



Naim Holdings Bhd

Loss in Construction Division Saved by Extraordinary Items

TP: RM3.26 (-1.5%)

Last traded: RM3.31

SELL

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Review

- Excluding extraordinary gains of RM122.2mn arising from disposals of shares in Dayang Enterprise Holdings Berhad and land exchange exercise, Naim's FY14 core net profit of RM98.2mn came in below expectations, accounted for 82.9% and 79.4% of ours and consensus' full-year estimates. The deviation was mainly due to unexpected loss suffered by its construction division as provisions of RM33.4mn were made for potential LAD charges and doubtful debts.
- An interim dividend of 3.5sen/share was declared. (FY14: 3.5sen/share; FY13: 3sen/share)
- YoY, the core net profit jumped 144.7% to RM122.2mn due to low base effect, as the construction division suffered substantial loss in 2013. FY14 revenue declined by 7.3% as the property revenue dropped 16.5% YoY.
- QoQ, the group swung into red in 4Q14, recoding a core loss of 3.9mn versus a net profit of RM39.3mn in 3Q14. This is mainly attributed to a loss of RM39.4mn recorded by its construction division in 4Q14, from a net profit of RM3.4mn in the immediate preceding quarter.

Impact

- We cut our earnings forecasts for FY15 to FY16 by 15.7% and 21.4% respectively after we lowered the construction margin assumptions and reduce our property sales target for FY15 from RM300mn to RM200mn.

Outlook

- The outstanding construction order book stood above RM1bn, translating into more than 2.8x of FY14 construction revenue.
- Its property division recorded sales of RM200mn, compared to full year sales of RM331mn achieved in 2013. We believe this was a result of cooling measures imposed by the government in 2013 to cool down the property sector. Going forward, we expect the operating environment to remain challenging for its property division.

Valuation

- Subsequent to the earnings revision, we cut the target price from RM3.74/share to **RM3.26/share**, based on unchanged 8x CY15 construction earnings, 6x CY15 property earnings and a 20% holding discount to 11x CY15 oil & gas earnings. As the current share price has fully reflected its value, we downgrade NAIM from HOLD to **SELL**.

SHARE INFO

Bloomberg Code	NHB MK
Bursa Name	NAIM
Stock Code	5073
Listing	Main Market
Share Cap (m)	236.9
Market Cap @ RM (RMm)	784.1
Par Value (RM)	1.00
52-wk Hi/Lo (RM)	4.42/2.78
12-mth Avg Daily Vol (000' shrs)	572.7
Estimated Free Float (%)	37.4
Beta	2.0
Major Shareholders (%)	
	Island Harvest - 12.92
	Tapak Beringin - 11.57
	Lembaga Tabung Haji - 10.54
	Datuk Hasmi Hasnan - 7.03
	Skim Amanah Saham - 5.28

FORECAST REVISION

	FY15	FY16
Forecast Revision (%)	(15.7)	(21.4)
Net profit (RMm)	99.0	95.0
Consensus	120.8	135.5
TA/Consensus (%)	81.9	70.1
Previous Rating	Hold (Downgraded)	

FINANCIAL INDICATORS

	FY15	FY16
Net debt/equity (%)	15.8	11.1
CFPS (sen)	(37.6)	7.6
P/CFPS (x)	(9.5)	47.2
ROA (%)	5.4	5.0
NTA/Share (RM)	4.9	5.2
Price/NTA (x)	0.7	0.6

SCORECARD (%)

	% of FY	
vs TA	82.9	Below
vs Consensus	79.4	Below

SHARE PERFORMANCE

Price chg (%)	NAIM	FBMKLCI
1 mth	7.5	1.4
3 mth	5.1	(1.2)
6 mth	(11.7)	(2.2)
12 mth	(3.8)	(0.1)

