

2QFY11 RESULTS UPDATE

2 September 2011

# KSL Holdings Berhad

Price : RM1.59

Market Capitalization : RM621.0 mln

Market : Main Market

Sector : Properties

Recommendation : Buy

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

## KSL: 2QFY11 results

FYE Dec (RM mln)	Quarter-on-Quarter			Year-on-Year		Cumulative		
	Jun 11	Mar 11	% chg	Jun 10	% chg	1HFY11	1HFY10	% chg
Turnover	78.8	43.5	81.5%	46.9	68.1%	122.3	100.4	21.8%
Operating profit	36.3	18.4	96.7%	25.7	41.3%	54.7	49.1	11.5%
Finance costs	(2.2)	(1.9)		(1.3)		(4.1)	(2.5)	
Pre-tax profit	34.1	16.5	106.2%	24.3	40.1%	50.6	46.5	8.7%
Tax	(5.0)	(3.7)		(7.4)		(8.7)	(13.6)	
Net profit	29.1	12.9	125.9%	16.9	71.9%	41.9	33.0	27.2%
EPS (sen) - basic	7.5	3.3		4.4		10.9	8.8	
Op. profit margin	46.0%	42.4%		54.7%		44.7%	48.9%	
Pre-tax margin	43.2%	38.0%		51.9%		41.4%	46.3%	
Net profit margin	36.9%	29.6%		36.1%		34.3%	32.8%	
NTA/share (RM)	2.38							

## 2QFY11 Results Review

- After a muted 1QFY11 performance, KSL reported a strong 2QFY11 results with net profit rising 72.9% y-o-y to RM29.1 mln mainly on better sales mix and higher progress billings. We deem 1HFY11 net profit of RM41.9 mln, which accounts for 53% of our FY11 projection, to be above expectations as we now expect 2HFY11 results to remain strong.
- 1HFY11 revenue surged 21.8% y-o-y to RM122.3 mln, attributed to higher contributions from its ongoing projects, i.e. KSL City Shopping Mall, Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah and Maharani Riviera, as well as increase in rental income from its investment properties.
- The property development division turnover was 4.8% higher y-o-y while the property investment segment jumped 4-fold y-o-y to RM16.2 mln. The substantial rise in the property investment revenue was owing to new rental income stream from its KSL City Shopping Mall, which opened door in December 2010.
- Sequentially, 2QFY11 revenue and net profit rose 81.5% and 125.9% q-o-q, mainly bolstered by robust performance from property development segment. To recap, development activities slowed down in the last few quarters as management channeled resources to focus on preparing its Bandar Bestari in Klang for launch in late 2011. Pace has since picked up during the quarter under review, as evident in the doubling of property development revenue to RM68.5 mln. KSL also registered much higher property sales in 2QFY11 at RM93.9 mln as compared to RM45.8 mln in 1QFY11.
- KSL's balance sheet remains lean and solid, backed by a NTA/share of RM2.38 and a low net gearing of 0.1x.
- In view of the strong 2QFY11 results, and our expectations of similar robust performance in 2HFY11, we revise our FY11-FY12 earnings forecasts by 3%-12% to RM87.8 mln and

RM113.6 mln respectively. KSL's earnings visibility is supported by its current unbilled sales of RM176.1 mln as at end-June 2011, the bulk of which is from the sales of the serviced apartments, D'Esplanade, at the KSL City. Earnings in FY12 will also be supported by the Group's upcoming new flagship project, Bandar Bestari in Klang.

- Phase 1 of Bandar Bestari is slated for launch in November 2011 following several deferments. Phase 1 comprises over 300 units of cluster houses as well as semi-detached homes, tentatively priced at approximately RM700,000 and RM900,000 per unit respectively. We note that the pricing has been revised upward as management had initially indicated a price tag of below RM500,000 for the cluster house. With the expected higher selling prices, the phase 1 GDV is approximately RM380 mln (from the earlier RM230 mln) while the entire Bandar Bestari GDV is likely to be at over RM3 bln now from RM2.5 bln previously. We expect earnings from phase 1 to kick in from FY12 onwards in view of the revised launch date.

## 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) earnings sustainability over the medium to long term; iii) established recurring income stream, and iv) experienced and hands-on management team. We attribute the recent decline in the share price to the overall weak macroeconomic environment and poor investor sentiment, as KSL's fundamentals remain intact underpinned by its existing orderbook and future projects.

### Per Share Data

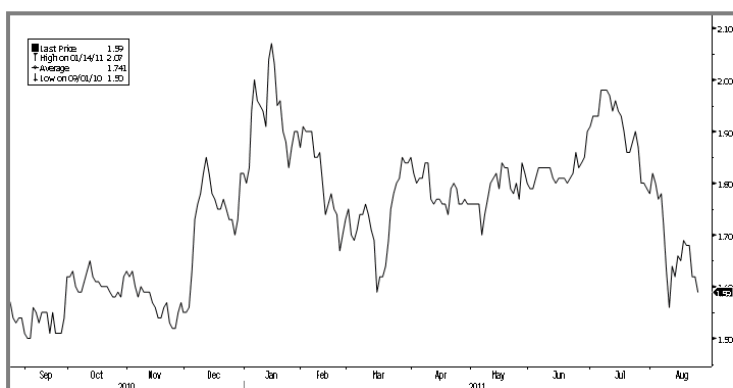
FYE Dec	FY09	FY10	FY11f
Book Value (RM)	2.08	2.27	2.43
Cash Flow (sen)	26.4	32.2	23.0
Earnings (sen)	26.0	32.0	22.5
Net Dividend (sen)	3.8	3.8	3.8
Payout Ratio (%)	15.9%	12.0%	16.7%
PER (x)	6.1	5.0	7.1
P/Cash Flow (x)	6.0	4.9	6.9
P/Book Value (x)	0.8	0.7	0.7
Dividend Yield (%)	2.4%	2.4%	2.4%
ROE (%)	12.5%	13.9%	9.2%
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	274.1	345.4
EBIT	117.7	170.6	121.4	156.1
Net Int Exp	(2.5)	(6.2)	(7.3)	(8.6)
Pre-tax Profit	115.2	164.3	114.1	147.5
Eff. Tax Rate	18.6%	22.2%	23.0%	23.0%
Net Profit	91.4	121.7	87.8	113.6
EBIT Margin (%)	63.2%	95.9%	44.3%	45.2%
Pre-tax Margin (%)	61.9%	92.4%	41.6%	42.7%
Net Margin (%)	49.1%	68.4%	32.0%	32.9%

Note: FY09 & FY10 figures include fair value gain on investment properties.

### 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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