

Kumpulan Perangsang Selangor

(RM2.07 KUPS MK)

Hold

Target Price: RM2.10

2QFY08: More of the same

WATER

- Fall in yoy revenue**

KPS recorded a yoy fall in both revenue and net profit. The group registered a 2Q08 revenue and net profit of RM67.7m and RM27.9m respectively. This brought 1H08 revenue and net profit to RM165.7m and RM44.8m, which makes up 32% and 86% of our FY08 forecast revenue and net profit.

However, 2Q08 revenue was 33.7% lower qoq from the RM102.2m registered in 2Q07. The decrease in revenue was mainly due to lower revenue recorded for the current quarter by the property development sector of RM35.6m.

- But qoq results mixed**

The group recorded a 2Q08 PBT of RM26.4m, which was 38.2% higher yoy however. The higher PBT was predominantly due to higher "other income" recorded by property development sector as compared to the preceding year's corresponding quarter. *(Please refer to segmental information)*

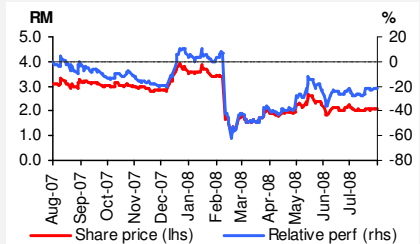
- FY08 prospects**

Management has stated that they expect the infrastructure and utilities sector to continue to be profitable in FY08, while the property development sector will be challenging. The group is reviewing its land bank for any positive contribution to the Group's overall performance and profitability.

- Hold call with a TP of RM2.10**

As before, the results are unexciting. However, it may not reflect the true value of the company once the water rationalisation programme takes off. We maintain our TP of RM2.10 and also our **Hold** call on the stock.

Share Price Chart



Source: Bloomberg

Price Performance

Price (RM)	2.07
52-week Range (RM)	1.10 – 3.92
Avg Daily Volume ('000)	3,511

	1M	3M	6M
Absolute (%)	-9.7	-15.2	-43.6
Relative (%)	-18.5	-16.0	-40.0

Key Data

Market Cap (RM m)	984.2
Issued Shares (m)	475.5

Major Shareholders

	%
KDEB	60.07
Skim Amanah Saham	7.98
Perbadanan Kemajuan	5.75

Balance Sheet Highlights (RM m)

(@ 31/12/08) (performance indicator's annualised)

Total Assets	3,203.6
Total Liabilities	2,000.8
Total Debt (Gross)	1,297.3
Shareholders' Equity	1,077.4

Return on Assets (%)	1.3
Return on Equity (%)	4.0

Debt/Equity (x)	1.20
Interest Cover (x)	1.43

Team Coverage

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FYE 31 Dec				%	%			
RM m	2Q08	2Q07	1Q08	YoY chg	QoQ chg	YTD08	YTD07	% YoY Chg
Revenue	68	102	98	(33.7)	(30.8)	166	185	(10.4)
EBIT	44	28	41	56.0	5.5	85	62	36.0
PBT	26	11	22	138.2	18.2	49	27	78.9
Net Profit	28	5	17	412.3	66.2	45	20	124.5
Margin (%)								
EBIT	64.3	27.3	42.2			51.2	33.8	
Net Profit	41.2	5.3	17.2			27.0	10.8	
EPS (sen)	4.10	1.90	3.00	115.8	36.7	7.00	32.26	(78.3)
DPS (sen)	0.00	0.00	0.00	0.0	0.0	0.00	2.70	(100.0)
NTA (RM)	2.33	2.28	2.31	2.2	0.9	2.33	2.28	2.2

Status of the water rationalisation program.

On the 26th of August, Puncak Niaga (*PNH MK, Hold, TP: RM3.96*) made an announcement in response to a newspaper article the day before, saying that it had not received any written offer for the purchase of its assets. We have confirmed this with KPS, who have said that it will be sending out the offer letters soon.

No written offer has been made, dateline for water asset consolidation is now the end of 2008

The consolidation of water assets is now expected to be completed by the end of the year. All that remains to be seen is the price that KPS will pay for the water assets in Selangor.

Segmental Information.

	2Q08	2Q07	1Q08	yoy change	qoq change
	RM'Mil	RM'Mil	RM'Mil	%	%
Segment Revenue					
Revenue from continuing operations:					
Property development and management	16.5	52.0	45.3	(68.3)	(63.6)
Infrastructure and utilities	32.7	33.5	36.2	(2.6)	(9.8)
Trading	7.0	5.7	6.9	21.1	1.2
Hospitality	8.2	7.5	6.2	9.4	31.6
Golf club and recreational facilities	2.0	2.2	2.0	(7.4)	4.0
Investment holding	1.4	1.2	1.4	14.5	3.1
Total revenue	67.8	102.2	98.0	(33.7)	(30.8)
Segment Results					
Results from continuing operations:					
Property development and management	13.8	(14.5)	11.2	(>100)	22.5
Infrastructure and utilities	11.9	13.3	13.1	(10.6)	(9.2)
Trading	0.4	0.4	0.5	15.5	(16.0)
Hospitality	1.1	0.6	(0.1)	75.6	(>100)
Golf club and recreational facilities	0.1	(1.2)	0.2	(>100)	(39.4)
Investment holding	(0.7)	12.5	(2.4)	>100	(69.1)
PBT	26.5	11.1	22.4	>100%	18.0

Kumpulan Perangsang Selangor Bhd
Financial Summary
Price Date: 29 August 2008
Balance Sheet

