

May 14, 2012

## Keong Hong Holdings

Higher margins

- Positive 1HFY12 (Sep.) performance.** For 1HFY12, Keong Hong Holdings (KHH) reported higher net profit of SGD4.8 mln (+34.9% YoY) despite lower revenue of SGD95.2 mln (-4.5% YoY). The higher profitability was mainly due to better gross margins (+2.4%-pts YoY to 8.4%) as a result of three projects nearing completion. An interim tax-exempt DPS of 0.5 SG cents was declared.
- Strong sales for its JV development, Twin Waterfalls at Punggol.** The recently launched Twin Waterfalls, a 728-unit EC development has sold 95.5% of its total units to-date. Sales of the group's 20%-owned Twin Waterfalls are only expected to contribute to earnings upon its completion (TOP date is in 2015).
- Decent order book to underpin earnings.** The group has an unbilled orderbook of SGD445 mln, lending earnings visibility up to 2014. KHH's balance sheet remains healthy with a net cash position of SGD43 mln. The respectable cash holding coupled with the decent orderbook size are key competitive advantages to bid for larger and higher quality projects and scout for new property projects.
- Positive industry outlook, but may face headwinds from a slowdown in private construction demand.** The construction outlook remains positive with the continuous roll-out of public projects and HDB's supply of another 25,000 new BTO flats this year. However, with the economic uncertainty and heightened policy risks, we see headwinds from a slowdown in private construction demand. In addition, given the stiff competition, construction companies are under pressure to increase productivity to sustain margins.

### Interim Performance

6 months ended (SGD mln)	Mar-11	Mar-12	YoY%
Revenue	99.7	95.2	(4.5)
EBIT	5.3	6.5	22.8
EBITDA Margin %	6.1	7.6	
Net Income	3.5	4.8	34.9
EPS (Basic & Diluted SG cents)	2.20	2.97	34.9
Rolling 12 months EPS (SG cents)	N.A	6.63	
Rolling Price/Earnings (x)	N.A	4.5	
Cash & bank balances	N.A	43.8	
Net Debt	N.A	0.0	
Net Gearing x	N.A	0.0	
Total Equity	N.A	35.0	
Book Value/Share (SG cents)	N.A	21.9	
P/BV x	N.A	1.3	

Source: Company data, S&P Capital IQ

\*Based on 160 mln post IPO shares in issue

## Results Review

GICS: Industrials/Capital Goods

**Business Summary:** Keong Hong Holdings Ltd, an investment holding company, provides building construction services for residential, commercial, industrial and institutional projects to the private and public sectors in Singapore and Maldives.

**Country of Incorporation:** Singapore

**Head Office Location:** Block 151 Bukit Batok Street 11 #03-250, Singapore 650151

**Place of Operation:** Singapore

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**CURRENT PRICE:**  
SGD0.295

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### Key statistics

52-week Price Range	0.33/0.28
Avg Vol - 12 months ('000 shares)	2,693.5
Price performance (%) - 1 month	-9.2
- 3 month	-7.8
- 12 month	N.A.
No. of Outstanding shares (mln)	160.0
Free Float (%)	49.3
Market Cap (SGD mln)	47.2
Enterprise value (SGD mln)	10.4

