

Boustead Holdings

(RM3.40 BOUS MK)

Hold

Target Price: RM3.30

RM75m net gain from BHI sale

- Formalising sale of BH Insurance for RM362.6m**

Post getting the green light from BNM, Boustead yesterday formalised the sale of their 80% stake in BH Insurance (BHI) to AXA Affin for RM362.3m which is made up of RM359m principal amount and accrued interest of RM3.58m. Along with the sale, Boustead would be buying a piece of freehold land along Jalan Eaton, KL from BHI for RM15.8m. To note, Boustead's will record a RM75m net gain from the sale. Timeline for completion of the deal is up to 6 months.

- Net gearing drops to 0.5x and 3% increase in net profit**

Boustead plans to use the entire proceeds of the sale to pare down their borrowings. Total borrowings of the group currently amount to RM2.9bn of which RM2.6bn is short term (largely revolving credits). Net gearing amounts to 0.6x. Paring down debts using the proceeds will bring net gearing down to a reasonable 0.5x. Also the group's interest cost will drop by roughly RM15m which will result in 3.3% increase in FY10 net profit. We have only assumed a breakeven case for BHI in our forward estimates hence removal of earnings makes a minimal <1% dent to bottom line.

- One down and one to go**

With the sale of BHI completed, what is left to be done is the sale of the group's Indonesian estates. The group continues to have a trying time disposing of the estates for a host of reasons we believe to be; location, existing infrastructure, soil conditions, and pricing. This has been a drawn out issue for some 18 months and we won't be expecting a sale anytime in the next 6 months to even 12 months.

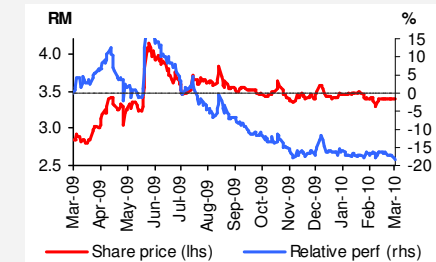
- Maintain HOLD, TP unchanged at RM3.30**

We maintain our HOLD call on Boustead and sum-of-parts based target price of RM3.30. We revised our FY10-FY12 earnings higher by between 2.6% and 3.1% to mainly account for interest savings from debt repayment.

FYE 31 Dec	2008	2009	2010F	2011F	2012F
Revenue	7,029.8	5,392.0	5,455.2	5,544.5	5,931.1
EBITDA	718.3	524.8	713.1	739.4	701.0
Net profit	578.8	341.6	458.5	486.7	490.5
EPS (sen)	63.5	37.5	50.3	53.4	53.8
ECM / Consensus (%)			116.8	129.0	n/a
EPS growth (%)	21.2	-41.0	34.2	6.2	0.8
P/E (x)	5.4	9.1	6.8	6.4	6.3
Net DPS (sen)	21.9	16.3	22.2	22.2	22.2
Dividend yield (%)	6.4	4.8	6.5	6.5	6.5
BVPS (RM)	5.06	4.69	4.90	5.14	4.98
P/BV (x)	1.0	1.0	0.9	0.8	0.9

PLANTATION

Share Price Chart



Source: Bloomberg

52-week Range (RM)	2.80 – 4.13		
Avg Daily Volume ('000)	665		
	1M	3M	6M
Absolute (%)	0.0	-2.3	-3.4
Relative (%)	-2.2	-3.5	-12.4

Key Data

Market Cap (RM m)	3,169
Issued Shares (m)	932

Major Shareholders

LTAT	58.4
Tan Sri Lodin Wok Kamaruddin	3.0

Balance Sheet Highlights (RM m)

(@ 31.12.2010) (performance indicator's annualised)

Total Assets	9,435.1
Total Liabilities	4,971.5
Total Debt (Gross)	2,581.4
Shareholders' Equity	4,463.6

Return on Assets (%)	5.0
Return on Equity (%)	10.5
Net Cash / Share (RM)	-

Debt/Equity (x)	0.6
Interest Cover (x)	39.1

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Figure 1 : Earnings revision

	Previous EPS (sen)	Current EPS (sen)	% Change
FY10	48.8	50.3	3.1
FY11	52.0	53.4	2.7
FY12	52.4	53.8	2.6

Source: ECM Libra

Figure 2 : Sum-of-parts valuation

	RMm	Stake	Applied PE
Plantation	1,055	100%	12
Boustead Heavy Industries	455	65%	11
Boustead Naval Shipyard	2,285	82%	15
Property Development	619	100%	15
Property Investment	399	100%	9
Trading	83	53%	4
Manufacturing and Services	40	65%	5
Associates	311	21%	
Net cash/(debt)	(1,915)		
Total	3,332		
Issued share capital	911		
Holding Co Discount	10%		
Target Price	3.29		
Upside/(Downside)	-3.23%		

