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Headline : UBG Set To Reap Benefits Via Major Shareholders

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UBG set to reap benefits via major shareholders

► UBG BHD				
	2007	2008*	2009F	2010
REVENUE (RM mil)	138.0	623.0	1,236.0	-
NET INT EXPENSE (RM mil)	N.A	N.A	N.A	-
EPS (sen)	235.6	5.7	1.2	-
ROE (%)	135.2	2.0	0.4	-

► **Recommendation:**

Neutral

Target Price RM2.67

By Inter-Pacific Research Sdn Bhd (Nov 24)

Results Highlights

UBG Bhd's revenue has continued to improve. Revenue improved by 109.4% year-on-year (y-o-y) to RM257.3 million in the third quarter (3Q) of financial year (FY) 2009, benefitting from its two listed subsidiaries, Putrajaya Perdana Bhd and Loh & Loh Corporation Bhd which were acquired in 3Q08.

UBG's pretax profit returned to black in 3Q09 at RM12.5 million from a pretax loss of RM9.1 million in 3Q08 in view of lower administrative expenses

and write-back of provision.

For 9MFY09, EBIT margin registered lower growth of 2.6% from 4.9% respectively. No dividend was declared during the quarter review.

UBG's pretax profit surged by 55.4% quarter-on-quarter (q-o-q) despite revenue down by 8.5% q-o-q. Thanks to their lower operating costs which rose by 6.0%.

With ADKM (Abu Dhabi-Kuwait-Malaysia Investment Corp) and CMS (Cahaya Mata Sarawak Bhd) as its major shareholders, UBG should benefit from pump priming activities and development in areas like Iskandar Malaysia as well as Sabah and Sarawak.

Besides, PPB (Putrajaya Perdana Bhd), a subsidiary of

UBG, is a niche player in the construction of energy efficient buildings and could therefore benefit from the development in Node 1 of Iskandar Malaysia where Mubadala Development Company, related to ADKM has investments.

On the other hand, LLCB (Loh & Loh Corporation Bhd) who has experience in water infrastructure projects could be one of the front runners when water related works in Sabah and Sarawak start to roll out.

We reiterate our "Neutral" recommendation with our fair value maintained at RM2.67. Downside risk is curtailed by the thin public shareholding of 10% and a free float of a mere 9.8%.