Investment Idea

Crest Builder Holdings Bhd

Attractively priced

BUY

Price:	**RM1.11**
Target price:	**RM1.65**

***By Yong Jun Ting** | jt.yong@rakutentrade.my*

Crest Builder Holdings Bhd ("CBHB") has recorded an impressive earnings growth in FY18 with 3-year CAGR of 29% in revenue and 95% in profit. We upgrade our target price from RM1.05 to RM1.65 premised on 6x blended PER FY19 as per its closest related peers.

CBHB marked a good start in FY19 by securing RM99.6m worth of project from Techvance Properties Management Sdn Bhd to construct a 26-storey hotel. This brings the group's total construction outstanding orderbook to RM1.09bn, which will provide earnings visibility until year 2022. Most of the outstanding value are from private projects leveraging on CBHB's track record in the higher end high-rise segment. Among the significant projects are Latitud8, Capri Hotel and South Brooks at Desa ParkCity, to name a few. Meanwhile, management team has also set a replenishment target of RM600m this year.

The next earnings driver for property development will bank on CBHB's first billion-ringgit project, Latitud8. It is the first Transit Oriented Development in Malaysia for Prasarana which is designed and built above an operating LRT station. To recap, this project has a GDV of RM1.1bn and CBHB has in Sept 2018 entered a MOU with T7 Kemuncak to jointly collaborate in a detailed technical proposal construction works of Latitud8. The group has two redevelopment projects of Malaysia Rubber Board and Kelana Jaya LR with GDV of RM1.3bn and RM1.0bn to be launched in 2020 and 2021 respectively.

CBHB continues to enjoy recurring income from its concession and property investment divisions (The Crest and Tierra Crest). The 23-year concession with the Ministry of Education and UiTM is contributing a decent annual income of RM43.5m until Jan 2034.

CBHB has been paying dividend at an average payout ratio of 29% for the past 3 years and we expect a dividend yield of 4.1% for FY19 and FY20. Net gearing ratio has improved from 1.3x in FY17 to 0.9x in FY18 due to the paring down of loans for its concession. CBHB is currently trading at a forward PER of 4.0x, which is below its 3-year historical average of 8.9x PER.

Technically Speaking

Resistance level	RM1.17
Support level	RM1.08

Source: Thomson Reuters

KLCI	1,641.81
YTD KLCI change	-2.8%
YTD stock price change	27.6%

Stock Information

Market Cap (RM'm)	174.2
Issued Shares (m)	156.9
52-week range (H)	1.21
52-week range (L)	0.79

Major Shareholders

SC Yong Holdings Bhd	42.5%

Summary Earnings Table

FY Dec (RM'm)	2017A	2018*	2019F	2020F
Turnover	498.3	595.4	613.3	699.1
EBIT	89.2	139.9	134.9	153.8
PBT	44.6	98.3	73.6	83.9
Net Profit	**28.1**	**70.4**	**42.9**	**48.9**
Consensus	-	-		
EPS (sen)	16.4	41.4	27.5	31.2
EPS growth	112.7%	151.9%	-33.9%	14.0%
DPS (sen)	4.0	4.5	4.5	4.5
PER (x)	6.7	2.7	4.0	3.5
BV/Share (RM)	2.5	2.7	3.3	3.6
ROE (%)	6.6	14.4	8.8	9.3
Div. Yield	3.6%	4.1%	4.1%	4.1%

GDV – Gross Development Value
Compounded Annual Growth Rate – CAGR
UiTM – University Teknologi Mara
**-unaudited*
Sources: Company, Rakuten Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Published:

RAKUTEN TRADE SDN BHD (266701-P)
Level 7, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2110 7188 Website: www.rakutentrade.my

Kenny Yee Shen Pin
Head of Research