### Major shareholders (%)

Leo Ting Ping, Ronald	50.8
Teou Kem Eng	4.0
Lim Ewe Ghee	3.3

Source: Company data, S&P Capital IQ

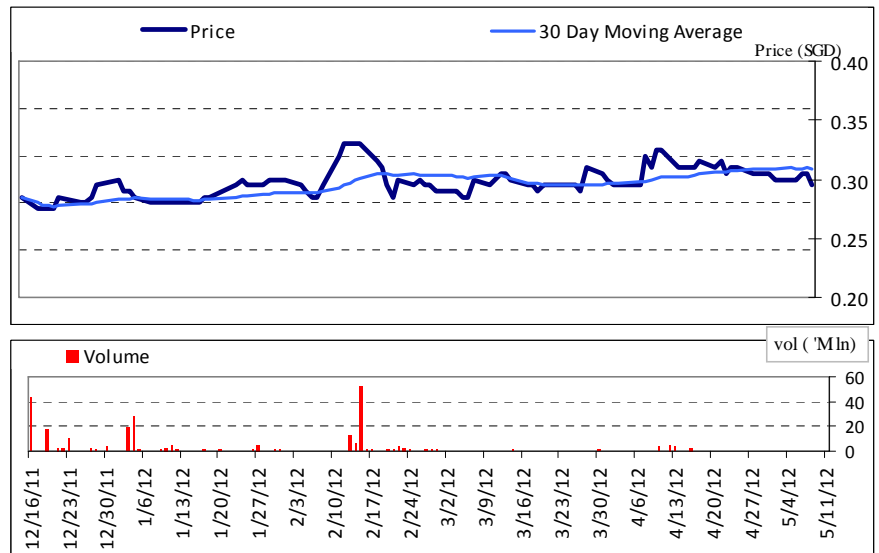
# Share Price Performance

## Share Price Performance Details

Current Price	0.295
52-week Hi/Low	0.33/0.28
10-day Avg Volume (mln)	0.13644
Price 1 Month Ago	0.325
1 Month Price Performance	-9.23%
Price 3 Months Ago	0.32
3 Month Price Performance	-7.81%
Price 6 Months Ago	N.A.
6 Month Price Performance	N.A.
Price 12 Months Ago	N.A.
12 Month Price Performance	N.A.
Market Capitalization (SGD mln)	47.2
Beta	N.A.

Source: S&P Capital IQ

## Keong Hong Holdings Share Price Chart



Source: S&P Capital IQ

## Comparative Performance

	Keong Hong Holdings Ltd.	FTSE Straits Times Index	Lum Chang Holdings Ltd.	BBR Holdings Ltd.	KSH Holdings Ltd.
1 Month	-9.23%	-3.49%	-3.23%	-8.33%	-8.16%
3 Month	-7.81%	-3.12%	1.69%	-8.33%	-8.16%
6 Month	N.A.	3.31%	13.21%	7.32%	2.27%

Source: S&P Capital IQ

## Financial Performance

**Recent interim performance:** KHH reported a higher 1HFY12 (Sep.) net profit of SGD4.8 mln (+34.9% YoY) despite lower revenue (-4.5% YoY) and larger administration expenses (+45% YoY). The decrease in group revenue was mainly due to lower recognition from the group's projects which received TOP recently namely, The Martin Place Residences and the Singapore Institute of Management Projects. This was partially offset by higher revenue recognition from The Parvis at Holland Hill and 8@Woodleigh and revenue contribution from the group's new projects, Paterson 2 and the Terrasse Projects.

During 1HFY12, the group's gross margin increased 2.4%-pts YoY to 8.4% largely due to three projects nearing completion. Pre-tax profit margin, however, increased by a smaller magnitude of 1.6%-pts YoY to 6.8% due to higher administration expenses from higher staff costs and IPO expenses. Meanwhile, KHH's balance sheet remains healthy with its cash holding rising 10% to SGD43.8 mln from FY11 level, while its total debt fell to SGD1.2 mln (from SGD1.7 mln in FY11).

### Detailed Profit & Loss

SGD mln	Fiscal Half Year Ending			6 Months Ended		
	Mar-11	Mar-12	YoY(%)	Mar-11	Sep-11	Mar-12
<b>Revenue</b>	<b>99.7</b>	<b>95.2</b>	<b>(4.5)</b>	<b>99.7</b>	<b>89.9</b>	<b>95.2</b>
Cost of sales	(93.7)	(87.2)	(7.0)	(93.7)	(82.0)	(87.2)
Gross Profit	5.9	8.0	34.8	5.9	7.9	8.0
<i>Gross Profit Margin</i>	6.0%	8.4%		6.0%	8.8%	8.4%
Other Income	1.7	1.8	10.5	1.7	1.0	1.8
Administrative Expenses	(2.3)	(3.3)	45.0	(2.3)	(2.1)	(3.3)
Profit from operations/EBIT	5.3	6.5	22.8	5.3	6.9	6.5
<i>EBIT Margin</i>	5.3%	6.9%		5.3%	7.7%	6.9%
Finance costs	(0.1)	(0.0)	(57.5)	(0.1)	(0.1)	(0.0)
<b>Profit before tax</b>	<b>5.3</b>	<b>6.5</b>	<b>24.1</b>	<b>5.3</b>	<b>6.8</b>	<b>6.5</b>
<i>PBT Margin</i>	5.2%	6.8%		5.2%	7.6%	6.8%
Income tax	(0.6)	(1.1)	75.3	(0.6)	(0.4)	(1.1)
<i>Effective tax rate</i>	12.1%	17.1%		12.1%	6.5%	17.1%
<b><i>Net profit attributable to equity holders</i></b>	<b>3.5</b>	<b>4.8</b>	<b>34.9</b>	<b>3.5</b>	<b>5.8</b>	<b>4.8</b>
As reported EPS (SG cents)	2.20	2.97	34.9	2.20	3.66	2.97
Share capital (mln)	160.0	160.0		160.0	160.0	160.0
Weighted share capital (mln)	160.0	160.0		160.0	160.0	160.0

