

2Q FYE JUN 2012 RESULTS REPORT

28 February 2012

| | | | |
|--|--|-------------------------------|-------------------|
| Name of PLC: <i>Malton Berhad</i> | | Target Price: | <i>RM1.00</i> |
| Business Summary : <i>Property development, construction and project management, property investment</i> | | | |
| Major Shareholders : | | | |
| <i>Datuk Lim Siew Choon</i> | | <i>37.91%</i> | |
| <i>Datuk Manan Bin Said</i> | | <i>4.90%</i> | |
| <i>Lee Kim Hooi</i> | | <i>4.16%</i> | |
| PLC Website : www.malton.com.my | | Recommendation: | <i>Buy</i> |
| IR Contact : <i>Mr Y. C. Chuah, Asst. Financial Controller</i> | | Market Capitalisation: | <i>RM269.68m</i> |
| Constituent of:- | | Current Price : | <i>RM0.645</i> |
| - <i>FBM Small Cap Index</i> | | Market / Sector: | <i>Properties</i> |
| - <i>FBM Emas</i> | | Stock Code: | <i>6181</i> |
| Analyst : <i>Corinna Cheah / Lim Boon Ngee</i> | | | |
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| Key Stock Statistics | FY11 | FY12F | FY13F |
|---------------------------------|-------|-----------|-------|
| EPS (sen) | 20.8 | 9.5 | 10.7 |
| P/E on EPS (x) | 3.1 | 6.8 | 6.0 |
| Dividend/Share (sen) | 1.5 | 1.5 | 1.5 |
| NTA/Share (RM) | 1.46 | 1.47 | 1.57 |
| Book Value/Share (RM) | 1.46 | 1.47 | 1.57 |
| Issued Capital (m shares) | 348.4 | 418.1 | 418.1 |
| 52-weeks Share Price Range (RM) | | 0.39-0.81 | |

| Per Share Data | FY10 | FY11 | FY12F | FY13F |
|--------------------|------|------|-------|-------|
| Year-end 30 Jun | | | | |
| Book Value (RM) | 1.26 | 1.46 | 1.47 | 1.57 |
| Cash Flow (sen) | 41.1 | 74.5 | 14.1 | 5.7 |
| Earnings (sen) | 6.3 | 20.8 | 9.5 | 10.7 |
| Dividend (sen) | 1.5 | 1.5 | 1.5 | 1.5 |
| Payout Ratio (%) | 17.4 | 5.3 | 11.5 | 10.2 |
| PER (x) | 10.3 | 3.1 | 6.8 | 6.0 |
| P/Cash Flow (x) | 0.4 | 0.2 | 1.1 | 2.7 |
| P/Book Value (x) | 0.5 | 0.4 | 0.4 | 0.4 |
| Dividend Yield (%) | 2.3 | 2.3 | 2.3 | 2.3 |
| ROE (%) | 5.0 | 14.2 | 6.5 | 6.9 |
| Net Gearing (%) | 16.3 | n.c. | n.c. | n.c. |

| P&L Analysis (RMm) | FY10 | FY11 | FY12F | FY13F |
|------------------------|-------|-------|-------|-------|
| Year-end 30 Jun | | | | |
| Revenue | 346.9 | 462.4 | 393.2 | 430.7 |
| Operating Profit | 39.8 | 105.6 | 45.6 | 51.3 |
| Depreciation | (2.2) | (2.4) | (2.5) | (2.5) |
| Net Interest | (5.4) | (8.2) | (1.3) | (1.2) |
| Pre-tax profit | 36.0 | 98.0 | 51.2 | 57.7 |
| Effective Tax Rate (%) | 39.2 | 26.0 | 26.0 | 26.0 |
| Net Profit | 21.9 | 72.5 | 39.7 | 44.9 |
| Operating Margin (%) | 11.5 | 22.8 | 11.6 | 11.9 |
| Pre-tax margin (%) | 10.4 | 21.2 | 13.0 | 13.4 |
| Net margin (%) | 6.3 | 15.7 | 10.1 | 10.4 |