Source: ECM Libra

Boustead Holdings
Financial Summary
Price Date: 2 March 2010

Balance Sheet						Income Statement					
	2008A	2009A	2010F	2011F	2012F		2008A	2009A	2010F	2011F	2012F
FY 31 Dec (RM'mil)						FY 31 Dec (RM'mil)					
Fixed Assets	5,531.5	5,793.5	5,796.9	5,455.7	5,229.3	Revenue	7,029.8	5,392.0	5,455.2	5,544.5	5,931.1
Intangible Assets	1,068.5	1,015.1	1,015.1	915.1	915.1	EBITDA	718.3	524.8	713.1	739.4	701.0
Inventories	230.8	234.6	194.3	243.0	162.5	Dep/Amortisation	(104.3)	(119.4)	(129.5)	(129.5)	(124.5)
Receivables	1,052.8	942.5	1,009.4	911.4	975.0	EBIT	614.0	405.3	583.6	609.9	576.6
Other Asset	126.1	705.6	753.3	705.5	705.5	Other Operating Income	-	-	-	-	-
Cash and ST Funds	669.4	396.5	666.2	1,438.5	1,971.5	Net interest Expense	(79.4)	(7.0)	(14.9)	(15.9)	9.1
Total Assets	8,679.1	9,087.7	9,435.1	9,669.3	9,958.8	Exceptional Item	(75.6)	-	-	-	-
Payables	1,065.5	950.0	896.4	909.2	973.1	Pretax Profit	678.9	501.6	677.2	708.0	705.3
ST Borrowings	2,878.7	2,633.8	1,807.0	1,807.0	1,807.0	Taxation	(11.2)	(83.2)	(135.4)	(141.6)	(141.1)
Other ST Liability	689.2	787.7	1,362.7	1,366.8	1,730.6	Minority Interest	(88.9)	(76.8)	(83.2)	(79.6)	(73.7)
LT Borrowings	624.7	310.6	774.4	774.4	774.4	Net Profit	578.8	341.6	458.5	486.7	490.5
Other LT Liability	125.9	131.0	131.1	131.2	131.2	Growth					
Liabilities	5,384.1	4,813.1	4,971.5	4,988.5	5,416.3	FY 31 Dec	2008A	2009A	2010F	2011F	2012F
MI	385.2	446.4	446.4	446.4	446.4	Turnover	22.2	(23.3)	1.2	1.6	7.0
Share Capital	325.5	455.7	455.7	455.7	455.7	EBITDA	(14.5)	(26.9)	35.9	3.7	(5.2)
Reserves	2,584.3	3,372.6	3,561.5	3,778.7	3,640.4	Pretax Profit	(18.1)	(26.1)	35.0	4.5	(0.4)
Shareholders' Fund	3,295.0	4,274.7	4,463.6	4,680.8	4,542.5	Net Profit	21.2	(41.0)	34.2	6.2	0.8
Liabilities & Equities	8,679.1	9,087.7	9,435.1	9,669.3	9,958.8	EPS	21.2	(41.0)	34.2	6.2	0.8
Cashflow Statement						Efficiency					
FY 31 Dec (RM'mil)						FY 31 Dec					
Profit Before Tax	678.9	501.6	677.2	708.0	705.3	Inv. Processing (days)	12	17	13	16	10
Dep/Amortisation	98.8	119.4	129.5	129.5	124.5	Rec. Collection (days)	54	68	68	60	60
Financing Cost	79.4	41.0	27.3	27.1	1.9	Pay. Payment (days)	71	74	70	70	70
Change in WC	(391.6)	(35.7)	(160.8)	159.5	(80.2)	Cash Conversion (days)	-5	11	11	6	0
Other Non-cash Items	255.0	(106.8)	(145.3)	(151.2)	(125.5)	Profitability					
Tax Paid	(11.2)	(87.7)	(83.2)	(135.4)	(141.6)	EBITDA Margin	10%	10%	13%	13%	12%
Operating Cashflow	709.3	431.9	444.7	737.4	484.4	Pretax Profit Margin	10%	9%	12%	13%	12%
Capex	(1,097.3)	(300.0)	(300.0)	(100.0)	(100.0)	Net Profit Margin	8%	6%	8%	9%	8%
Disposal	457.6	150.0	150.0	150.0	150.0	Return on Asset	7%	4%	5%	5%	5%
Others	132.3	22.1	22.1	22.1	22.1	Return on Equity	18%	9%	10%	11%	11%
Investing Cashflow	(507.4)	(127.9)	(127.9)	72.1	72.1	Leverage					
Equity Raised	4.4	-	-	-	-	Total debt/Total Asset(x)	0.4	0.3	0.3	0.3	0.3
Borrowings	757.2	-	-	-	30.0	Total debt/Equity (x)	1.1	0.7	0.6	1.1	1.2
Repayment	(649.4)	-	(363.0)	-	-	Net Gearing Ratio	0.9	0.6	0.4	0.2	0.1
Dividends Paid	(191.2)	(148.9)	(202.1)	(202.1)	(202.1)	Key Drivers					
Others	(247.4)	(123.7)	(108.4)	(108.4)	(108.4)	CPO ASP (RM/MT)	2,900.0	2,300.0	2,400.0	2,400.0	2,400.0
Financing Cashflow	(326.4)	(272.5)	(673.6)	(310.6)	(280.6)	FFB Yield/ha	20.0	15.0	18.0	18.0	19.0
Net Cashflow	(105.7)	198.8	(141.7)	772.4	532.9	Valuations					
Changes in Forex	-	-	-	-	-	EPS (sen)	63.5	37.5	50.3	53.4	53.8
Beginning Cash	714.7	609.0	807.8	666.2	1,438.5	PER (x)	5.4	9.1	6.8	6.4	6.3
Ending Cash	609.0	807.8	666.2	1,438.5	1,971.5	Net DPS (sen)	21.9	16.3	22.2	22.2	22.2
						Dividend Yield (%)	6.4	4.8	6.5	6.5	6.5
						BVPS (RM)	3.42	3.58	3.78	4.13	3.98
						P/BV(x)	1.0	1.0	0.9	0.8	0.9

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months

Hold = Share price is expected to move by less than +/-10% over the next 12 months

Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months

Neutral = Industry expected to perform in-line with the market over the next 12 months

Underweight = Industry expected to underperform the market over the next 12 months

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