



**MALAYSIA EQUITY (CBRS)**  
Investment Research  
Daily News

**WATER**

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**Stock Profile/Statistics**

Bloomberg Ticker	PBAH MK
KLCI	1183.97
Issued Share Capital (m)	331.21
Market Capitalisation (RMm)	306.37
52 week H   L Price (RM)	1.05   0.78
Average Volume (3m) '000	25.69
YTD Returns (%)	0.08
Net gearing (x)	0.01
Altman Z-Score	1.68
ROCE/WACC	0.08
Beta (x)	0.56
Book Value/share (RM)	1.88

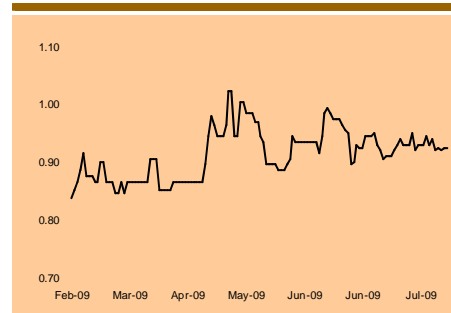
**Major Shareholders (%)**

EPF	10.5
Perbadanan Pembangunan P.Pinang	10.0

**Share Performance (%)**

Month	Absolute	Relative
1m	(0.54)	(9.44)
3m	(5.50)	(18.82)
6m	11.18	(17.59)
12m	4.04	(8.55)

**6-month Share Price Performance**



PBA Holdings is a holistic water supplier which sources, treats, distributes and bills for water supply in Penang.

**1HFY09 Results Review**

Private Circulation Only

**PBA Holdings**

<b>NEUTRAL</b>	<b>Maintain</b>
<b>Price Target</b>	<b>RM0.925</b>
<b>Target</b>	<b>RM0.890</b>

**Expectations in Line**

The 1HFY09 results came in within our expectations, with YTD net profit accounting for 50.2% of our FY projections on an annualised basis. The weak 2QFY09 was attributed to lower sales of water and trunk mains coupled with escalating operating cost and administrative expenses. Nonetheless, we are leaving our earnings estimates and target price for PBA unchanged at RM0.89 and are maintaining our NEUTRAL recommendation on the stock.

**Same as 1Q.** Similar to its performance in 1Q, lower sales and escalating costs continued to bog down the group's earnings. 2QFY09 revenue was down by 1.7% y-o-y while its YTD revenue declined by 4.8%. Rising operating costs squeezed EBITDA margins from 34.9% last year (1HFY08) to 16.7% (1HFY09) this year, resulting in YTD net earnings plunging 61.3% y-o-y. Q-o-q net earnings, however, remained flattish despite an increase in operating cost. The more stable q-o-q performance was largely due to an increase in non-core business contributions, which jumped 88.9%.

**Lower water consumption.** We are not surprised with the reduction in sales of water in Penang state. Given the state government's target of reducing water consumption by as much as 10%, this initiative has resulted in PBA's YTD revenue declining by 4.8%. Although this initiative will translate into lower earnings for PBA in the short term, we understand from management that this would in fact benefit the group in the long run as lower water consumption will result in lower capex being incurred by PBA. Capex is incurred in the replacement of pipes and trunk mains which have undergone wear and tear. However, it is still too early to gauge the savings from lower capex incurred as a result of lower water consumption.

**Non-core operations to cushion weakness.** PBA's bottled water venture is now operational and is expected to be in full swing by end of this year. In addition, PBA's newest education business will also contribute income. The venture encompasses the provision of training courses to water industry participants with regard to various water related subjects, namely NRW management, which is PBA's expertise. Although earnings contribution to PBA from these operations will be minimal, PBA's effort to diversify into other ventures should cushion its weakening core business earnings going forward. Q-o-q comparison has seen its non-core operations income rise to RM3.1m from RM1.6m.

FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Turnover	172.1	181.5	187.9	182.4	188.0
Net Profit	39.3	42.6	31.3	12.1	14.9
% chg YoY	20.0	8.5	(26.6)	(61.4)	23.5
Consensus NP (sen)	-	-	-	-	-
EPS (sen)	11.9	12.9	9.5	3.6	4.5
Gross DPS (sen)	7.0	7.1	4.0	1.5	1.9
Gross Div. Yield (%)	7.5	7.7	4.3	1.6	2.0
PER (x)	7.8	7.2	9.8	25.4	20.5
P/BV (x)	0.6	0.6	0.5	0.5	0.5
EV/EBITDA (x)	5.4	3.7	5.6	6.9	5.7
ROE (%)	7.4	7.8	5.3	1.9	2.3
ROA (%)	4.7	5.1	3.8	1.4	1.7

**EARNINGS HIGHLIGHTS**

<b>FYE Dec (RMm)</b>	<b>2QFY09</b>	<b>1QFY09</b>	<b>% chg</b>	<b>FY09</b>	<b>FY08</b>	<b>% chg</b>
Turnover	45.6	44.3	3.0%	89.9	94.5	-4.8%
EBITDA	4.9	5.5	-11.0%	15.0	33.0	-54.4%
Depreciation	(5.4)	(5.4)	0.0%	(10.8)	(16.6)	35.1%
Net interest expense	(0.0)	(0.0)	-41.7%	(0.0)	(0.0)	216.7%
Associates	0.0	0.0	-	0.0	0.0	-
PBT	3.2	2.1	48.2%	5.3	18.1	-70.6%
Tax	(0.1)	0.9	116.3%	0.7	(2.5)	130.1%
MI	0.0	0.0	-	0.0	0.0	-
Net Profit	3.0	3.0	0.4%	6.1	15.7	-61.3%
EPS (sen)	0.9	0.9		1.8	4.7	
Gross DPS (sen)	0.0	0.0		0.0	0.0	
EBITDA margin	10.7%	12.4%		16.7%	34.9%	
NTA/share (RM)	1.90	1.89		1.90	1.90	

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