

## 3QFY11 RESULTS UPDATE

2 December 2011

**CBSA Berhad**

Price : RM0.335

Market Capitalization : RM77.7 mln

Market : Main Market

Sector : Technology

Recommendation : Downgrade to Hold

Bursa / Bloomberg Code: 0041 / CBS MK  
Shariah-Compliant Stock**CBSA: 3QFY11 results**

FYE Dec (RM m)	Quarter-on-Quarter			Year-on-Year		Year to date		
	Sep 11	Jun 11	% chg	Sep 10	% chg	9MFY11	9MFY10	% chg
Turnover	14.0	9.9	41.9%	13.7	2.0%	34.0	33.5	1.6%
Operating profit	2.1	1.4	50.1%	3.6	-41.0%	6.3	8.3	-24.2%
Interest cost	(0.0)	(0.0)		(0.0)		(0.1)	(0.1)	
Pre-tax profit	2.1	1.4	51.6%	3.5	-40.7%	6.3	8.2	-23.7%
Tax	0.4	0.0		(0.4)		0.2	(0.5)	
Net profit	2.4	1.3	79.3%	3.2	-24.7%	6.3	7.6	-16.3%
Reported EPS (sen)	1.0	0.6		1.3				
Op profit margin	15.0%	14.2%		26.0%		18.6%	24.9%	
Pre-tax margin	14.9%	14.0%		25.7%		18.4%	24.6%	
Net profit margin	17.0%	13.5%		23.1%		18.6%	22.6%	
NA per share (RM)	0.26							

**3QFY11 Results Review**

- CBSA reported another set of weaker-than-expected results with 3QFY11 net profit falling 24.7% y-o-y to RM2.4 mln, bringing 9MFH11 net profit to RM6.3 mln which accounted for only 59% of our FY11 estimate.
- 3QFY11 revenue rose 2.0% y-o-y on improved contributions from the ICT division (+18% y-o-y) which offset the 5% y-o-y drop in Search and Advertising turnover. PBT however, was down 40.7% y-o-y owing to i) a RM0.71 mln write-off on capitalized content development cost, and ii) a RM0.66 mln share-based payment following the grant of ESOS during the quarter under review. A positive write-back of prior year's tax provision helped cushion the decline in PBT, resulting in net profit decreasing by a smaller magnitude of 24.7% y-o-y.
- Similarly, the 1.6% y-o-y increase in 9MFY11 revenue was attributed to higher ICT turnover. Meanwhile, the 23.7% y-o-y drop in 9MFY11 PBT was largely due to inclusion of a one-off gain from land disposal in 9MFY10 which amounted to RM1.74 mln. Stripping off the gain, 9MFY11 PBT fell only 2.5% y-o-y. Hitherto, the ICT division contributes a larger portion to Group 9MFY11 revenue and PBT at 54% and 66% respectively, although the composition is likely to tilt towards a more balance split by 4QFY11.
- Sequentially, 3QFY11 revenue and PBT improved substantially by 41.9% and 51.6% q-o-q respectively, despite the write-off and ESOS expense, as CBSA usually recognizes the bulk of its advertising sales for its printed and online directory services in the 2H of its financial year.
- Without the write-off and the ESOS expense, CBSA's results would have been in line with our expectations. Considering the 3QFY11 results, we now trim our FY11 net profit estimate by 12% to RM9.3 mln to account for these two expenditures. We understand there should not be anymore write-off going forward as content development cost would be expensed out as and when it is incurred. We also introduce our FY12 revenue and net profit forecast of RM53.1 mln and RM10.5 mln respectively, which largely assume similar profitability level as FY11 excluding the ESOS and write-off.

- On balance sheet strength, the Group remains in a net cash position with a net cash/share of 3.4 sen as at end-September 2011. Book value/share and NTS/share stands at 13 sen and 26 sen respectively.

## Recommendation

We lower our recommendation to **Hold** from Buy with a revised fair value of **36 sen** (from 40 sen) derived from pegging our rolled over FY12 net profit estimate against a target PER of 8x (from 9x). While there continue to be several positive attributes on the Group such as its recurring income base, strategic partnership with Google and net cash position, we opine that CBSA's operating environment over the next 12 months would be challenging in tandem with the weak macroeconomic outlook, resulting in muted earnings growth catalysts.

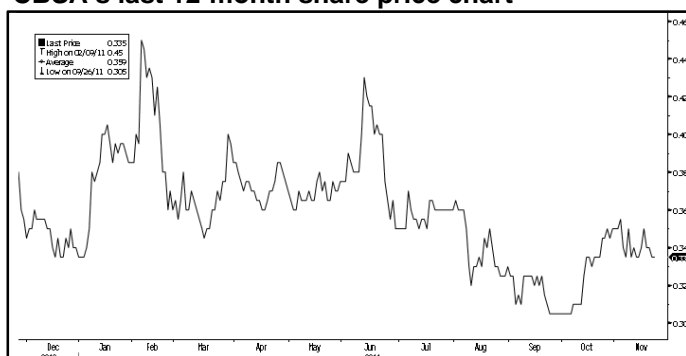
### Per Share Data

FYE Dec	FY09	FY10	FY11f
Book Value (RM)	0.18	0.23	0.27
Cash Flow (sen)	5.3	5.4	5.9
Earnings (sen)	4.7	4.4	3.9
Dividend (sen)	-	-	-
Payout Ratio (%)	-	-	-
PER (x)	7.0	7.5	8.4
P/Cash Flow (x)	6.3	6.1	5.6
P/Book Value (x)	1.8	1.4	1.2
Dividend Yield (%)	-	-	-
ROE (%)	25.7%	19.4%	14.6%
Net Gearing (x)	Net Cash	Net Cash	Net Cash

### P&L Summary

FYE Dec (RM mIn)	FY09	FY10	FY11f	FY12f
Revenue	45.6	46.6	49.1	53.1
Operating profit	<b>11.8</b>	<b>11.6</b>	<b>10.3</b>	<b>11.5</b>
Net Int Exp	(0.0)	(0.2)	(0.1)	(0.1)
Pre-tax Profit	11.7	11.4	10.2	11.4
Eff. Tax Rate	4.6%	7.0%	8.0%	8.0%
Net Profit	11.0	10.5	9.3	10.5
Op Profit Margin (%)	25.8%	24.9%	20.9%	21.7%
Pre-tax Margin (%)	25.6%	24.5%	20.7%	21.5%
Net Margin (%)	24.1%	22.6%	19.0%	19.8%

CBSA's last 12-month share price chart



source: Bloomberg

**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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