1. 2QFY2012 Results Highlight / Review

| Year-end 30 June | 2QFY12 | 2QFY11 | Chg |
|----------------------|--------|--------|--------|
| | RMm | RMm | % |
| Revenue | 77.7 | 109.3 | (28.9) |
| Operating Profit | 12.1 | 19.3 | (37.3) |
| Finance costs | (3.8) | (2.0) | 87.2 |
| Associate | 2.3 | 0.9 | >100 |
| Pre-tax Profit | 10.7 | 18.2 | (41.4) |
| Net Profit | 7.2 | 13.9 | (48.3) |
| Operating Margin (%) | 15.6 | 17.7 | |
| Pre-tax Margin (%) | 13.7 | 16.7 | |
| Net-Margin (%) | 9.2 | 12.7 | |
| Year-end 30 June | 1HFY12 | 1HFY11 | Chg |
| | RMm | RMm | % |
| Revenue | 177.0 | 178.1 | (0.6) |
| Operating Profit | 32.1 | 27.4 | 16.9 |
| Finance costs | (7.9) | (2.7) | >100 |
| Associate | 3.2 | 1.4 | >100 |
| Pre-tax Profit | 27.3 | 26.1 | 4.7 |
| Net Profit | 19.3 | 19.4 | (0.8) |
| Operating Margin (%) | 18.1 | 15.4 | |
| Pre-tax Margin (%) | 15.4 | 14.7 | |
| Net-Margin (%) | 10.9 | 10.9 | |

- Malton's 2QFY12 results were below our expectations due to lower than expected property development contributions during the quarter. On-going property development projects include Bukit Rimau, V Square, Amaya Maluri and Mutiara Residence whilst new launches expected in 2HFY12 include a condominium project in Penang, and apartments in Seri Kembangan.
- At the construction & project management division, the group recognised billings from the Jaya Shopping Centre project.
- Malton's financial performance in 2HFY12 is expected to be similar to 1HFY12. The stock is currently trading at low valuations whilst the group's balance sheet position is strong. **BUY** maintained with a revised RNAV-based price target of RM1.00/share.

2. Key Investment Risks

Key investment risks for Malton include:

- a) Potential softening of demand in the property market with tighter bank lending rules and economic uncertainties; and
- b) Inflated raw material input costs for the property development and construction divisions due to supply constraints and resultant higher prices.

3. Recent Developments

On 10 Nov 2011, Gapadu Harta Sdn Bhd (GHSB), an indirect wholly-owned subsidiary entered into a sale and purchase agreement (SPA) with Ukay Spring Development Sdn Bhd (USDSB) for the acquisition of land located in Ulu Kelang measuring approximately 56.05 acres for total purchase consideration of RM105m. The SPA is conditional upon USDSB securing the written approval of the State Authority for the sale and transfer of the land titles in favour of GHSB.

4. Earnings Outlook

Malton's financial performance in 2HFY12 is expected to be similar to 1HFY12, with the expected completion of projects such as V Square in Petaling Jaya, Mutiara Residence in Puchong, and Amaya Maluri in Cheras. We estimate total unbilled sales from existing property development projects to be around RM200m.

New project launches in the pipeline include the RM65m Cantonment Road condominium project in Penang, and the RM200m Seri Kembangan serviced apartment project, both in 4QFY12.

Other new projects coming up include:

- o Ukay Springs, Ampang semi-detached and bungalow houses (total GDV of RM410m, targeted launch in 2HFY13);
- o Sungai Long mixed development (total GDV of RM330m, targeted launch in 2HFY13);
- o Sungai Buloh commercial development (total GDV of RM500m, targeted launch in 2HFY13);
- o Nova Saujana serviced apartments (total GDV of RM277m, targeted launch in 2HFY13).

The construction and project management division is expected to continue to recognise billings from the RM175m Jaya Shopping Centre construction project as well as some other external projects.

5. Valuation & Recommendation

Malton is currently trading at low PE and PB valuations whilst the group's balance sheet remains strong with an estimated net cash position of RM68.4m as at the end of Dec 2011.

We are maintaining our **BUY** recommendation on the stock with a revised RNAV-based price target of RM1.00/share, which implies an FY13F PE of 9x and PB of 0.6x, based on our earnings projections.

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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