1QFY11 RESULTS UPDATE **7 June 2011**

CBSA Berhad

Price :	RM0.38
Market Capitalization :	RM 90.8 mln
Market :	Main Market
Sector :	Technology
Recommendation :	Buy

Bursa / Bloomberg Code: 0041 / CBS MK
Shariah-Compliant Stock

CBSA: 1QFY11 results

FYE Dec		Quarter-on-Quarter		Year-on-Year	
(RM m)	Mar 11	Dec 10	%chg	Mar 10	%chg
Turnover	10.2	13.1	-22.5%	11.7	-13.0%
Operating profit	2.8	3.2	-12.8%	3.7	-24.4%
Interest cost	(0.0)	(0.0)		-	
Pre-tax profit	2.8	3.2	-12.1%	3.7	-24.8%
Tax	(0.2)	(0.3)		(0.2)	
Net profit	2.6	2.9	-12.1%	3.2	-20.1%
Reported EPS (sen)	1.1	1.2		1.4	
Op profit margin	27.7%	24.7%		31.9%	
Pre-tax margin	27.6%	24.3%		31.9%	
Net profit margin	25.3%	22.3%		27.6%	
NA per share (RM)	0.24				

1QFY11 Results Review

- CBSA Berhad (CBSA) (formerly known as CBS Technology Bhd)'s 1QFY11 net profit of RM2.6 mln was broadly in line with our expectation, accounting for 22.6% of our full-year forecast of RM11.5 mln.

- 1QFY11 turnover contracted 13.0% y-o-y on lower billings at the IT division, arising from delays in the implementation of certain projects. PBT meanwhile, declined 24.8% y-o-y to RM2.8 mln as a result of high-base effect in 1QFY10 where PBT included a one-off RM1.7 mln gain on disposal of land. Stripping off the gain, 1QFY11 PBT actually rose 41.0% y-o-y due to improved PBT margin at the IT division despite the lower turnover. On a q-o-q basis, 1QFY11 turnover and PBT eased 22.5% and 12.8% respectively, mainly a result of lower contributions from the Search and Advertising division (renamed from Media and Content division).

- In terms of segmental breakdown, IT business accounted for 70.3% of revenue and 94.9% of PBT in 1QFY11, with the remaining contributed by the Search and Advertising division.

- We expect the CBSA's performance to gradually pick up over the next few quarters as the Group continues to drive its expansion efforts for its Search and Advertising business in the Southeast Asia region such as Thailand, Indonesia, Vietnam and the Philippines. Its operations remain supported by a solid balance sheet with a net cash/share of 3.8 sen and book value/share of 24 sen.

- With the results broadly within our expectations, we maintain our current FY11 revenue and net profit estimates of RM52.0 mln and RM11.5 mln respectively.

- CBSA did not declare any dividend in 1QFY11.

Recommendation

We reiterate our **Buy** recommendation on CBSA with an unchanged fair value of **RM0.43**, derived from assigning a PER of 9x against our FY11 net profit forecast. We continue to like CBSA for its i) prospective earnings growth particularly in the overseas markets, ii) increasing recurring income base, and iii) healthy balance sheet.

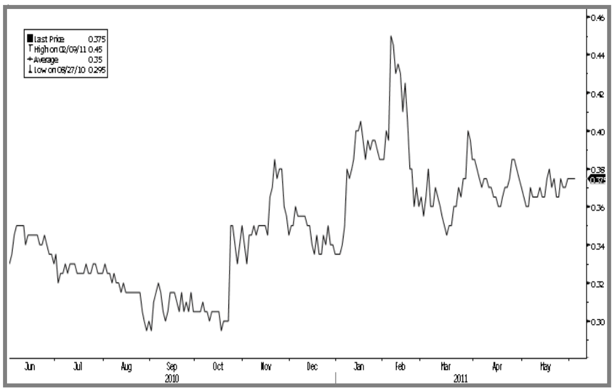
Per Share Data

FYE Dec	FY09	FY10	FY11f
Book Value (RM)	0.18	0.23	0.28
Cash Flow (sen)	5.3	5.4	5.9
Earnings (sen)	4.7	4.4	4.8
Dividend (sen)	-	-	-
Payout Ratio (%)	-	-	-
PER (x)	8.0	8.6	7.9
P/Cash Flow (x)	7.2	7.1	6.4
P/Book Value (x)	2.1	1.7	1.4
Dividend Yield (%)	-	-	-
ROE (%)	25.7%	19.4%	17.5%
Net Gearing (x)	Net Cash	Net Cash	Net Cash

P&L Summary

FYE Dec (RM mln)	FY09	FY10	FY11f
Revenue	45.6	46.6	52.0
Operating profit	**11.8**	**11.6**	**12.7**
Net Int Exp	(0.0)	(0.2)	(0.2)
Pre-tax Profit	11.7	11.4	12.8
Eff. Tax Rate	4.6%	7.0%	8.0%
Net Profit	11.2	10.6	11.5
Op Profit Margin (%)	25.8%	24.9%	24.4%
Pre-tax Margin (%)	25.6%	24.5%	24.5%
Net Margin (%)	24.5%	22.8%	22.2%

CBSA's last 12-month share price chart



source: Bloomberg

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RATING GUIDE

BUY	Price appreciation expected to exceed 10% within the next 12 months
SELL	Price depreciation expected to exceed 10% within the next 12 months
HOLD	Price movement expected to be between -10% and +10% over the next 12 months from current level

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