

MONEY TALK

KEONG HONG (KHHL SP)

A Fruitful Year And Yet Another In FY16

VALUATION

- Maintain BUY with a slightly lower SOTP target price of S\$0.635 as we factor in the S\$0.04/share dividend that has been declared in FY15.

RESULTS

- **4QFY15 net profit surged 411% to S\$22.5m** mainly due to the recognition of property development profit from its sold out 20% owned executive condominium project, Twin Waterfalls.
- **Strong cash flow generation boost net cash position.** Keong Hong generated free cash flow of S\$37.5m during FY15 as net cash swelled to S\$33.6m (S\$0.149/share) as at 30 Sep 15.

INVESTMENT HIGHLIGHTS

- **9% dividend yield.** As a result of the bumper profit, Keong Hong has declared a final dividend of S\$0.04/share. Inclusive of the interim dividend of S\$0.005/share (declared and paid earlier), it translates to an attractive dividend yield of 9%.
- **Another bumper dividend in FY16?** For FY16, investors can look to another year of sustained profit with the expected TOP of Skypark Residences (92% sold) which we estimate Keong Hong to recognize property development profit of S\$14.9m (S\$0.064/share). Keong Hong paid out 27% of its earnings in FY15. Given management's generous track record of rewarding shareholders, we believe shareholders may be in for another bumper dividend when Skypark Residences achieved TOP in FY16.
- **Solid balance sheet and in a stronger net cash position.** As at 30 Sep 15, Keong Hong was in a net cash position of S\$33.6m. We expect Keong Hong to receive about S\$17m in cash from the Twin waterfalls project when its associate pays out dividends back to the group. In FY16, the TOP of Skypark may see another S\$30m of cash proceeds being returned to the group. After taking into account the S\$0.04/share dividend pay out and incoming cash proceeds, Keong Hong's net cash position may expand to S\$71.3m (S\$0.306/share).
- **Robust order book.** As at 30 Sep 15, Keong Hong had a construction orderbook of S\$462m, providing earnings visibility till FY18. Of noteworthy, Keong Hong secured a S\$107.5m contract in Aug 15 for the construction of a 20-storey medical building at Victoria Street, which is expected to be fully completed by Aug 17. Given the short time frame of the project, we expect bulk of the profit from this project to be recognized in FY16 and FY17.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2013	2014	2015	2016F	2017F
Net turnover	146.6	272.9	280.3	305.1	251.7
EBITDA	27.3	26.8	27.6	34.5	31.6
Operating profit	24.9	24.5	23.7	27.2	21.3
Net profit (rep./act.)	21.9	19.7	38.1	35.0	21.1
EPS (cents)	9.4	8.4	16.3	15.0	9.0
PE (x)	5.4	6.0	3.1	3.4	5.6
P/B (x)	1.8	1.5	1.0	0.8	0.8
Dividend yield (%)	3.3	4.5	8.9	7.4	4.5
Net debt/(cash) to equity (%)	(21.0)	(20.4)	(29.9)	(12.6)	(9.8)
Interest cover (x)	401.6	76.6	17.6	7.9	6.7
ROE (%)	33.0	24.2	34.6	25.5	13.8

Source: Bloomberg, UOB KayHian

BUY (Maintained)

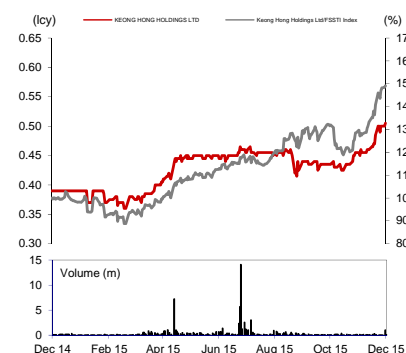
Share Price	S\$0.505
Target Price	S\$0.635
(Previously: S\$0.665)	
Upside	+25.7%

COMPANY DESCRIPTION

Established in 1983, Keong Hong is a BCA A1 grade main contractor serving both the private and public sectors for residential, commercial, industrial and institutional projects. It has since ventured into property development projects and hotel investments in the Maldives.

