



UPDATE REPORT 18 April 2014

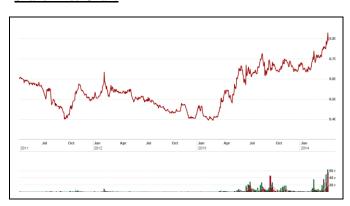
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Name of PLC: Salcon B	Perhad (Salcon)	Target Price:	RM 0.90				
Business Summary: Investment holding company involved in water and wastewater treatment, raw water transfer via concession and O&M contract, as well as water construction							
Major Shareholders :	Dato' Seri (Dr.) Goh Eng Toon Tan Sri Dato' Tee Tiam Lee as at 30 April 2013	12.8% 10.8%					
PLC Website: www.salcon.com.my		Recommendation:	BUY				
IR Contact: Ms Chern Meng Gaik mgchern@salcon.com.my		Market Capitalisation:	RM 485 m				
- FBM Small Cap		Current Price :	RM 0.79				
- FBM Emas Sha	ıriah	Market / Sector:	Trading/Services				
		Stock Code:	8567				
Analyst : Lim Boon Nge	20						

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Key Stock Statistics	2012	2013	2014F	2015F	
EPS (sen)	2.2	4.1	0.9	3.6	
P/E (x)	36.5	19.3	89.6	21.8	
Dividend/Share (sen)	1.0	3.0	-	-	
NTA/Share (RM)	0.80	0.85	0.83	0.83	
Book Value/Share (RM)	0.80	0.85	0.84	0.84	
Issued Capital (mil shares)	521.7	608.3	608.3	608.3	
52-weeks Share Price Range (RM) 0.48 - 0.					
Per Share Data	2012	2013	2014F	2015F	
Year-end 31 Dec					
Book Value (RM)	0.80	0.85	0.84	0.84	
Operating Cash Flow (sen)	(3.1)	(0.3)	1.8	4.9	
Earnings (sen)	2.2	4.1	0.9	3.6	
Dividend (sen)	1.0	3.0	-	-	
Payout Ratio (%)	46.2	73.3	-	-	
PER (x)	36.5	19.3	89.6	21.8	
P/Cash Flow (x)	(25.3)	(312.1)	44.3	16.1	
P/Book Value (x)	1.0	0.9	0.9	0.9	
Dividend Yield (%)	1.3	3.8	-	-	
ROE (%)	2.8	5.3	1.1	4.3	
Net Gearing (%)	54.8	n.c.	n.c.	n.c.	
DOLA I (DM II)	2012	2012	201 AE	2015	
P&L Analysis (RM mil)	2012	2013	2014F	2015F	
Revenue	340.8	169.8	190.0	360.0 24.0	
Operating Profit	65.0	(23.7)	3.0		
Finance, net Associate	(16.1)	(6.0)	0.9	2.4 4.0	
Associate Pre-tax Profit			4.0 7.9	30.4	
	38.9	(26.5)			
Effective Tax Rate (%)	(19.1)	9.6	(25.0)	(25.0)	
Net Profit	11.3	24.6	5.4	22.3	
Operating Margin (%)	19.1	(13.9)	1.6	6.7	
Pre-tax Margin (%)	11.4	(15.6)	4.2	8.5	
Net-Margin (%)	3.3	14.5	2.9	6.2	

Share Price Chart



Recent Development

- Salcon announced that its wholly-owned Salcon Engineering Berhad through the consortium Salcon- MMC-AZRB JV Sdn Bhd has been awarded with Langat 2 water treatment plant and reticulation contract by Pengurusan Aset Air Berhad.
- Salcon has a 36% stake in the JV company while MMC Corporation Berhad and Ahmad Zaki Sdn Bhd owns the remaining 34% and 30% each.
- The project comprises the construction and completion of Langat 2 water treatment plant with a design capacity of 1,130 MLD.
- This contract, with a value of RM994m, is expected to be completed within 3 years.





2. Earnings Outlook

- Salcon's portion of work is estimated at RM358m. As Salcon is involved in the M&E portion of the
 project, initial contribution will not be significant in FY14. Salcon's M&E works will come into full
 swing in FY15 onwards.
- This new project will take Salcon's outstanding orderbook to close to RM930m from RM572m and unbilled portion to RM642m from RM285m. It is also tendering for RM2.2bn of new projects in Malaysia (60%) and overseas (40%).
- Going forward, its earnings prospects is underpinned by the implementation of its existing orderbook and
 the award of new projects as well as its two property projects namely Selayang Res 280 and Johor land
 development project.

3. Valuation and Recommendation

 We are maintaining our Buy recommendation on the stock. The stock is trading at a discount to its book value of RM0.90/share.

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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