FY 31 Dec (RM'mil)	2006	2007	2008f	2009f	2010f
Fixed Assets	1,775.3	1,657.0	1,789.6	1,932.8	2,087.4
Long Term Receivable	113.0	111.3	108.5	105.7	102.9
Other Assets	352.9	467.4	450.0	450.0	450.0
Inventories	101.5	60.5	55.0	55.0	55.0
Receivables	528.2	514.5	463.0	416.7	375.0
Tax recoverable	13.2	8.9	-	-	-
Cash and ST Funds	271.9	302.5	337.5	315.5	311.8
Total Assets	3,156.1	3,122.1	3,203.6	3,275.6	3,382.1
Payables	613.6	488.0	536.8	590.4	649.5
ST Borrowings	133.4	195.7	201.6	207.6	213.9
Other ST Liability	7.7	12.6	12.9	12.9	12.9
LT Borrowings	1,283.0	1,190.9	1,095.7	1,008.0	927.4
Other LT Liability	170.1	161.9	153.8	146.1	138.8
Liabilities	2,207.9	2,049.1	2,000.8	1,965.1	1,942.5
Share Capital	431.4	470.8	478.1	478.1	478.1
Reserves	407.6	448.6	599.3	706.9	836.1
Shareholders' Fund	839.1	919.4	1,077.4	1,185.0	1,314.2
Minority Interest	109.2	153.5	125.4	125.4	125.4
	3,156.1	3,122.1	3,203.6	3,275.6	3,382.1

Cashflow Statement

FY 31 Dec (RM'mil)	2006	2007	2008f	2009f	2010f
Net profit for the year	18.2	36.8	51.8	49.1	48.4
Non cash items	40.6	117.6	292.0	149.2	157.6
Change in working capital	75.1	(47.9)	(138.3)	(106.0)	(106.9)
Tax paid	(25.7)	(17.0)	(73.0)	(30.1)	(29.7)
Others	(5.7)	(0.7)	(1.1)	(1.3)	(0.8)
Operating Cashflow	102.5	88.8	131.4	60.9	68.6
Capex	(11.2)	(21.9)	(30.0)	(30.0)	(30.0)
Others	(292.5)	51.6	50.0	55.0	58.3
Investing Cashflow	(303.7)	29.7	20.0	25.0	28.3
Chg in Debts	543.8	(47.7)	(103.4)	(95.3)	(87.9)
Dividends	(9.3)	(12.6)	(12.6)	(12.6)	(12.6)
Others	(16.8)	(28.0)	-	-	-
Financing Cashflow	517.6	(88.4)	(116.0)	(107.9)	(100.5)
Net Cashflow	316.5	30.1	35.5	(22.1)	(3.6)
Beginning Cash	(44.5)	272.0	302.1	337.5	315.5
Ending Cash	272.0	302.1	337.5	315.5	311.8

Income Statement

FY 31 Dec (RM'mil)	2006	2007	2008f	2009f	2010f
Revenue	441.0	505.4	515.5	525.8	536.3
Operating Cost	(260.4)	(244.6)	(232.0)	(236.6)	(241.3)
EBITDA	180.6	260.8	283.5	289.2	295.0
Depreciation	(109.3)	(124.5)	(121.9)	(128.0)	(134.4)
Finance Cost	(84.9)	(110.5)	(112.6)	(118.7)	(121.3)
Share of profits	41.9	35.3	34.6	36.7	38.9
Pretax Profit	28.3	61.1	83.6	79.1	78.1
Taxation	(10.1)	(24.2)	(31.8)	(30.1)	(29.7)
Minorities	0.6	(4.6)	(9.1)	(9.1)	(9.1)
Net Profit	18.8	32.3	42.7	40.0	39.3

FY 31 Dec	2006	2007	2008f	2009f	2010f
Growth					
Turnover	30.7%	14.6%	2.0%	2.0%	2.0%
EBITDA	89.2%	44.4%	8.7%	2.0%	2.0%
Pretax Profit	n/a	115.9%	36.8%	-5.3%	-1.3%
Net Profit	n/a	71.6%	32.4%	-6.5%	-1.6%

Profitability

EBITDA Margin	41.0%	51.6%	55.0%	55.0%	55.0%
Pretax Profit Margin	6.4%	12.1%	16.2%	15.0%	14.6%
Net Profit Margin	4.3%	6.4%	8.3%	7.6%	7.3%
Effective tax rate	35.6%	39.7%	38.0%	38.0%	38.0%
Return on Assets	0.6%	1.0%	1.3%	1.2%	1.2%
Return on Equity	2.2%	3.5%	4.0%	3.4%	3.0%

Leverage

Total debt/Total Asset ⁽¹⁾	0.45	0.44	0.40	0.37	0.34
Total debt/Equity (x)	1.69	1.51	1.20	1.03	0.87
Net debt/Equity (x)	1.36	1.18	0.89	0.76	0.63

Valuations

EPS (sen)	4.4	6.9	8.9	8.4	8.2
DPS (sen)	10.0	15.0	20.0	15.0	20.0
NTA (x)	1.94	1.95	2.25	2.48	2.75
P/E (x) @ RM2.07	47.5	30.2	23.2	24.8	25.2
Dividend Yield (%)	4.8%	7.2%	9.7%	7.2%	9.7%
P/NTA (x)	1.1	1.1	0.9	0.8	0.8

Key to investment rankings: Buy = Expected share price to appreciate by >10%; Hold = Expected share price to move by less than 10%; Sell = Expected share price to decline by >10%.

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