

## 4Q FYE DEC 2013 RESULTS REPORT

12 February 2014

<b>Name of PLC:</b> GUH Holdings Bhd (GUH)		<b>Target Price:</b>	RM 1.20
<b>Business Summary :</b> Manufacturing of Printed Circuit Board, Property Development, Oil Palm Plantation, Power Generation			
<b>Major Shareholders :</b>			
Dato' Seri H'ng Bok San & family			19.38%
HPBS SG For Gold Connection Assets Limited			17.15%
as at 29 March 2013			
<b>PLC Website :</b> <a href="http://www.guh.com.my">www.guh.com.my</a>		<b>Recommendation:</b>	BUY
<b>IR Contact:</b> Kee Gim Tee Company Secretarial <a href="mailto:gtkee@guh.com.my">gtkee@guh.com.my</a>		<b>Market Capitalisation:</b>	RM 279.7m
		<b>Current Price :</b>	RM 1.04
		<b>Market / Sector:</b>	Industrial
		<b>Stock Code:</b>	3247
<b>Analyst :</b> Lim Boon Ngee Tel : +603 2163 3200; Email : <a href="mailto:bnlim@nra.com.my">bnlim@nra.com.my</a>			

Key Stock Statistics	2011	2012	2013	2014F
EPS (sen)	12.8	13.7	11.2	12.0
EPS ex-EI (sen) *	12.0	8.8	11.2	12.0
P/E ex-EI (x) *	8.7	11.9	9.3	8.7
Net Dividend/Share (sen)	4.5	4.5	4.5	4.5
NTA/Share (RM)	1.49	1.59	1.81	1.88
Book Value/Share (RM)	1.49	1.60	1.82	1.90
Issued Capital (mil shares)	187.2	176.3	268.9	268.9
52-weeks Share Price Range (RM)			0.71 - 1.15	

Per Share Data	2011	2012	2013	2014F
Year-end 31 Dec				
Book Value (RM)	1.49	1.60	1.82	1.90
Operating Cash Flow (sen)	18.9	10.8	4.3	17.0
EPS ex-EI (sen) *	12.0	8.8	11.2	12.0
Net Dividend/Share (sen)	4.5	4.5	4.5	4.5
Payout Ratio (%)	23.8	22.6	40.4	37.7
P/E ex-EI (x) *	8.7	11.9	9.3	8.7
P/Cash Flow (x)	5.5	9.6	24.0	6.1
P/Book Value (x)	0.7	0.7	0.6	0.5
Dividend Yield (%)	4.3	4.3	4.3	4.3
ROE (%) *	8.3	5.5	6.6	6.4
Net Gearing (%)	n.c.	n.c.	n.c.	n.c.
<i>n.c. - net cash</i>				

P&L Analysis (RM mil)	2011	2012	2013	2014F
Revenue	311.28	280.39	286.57	311.50
EBITDA	43.42	33.43	38.17	40.75
Depreciation	(12.28)	(12.41)	(11.60)	(14.31)
Net interest income	2.67	4.86	5.08	5.74
Associate	7.75	8.07	6.95	8.00
EI	2.37	12.95	-	-
Pre-tax Profit	43.92	46.90	38.61	40.18
Effective Tax Rate (%)	(18.0)	(22.8)	(20.8)	(20.0)
Net Profit	36.02	36.11	29.99	32.14
Net Profit ex-EI *	33.65	23.16	29.99	32.14
EBITDA Margin (%)	13.9	11.9	13.3	13.1
Pre-tax Margin (%)	14.1	16.7	13.5	12.9
Net-Margin (%)	11.6	12.9	10.5	10.3

\* excl exceptional items

### Share Price Chart



### 1. 4QFY13 Results Highlight

	4Q 2013	4Q 2012	Chg
	RMm	RMm	%
Revenue	70.16	63.14	11.1
Operating Profit	8.00	9.60	(16.7)
Finance	(0.00)	(0.00)	n.m.
Associate	1.92	2.15	(10.9)
Pre-tax Profit	9.92	11.75	(15.6)
Net Profit	8.15	7.38	10.4
Operating Margin (%)	11.4	15.2	
Pre-tax Margin (%)	14.1	18.6	
Net-Margin (%)	11.6	11.7	

- In 4QFY13, turnover increased by 11.1% to RM70.16m, driven mainly by PCB and water and wastewater treatment divisions.
- PBT declined by 15.6% to RM9.92m due to lower profit contribution from property division and lower associate contribution.