GICS sector	Industrials
Bloomberg ticker:	KHHL SP
Shares issued (m):	226.1
Market cap (S\$m):	114.2
Market cap (US\$m):	81.0
3-mth avg t'over (US\$m):	0.0

PRICE CHART



Source: Bloomberg

ANALYST

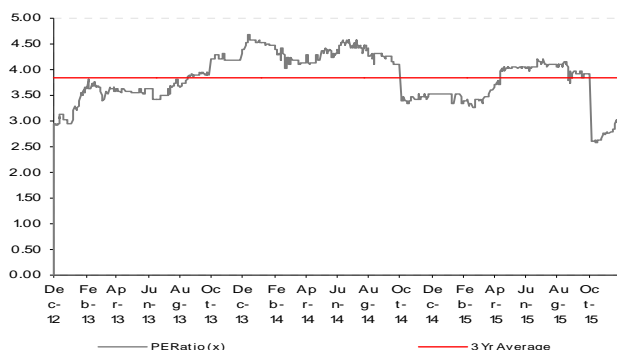
Loke Chunying
+65 6590 6637
cyluke@uobkayhian.com

MONEY TALK

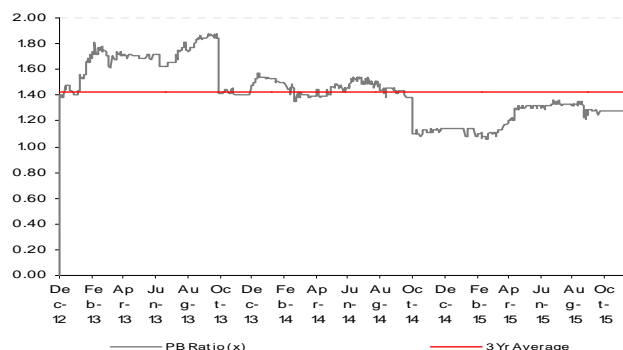
Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	9/14	9/15	9/16E	9/17E
01/12/2015	-	-	-	P/E	3.4	2.6	-	-
Target Price	-	-	-	EV/EBIT	3.2	-	-	-
Upside	-	-	-	EV/EBITDA	2.9	-	-	-
				P/S	0.2	0.4	-	-
				P/B	1.1	-	-	-
				Div Yield	5.0%	-	-	-
Income Statement	9/14	9/15	9/16E	9/17E	Profitability Ratios %			
Revenue	273	280	-	-	Gross Margin	11.2	-	-
Gross Income	31	-	-	-	EBITDA Margin	9.1	-	-
Operating Income	23	-	-	-	Operating Margin	8.3	-	-
Pretax Income	24	-	-	-	Profit Margin	7.2	13.6	-
Net Income Adjusted*	20	38	-	-	Return on Assets	11.1	-	-
EPS Adjusted	0.11	0.17	-	-	Return on Equity	27.3	-	-
Dividends Per Share	0.02	-	-	-				
Payout Ratio (%)	23	-	-	-				
EBITDA	25	-	-	-				
Peer Comparison	Ticker	Price @ 1 Dec 15	Market Cap (US\$m)	----PE----		----P/B----		Yield
				FY14 (x)	FY15F (x)	FY14 (x)	FY15F (x)	FY15F (%)
Lian Beng Group Ltd	LBG SP	0.51	183	3.1	2.4	0.7	0.6	3.9
Sim Lian Group Ltd	SLG SP	0.75	535	4.4	3.1	0.8	0.6	9.7
Koh Brothers Group Ltd	KOH SP	0.3	88	4.4	n.a.	0.5	n.a.	n.a.
Chip Eng Seng Corp Ltd	CHIP SP	0.675	297	1.5	n.a.	0.6	n.a.	n.a.
Tiong Seng Holdings Ltd	TSNG SP	0.24	78	n.a.	n.a.	0.4	n.a.	n.a.
Average				3.4	2.8	0.6	0.6	6.8
Keong Hong Holdings Ltd	KHHL SP	0.505	81	4.6	3.1	1.5	n.a.	n.a.

Price Earnings Ratio (3 years average)



Price to Book Ratio (3 years average)



Source: Bloomberg, UOB Kay Hian

Technical View



Source: Nextview

Keong Hong Holdings (KHHL SP, 5TT)

The stock has been on a general uptrend on the weekly chart. The stock is well supported at S\$0.46, a breakout above S\$0.51, may see the stock test new highs at S\$0.56.

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