

Keong Hong Holdings Limited

Boosts Order Book by another S\$161.9m

Keong Hong Holdings Limited (KH) recently announced the addition of a new contract worth S\$161.9m to build the 738-unit J Gateway condominium at Boon Lay Way, Jurong East, starting from 28 Jun 2013 for about 39 months. **Maintain Increase Exposure.**

Extension of Revenue Visibility: As a result of the J Gateway project, KH's net order book rose to S\$690m with projects stretching up to 2016, **equivalent to S\$197m/year of revenue.** What we like about this new contract win is that it now stretches KH's revenue visibility to 2016. Previous projects such as Skypark Residences (the Executive Condominium project at Sembawang) and Alexandra Central were expected to be completed in 2015. The construction of existing projects such as Twin Waterfalls, Terrase and Paterson 2 remains in progress and are generally more than 30% completed.

Launch of Skypark Residences: The Executive Condominium project that KH is jointly developing with JBE Holdings Pte. Ltd. has been named Skypark Residences. The showroom has just been completed and we would expect it to be launched soon. We expect positive demand given its package of attractive attributes. This project has been touted to be the first executive condominium in Sembawang and is within walking distance from the MRT station and Sun Plaza. URA statistics showed that 457 EC units were sold in May 2013 against 418 EC units launched during the same period.

Our View: The pace of contract wins following Alexandra Central in Mar 2013 points to aggressive marketing efforts by the company. The completion of Paterson 2 in this year will free up resources for the company to take on even more projects. With a very healthy order book, KH can now fully focus on the execution of its projects to hasten revenue recognition. On the whole, we like the revenue visibility but are also mindful that revenue recognition may be lumpy, pending the progress of various projects.

Increase Exposure

- Intrinsic Value S\$0.715
- Prev Close S\$0.510

Main Activities

Keong Hong Holdings Limited is a provider of a broad range of building construction services to both private and public sectors for residential, commercial, industrial and institutional projects. The company's track record includes projects in Singapore and the Maldives, as well as a property development in Singapore.

Financial Highlights

(Y/E Sep) S\$ m	FY11	FY12	FY13F
Revenue	189.5	167.4	200.8
Gross Profit	13.8	29.4	30.1
EBIT	12.2	23.9	23.8
PATMI	9.4	19.8	19.9
EPS (S cts)	5.9	12.4	12.8

Source: Company, SIAS Research

Key ratios (FY13F)

PER	4.0
P/BV	1.2
Return on Common Equity	34.9%
Return on Assets	14.7%
Gross Debt to Common Equity	0%

Source: SIAS Research

Indexed Price Chart

Green (FSSTI)

White (Keong Hong)



Source: Bloomberg

52wks High-Low S\$0.5643 /S\$0.2724

Number of Shares 156.0m

Market Capitalization S\$79.6m

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Figure 1: Financial Forecasts and Estimates

	FY10	FY11	FY12	FY13F	FY14F	FY15F
Revenue	124.8	189.5	167.4	200.8	220.9	232.0
Gross Profit	10.1	13.8	29.4	30.1	33.1	25.5
EBIT	9.7	12.2	23.9	23.8	26.7	37.4
PATMI	8.2	9.4	19.8	19.9	22.1	31.0
Total Current Assets	83.9	110.9	121.0	135.9	155.8	180.8
Total Non-Current Assets	10.8	5.0	4.9	6.0	6.8	7.5
Total Current Liabilities	76.0	83.6	74.3	76.9	82.2	86.1
Total Non-Current Liabilities	2.9	0.9	0.4	0.1	0.1	0.1
Total Equity	15.8	31.4	51.2	64.9	80.4	102.1
Cash from Operating Activities	16.8	10.4	20.5	17.1	22.0	35.6
Cash from Investing Activities	2.8	7.1	-2.5	-2.0	-2.0	-2.0
Cash from Financing Activities	-7.1	-2.9	8.5	-6.8	-6.6	-9.3
Receivable Days	118	120	145	120	120	120
Payable Days	137	124	134	90	90	90
Return on Common Equity	53.1%	41.6%	49.8%	34.9%	30.8%	34.3%
Return on Assets	10.9%	10.4%	15.8%	14.7%	14.5%	17.7%
Gross Debt / Common Equity	23.4%	5.6%	1.7%	0.0%	0.0%	0.0%
Current Ratio	1.1	1.3	1.6	1.8	1.9	2.1
EPS (S cents)	5.1	5.9	12.4	12.8	14.2	19.9
BV/Share (S cents)	9.7	18.4	31.3	41.0	50.9	64.8
P/E	10.0	8.6	4.1	4.0	3.6	2.6
P/BV	5.2	2.8	1.6	1.2	1.0	0.8

Source: Company, SIAS Research

Rating Definition:

Increase Exposure – The current price of the stock is significantly lower than the underlying fundamental value. Readers can consider increasing their exposure in their portfolio to a higher level.

Invest – The current price of the stock is sufficiently lower than the underlying fundamental value of the firm. Readers can consider adding this stock to their portfolio.

Fairly Valued – The current price of the stock is reflective of the underlying fundamental value of the firm. Readers may not need to take actions at current price.

Take Profit – The current price of the stock is sufficiently higher than the underlying fundamental value of the firm. Readers can consider rebalancing their portfolio to take advantage of the profits.

Reduce Exposure - The current price of the stock is significantly higher than the underlying fundamental value of the firm. Readers can consider reducing their holdings in their portfolio.

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