for Indonesian plantation business

Boosted by plantation contribution

## Growth

Revenue Gth (%)	20.4	29.4	(17.8)	(7.2)	35.1	17.5
EBITDA Gth (%)	5.6	24.0	57.8	(49.5)	88.8	(5.6)
Opg Profit Gth (%)	(11.9)	38.0	48.2	(36.9)	91.6	(7.3)
Net Profit Gth (%)	(4.1)	83.6	27.0	(63.0)	155.0	(25.2)

## Margins

Gross Margins (%)	34.1	34.0	38.1	32.7	37.8	35.0
Opg Profit Margins (%)	14.0	14.9	26.9	18.3	26.0	20.5
Net Profit Margins (%)	10.6	15.0	23.1	9.2	17.4	11.1

## Quarterly Segmental Breakdown

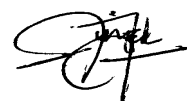
FY Sep	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
<b>Revenues (RM m)</b>						
Property development & construction	103	116	102	87	120	167
Hotel & property investment	8	10	8	8	9	8
Trading	16	15	15	16	20	16
Manufacturing	4	3	3	2	3	2
Plantation	8	35	19	23	33	25
Others	0	0	1	1	0	0
<b>Total</b>	<b>139</b>	<b>180</b>	<b>148</b>	<b>137</b>	<b>185</b>	<b>218</b>

## Segmental EBIT (RM m)

Property development & construction	26	16	28	14	30	42
Hotel & property investment	3	3	4	4	5	2
Trading	1	1	1	1	1	1
Manufacturing	1	0	0	(0)	0	(0)
Plantation	(7)	12	5	6	9	8
Others	(5)	(6)	1	(0)	(0)	6
<b>Total</b>	<b>19</b>	<b>27</b>	<b>39</b>	<b>25</b>	<b>46</b>	<b>60</b>

Source: Company, DBS Vickers

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Published and Printed by  
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