

1QFY11 RESULTS UPDATE

3 June 2011

KSL Holdings Berhad

Price : RM1.79

Market Capitalization : RM699.1 mln

Market : Main Market

Sector : Properties

Bursa / Bloomberg Code: 5038 / KSL MK
Stock is Shariah-compliant.

Recommendation : Buy

KSL: 1QFY11 results

FYE Dec (RM mln)	Quarter-on-Quarter			Year-on-Year	
	Mar 11	Dec 10	% chg	Mar 10	% chg
Turnover	43.5	36.5	19.1%	53.5	-18.8%
Operating profit	18.4	99.9	-81.5%	23.4	-21.3%
Finance costs	(1.9)	(2.2)		(1.2)	
Pre-tax profit	16.5	97.7	-83.1%	22.2	-25.7%
Tax	(3.7)	(26.0)		(6.2)	
Net profit	12.9	71.7	-82.0%	16.1	-19.9%
EPS (sen) - basic	3.3	18.6		4.8	
Op. profit margin	42.4%	273.9%		43.7%	
Pre-tax margin	38.0%	267.9%		41.5%	
Net profit margin	29.6%	196.5%		30.0%	
NTA/share (RM)	2.31				

* 4QFY11 results were boosted by a revaluation gain on one of its key assets.

1QFY11 Results Review

- KSL posted a 1QFY11 net profit of RM12.9 mln, which accounted for only 16% of our full-year forecast of RM78.7 mln. Nevertheless, we consider the results to be broadly within our expectations as we expect a more robust performance in 2HFY11, particularly in 4QFY11, upon commencement of earnings recognition from its new upcoming flagship project in Klang.
- 1QFY11 turnover was 18.8% lower y-o-y at RM43.5 mln, largely on lower contribution from the property development segment which declined 36.5% y-o-y to RM32.8 mln, though this was partly compensated by the 5.6x increase y-o-y in property investment revenue to RM10.3 mln.
- We believe the y-o-y drop in the property development revenue was owing to management's current focus on preparing its RM2.5 bln Bandar Bestari in Klang for launch in 2QFY11. The division's revenue in 1QFY11 was generated from its ongoing projects in Johor, namely the KSL City Shopping Mall, Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah and Maharani Riviera. Meanwhile, the surge in contribution from the property investment segment was due to new rental income stream from its KSL City Shopping Mall. We note that despite the smaller turnover, net margin was sustained at the circa 30% level.
- Sequentially, the seemingly huge plunge in profitability was a result of the recognition of fair value adjustment on its KSL City Shopping Mall that amounted to RM82.2 mln in 4QFY10. Stripping off the fair value gain, 1QFY11 PBT of RM16.5 mln was actually higher by approximately 7% q-o-q.
- KSL's balance sheet also remains lean and solid, backed by a NTA/share of RM2.31 and a low net gearing of 0.1x.
- We maintain our current FY11 and FY12 net profit projections of RM78.7 mln and RM111.4 mln respectively at this juncture. We expect activities to pick up gradually over the next few quarters with a strong performance towards the end of the year when the Group starts recognizing sales

from its Bandar Bestari project. KSL's earnings visibility is also supported by its current unbilled sales of RM156.2 mln as at end-March 2011, bulk of which is from the sales of the serviced apartments, D'Esplanade, at the KSL City. Against the backdrop of healthy unbilled sales and impending major launch, we remain upbeat on KSL's prospects over the medium term.

- No dividend was declared for the quarter under review.

Recommendation

We maintain our **Buy** recommendation on KSL with an unchanged fair value of **RM2.38**, derived from pegging 0.5x against its RNAV. We continue to like KSL for its i) prospective double-digit earnings growths; ii) clear growth strategy; iii) established recurring income stream, and iv) experienced and hands-on management team.

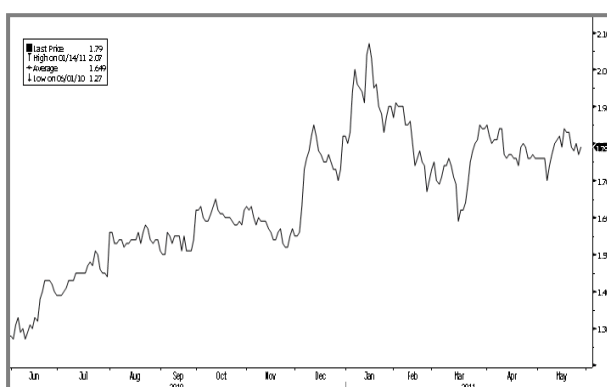
Per Share Data

FYE Dec	FY09	FY10	FY11f
Book Value (RM)	2.08	2.27	2.41
Cash Flow (sen)	26.4	32.2	20.7
Earnings (sen)	26.0	32.0	20.2
Net Dividend (sen)	3.8	3.8	3.8
Payout Ratio (%)	15.9%	12.0%	18.6%
PER (x)	6.9	5.6	8.9
P/Cash Flow (x)	6.8	5.6	8.7
P/Book Value (x)	0.9	0.8	0.7
Dividend Yield (%)	2.1%	2.1%	2.1%
ROE (%)	12.5%	13.9%	8.4%
Net gearing (x)	0.2	0.2	0.2

P&L Summary

FYE Dec (RM mln)	FY09	FY10	FY11f	FY12f
Revenue	186.2	177.9	247.4	339.0
EBIT	117.7	170.6	109.6	153.2
Net Int Exp	(2.5)	(6.2)	(7.3)	(8.6)
Pre-tax Profit	115.2	164.3	102.3	144.6
Eff. Tax Rate	18.6%	22.2%	23.0%	23.0%
Net Profit	91.4	121.7	78.7	111.4
EBIT Margin (%)	63.2%	95.9%	44.3%	45.2%
Pre-tax Margin (%)	61.9%	92.4%	41.3%	42.7%
Net Margin (%)	49.1%	68.4%	31.8%	32.9%

KSL's last 12-month share price chart



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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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