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Earnings Summary

FYE Dec (RMmn)	2013	2014	2015F	2016F	2017F
Revenue	708.5	656.5	921.6	823.5	762.0
EBITDA	9.7	65.0	84.5	79.4	82.1
EBITDA margin (%)	1.4	9.9	9.2	9.6	10.8
EBIT	(3.4)	53.9	75.5	68.4	69.1
Net finance cost	(12.8)	(9.5)	(13.7)	(13.7)	(11.5)
Associates & JV	71.9	61.2	71.0	73.0	73.0
Profit Before Tax	55.7	105.6	132.9	127.7	130.6
Reported Net Profit	235.7	220.3	99.0	95.1	97.3
Core Net profit	40.1	98.2	99.0	95.1	97.3
EPS (sen)	16.9	41.5	39.6	38.0	38.9
PER (x)	19.5	8.0	8.4	8.7	8.5
Dividend (sen)	3.0	3.5	4.0	4.0	4.0
Dividend Yield (%)	0.9	1.1	1.2	1.2	1.2
ROE (%)	4.3	8.5	8.3	7.4	7.1

4QFY14 Results Analysis

FYE Dec (RMmn)	4Q13	3Q14	4Q14	QoQ (%)	YoY (%)	FY13	FY14	YoY (%)
Revenue	202.6	157.7	186.6	18.3	(7.9)	708.5	656.5	(7.3)
COGS	(167.0)	(122.7)	(176.7)	43.9	5.8	(601.9)	(531.4)	(11.7)
Gross Profit	35.7	35.0	9.9	(71.5)	(72.1)	106.6	125.1	17.4
Other Income	192.9	6.6	39.3	493.8	(79.6)	204.4	52.3	(74.4)
Selling & Distribution Expenses	(1.8)	(3.7)	(3.4)	(8.5)	84.0	(7.4)	(11.5)	55.2
Administration Expenses	(24.6)	(11.3)	(33.0)	192.4	34.1	(69.6)	(73.9)	6.3
Other Expenses	(39.6)	0.0	(12.5)	na	(68.3)	(40.0)	(12.5)	(68.6)
Results from Operating Activities	(23.9)	26.6	0.4	(98.7)	(101.5)	194.0	79.3	(59.1)
Finance Income	1.2	2.0	3.7	80.2	217.2	5.6	8.6	53.5
Finance Costs	(4.8)	(3.8)	(4.0)	6.8	(16.5)	(18.4)	(18.2)	(1.1)
Net Finance Costs	(3.6)	(1.7)	(0.3)	(80.5)	(90.8)	(12.8)	(9.5)	(25.2)
Share of Results of Associates	6.5	19.6	8.2	(58.4)	25.5	56.5	59.2	4.8
Share of Results of JV	0.3	3.8	(2.7)	(172.2)	(1101.5)	15.4	2.0	(86.8)
Extraordinary Item	186.4	0.0	60.4	na	(67.6)	197.4	122.1	(38.1)
Core PBT	(20.8)	48.3	40.4	(16.4)	(294.5)	253.1	227.7	(10.0)
Income Tax Expense	2.9	(8.9)	16.7	(288.5)	472.1	(13.9)	(7.1)	(48.9)
MI	(0.1)	(0.1)	(0.6)	460.7	333.1	(1.7)	(0.3)	(83.0)
Net profit	168.4	39.3	56.5	43.8	(66.5)	237.5	220.3	(7.2)
Core net profit	(18.0)	39.3	(3.9)	(110.0)	(78.2)	40.1	98.2	144.7
EPS (sen)	71.08	16.6	23.8	43.8	(66.5)	100.2	93.0	(7.2)
Core EPS (sen)	-7.58	16.6	(1.7)	(110.0)	(78.2)	16.9	41.5	144.8
DPS (sen)	0.0	0.0	3.5	na	na	3.0	3.5	16.7
				% pts	% pts			% pts
Operating margin (%)	(11.8)	16.9	0.2	(16.7)	12.0	27.4	12.1	(15.3)
PBT margin (%)	(10.2)	30.6	21.6	(9.0)	31.9	35.7	34.7	(1.0)
Net margin (%)	83.1	24.9	30.3	5.4	(52.9)	33.5	33.6	0.0
Effective tax rate (%)	14.1	18.4	(41.5)	(59.9)	(55.6)	5.5	3.1	(2.4)

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