- Net profit improved by 10.4% to RM8.15m due to lower tax charge.
- In terms of segmental performance, PCB manufacturing division continued its growth trend due to better performance from its China operation. PBT rose by 36.8% in 4QFY13 to RM3.06m.
- However, due to the lack new launch of commercial properties, PBT of its property division declined by 55% to RM2.07m in 4QFY13.
- Its water and wastewater treatment division, a new division arising from the acquisition of a 70% stake in Teknoserv Engineering Sdn Bhd in Sep-2012, saw a doubling in PBT to RM0.67m in 4QFY13. Teknoserv Engineering is involved in engineering design, procurement, construction and commissioning of water and wastewater treatment plant project in Malaysia and South East Asia countries. On 27-Dec-2013, GUH increased its stake in Teknoserv further to 100% from 30% previously.
- The smaller divisions such as sale of electrical appliances and oil palm divisions reported a combined PBT of RM0.22m in 4QFY13 as compared with RM0.05m in 4QFY12.
- GUH completed its bonus issue of 1 for 2 whereby a total of 88.12m bonus shares were listed and quoted on the Main Market of Bursa Malaysia on 14-Nov-2013.

### **FY13 Results Highlight**

	<b>FY 2013</b>	<b>FY 2012</b>	<b>Chg</b>
	<b>RMm</b>	<b>RMm</b>	<b>%</b>
Revenue	286.57	280.39	2.2
Operating Profit	31.67	28.55	10.9
Finance	(0.01)	(0.00)	n.m.
Associate	6.95	8.07	(13.9)
EI	-	10.28	n.m.
Pre-tax Profit	38.61	46.90	(17.7)
Net Profit	29.99	36.11	(17.0)
Operating Margin (%)	45.1	45.2	
Pre-tax Margin (%)	55.0	74.3	
Net-Margin (%)	42.7	57.2	

- Although turnover was flat at RM286.57m in FY13, net profit declined by 17.0% to RM29.99m. The main reason for the profit decline was due to the absence of one-off dividend income.
- In 2QFY12, GUH's profit was boosted by a dividend income of RM10.28m derived from GUH's shares in Leader Universal Holdings Bhd, which completed a de-listing exercise via disposal of its businesses and assets, followed by distribution of the proceeds to its shareholders in the form of dividends in July 2012.
- Stripping out this non-recurring dividend income, its core operating profit improved by 10.9% to RM31.67m in FY13. This was attributed to maiden earnings from water and wastewater division.

## 2. Earnings Outlook

- GUH's business activities consist of PCB manufacturing, property development as well as water and wastewater treatment division. Its other smaller divisions are sale of electrical appliances and oil palm divisions. It also has an overseas investment in an associated company that operates a power plant in Cambodia.
- Going forward, the growth trend of PCB manufacturing beginning 2HFY13 is sustainable into FY14. However, due to credit tightening and lower margin of financing, its property division will see slower profit. The increase in orderbook and acquisition of the remaining 30% in Teknoserv should boost earnings of water and wastewater division in FY14.

## 3. Valuation and Recommendation

- The reported FY13 net profit is within our earnings forecast. We are maintaining our Buy recommendation on the stock due to its cheap valuations and rich assets. Its balance sheet is sitting on net cash and investments of RM200.2m as at FY13, which translates into RM0.74/share. Consequently, the stock is currently trading at a P/E ex-cash of only 2.7x for FY14.
- Its dividend payout of 6.0sen for FY14 also translates into an attractive yield of 4.3% and its share price also trades at substantial discount to its NTA of RM1.81/share.

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### Disclosures/Disclaimer

Investment ratings:

Buy (generally >10% upside over the next 12 months)

Hold (generally negative 10% downside to positive 10% upside over the next 12 months)

Sell (generally >10% downside over the next 12 months)

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