Source: Company data, S&P Capital IQ Research

**Income Statement (SGD mln)**

<b>FYE Sep. 30</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total Revenue	49.3	124.8	189.5
Growth Over Prior Year	-37.2%	153.3%	51.9%
Gross Profit	0.8	10.1	13.8
Margin %	1.6%	8.1%	7.3%
EBITDA	3.4	10.4	13.6
Margin %	6.9%	8.4%	7.2%
EBIT	2.6	9.7	12.2
Margin %	5.3%	7.8%	6.4%
Earnings from Cont. Ops.	1.9	8.2	11.0
Margin %	3.9%	6.5%	5.8%
Net Income	1.9	8.2	9.4
Margin %	3.9%	6.6%	4.9%
Basic EPS (SG cents)*	1.19	5.14	5.86

\*Based on 160 mln post IPO shares in issue

**Key Growth and Fundamental Ratios**

<b>FYE Sep. 30</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
EPS Growth (%)	31.4	330.3	14.0
Sales Growth (%)	-37.2	153.3	51.9
Asset Turnover (x)	0.9	1.7	1.8
Receivables Turnover (x)	1.9	3.2	3.5
Effective Tax Rate (%)	14.9	13.2	8.9
Total Debt to Equity (%)	46.2	23.0	5.3
Interest Coverage (x)	7.3	33.1	84.1
Quick Ratio (x)	1.2	1.1	1.3
Current Ratio (x)	1.2	1.1	1.3
Payout Ratio (%)	0.0	0.0	23.9
Debt to Capital (%)	31.6	18.7	5.0

**Balance Sheet (SGD mln)**

<b>FYE Sep. 30</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Current Assets	40.8	83.9	110.9
Fixed Assets	4.1	5.0	4.6
Other LT Assets	10.1	5.8	0.3
Total Assets	55.1	94.7	115.9
Current Liabilities	33.9	76.0	83.6
Total Liabilities	39.7	78.9	84.5
Share capital	8.4	8.4	13.6
Shareholder's Equity	15.4	15.8	31.4
Cash and Cash Equivalents	12.8	27.7	39.7
Total Debt	7.1	3.6	1.7
Net Cash/(Debt)	5.7	24.0	38.1

**Cash Flow (SGD mln)**

<b>FYE Sep. 30</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Cash from Operations	(1.1)	16.8	10.4
Capital Expenditure	(0.8)	(1.5)	(0.9)
Cash from Investing	3.0	2.8	7.1
Total Debt Issued	1.8	0.0	0.0
Total Debt Repaid	(2.2)	(4.0)	(2.4)
Cash from Financing	(3.2)	(7.1)	(2.9)
Change in Cash	(1.3)	12.5	14.5

Source: Company data, S&P Equity Research estimates

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CAPEX- Capital Expenditures
CY- Calendar Year
DCF- Discounted Cash Flow
EBIT- Earnings Before Interest and Taxes
EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization
EPS- Earnings Per Share
EV- Enterprise Value
FCF- Free Cash Flow
FFO- Funds From Operations
FY- Fiscal Year
P/E- Price/Earnings
PEG Ratio- P/E-to-Growth Ratio
PV- Present Value
R&D- Research & Development
ROE- Return on Equity
ROI- Return on Investment
ROIC- Return on Invested Capital
ROA- Return on Assets
SG&A- Selling, General & Administrative Expenses
WACC- Weighted Average Cost of Capital

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