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Headline	UBG's Net Profit Grows By 200% To RM40m		

UBG's net profit grows by 200% to RM40m

► **Recommendation:**

Neutral

Target Price RM2.67

By Inter-Pacific Research Sdn Bhd (Feb 24)

Net Profit Grew By 198.6% Y-o-y In 4QFY09

DESPITE revenue declined, UBG's net profit grew by 198.6% y-o-y in 4QFY09 was mainly attributed by contribution from their construction and property division on the back of lower administrative expenses by 0.1% y-o-y to RM40 million respectively.

For FY09, both revenue and net profit posted significant growth by 110.8% y-o-y and 348.5% y-o-y benefitting from its two listed subsidiaries, Pu-

► UBG BHD				
	2007	2008	2009E	2010F
REVENUE (RM mil)	138.0	536.0	1,131.0	1,275.0
NET PROFIT (RM mil)	1,179.0	5.0	21.0	65.0
EPS (sen)	235.6	1.0	43	12.9
ROE (%)	135.2	0.3	1.4	4.2

trajaya Perdana Bhd and Loh & Loh Corporation Bhd which were acquired in 3QFY08.

No dividend was declared during the quarter review.

On quarter-on-quarter (q-o-q), lower operating cost boosted pre-tax margin.

UBG's pretax margin surged by 6.7 ppt to 11.6% q-o-q from 4.9% q-o-q in

3QFY09 on the back of revenue up by 15.2% q-o-q thanks to their lower operating costs which fell by 0.2% amounted to RM232.9 million.

Pump Priming Activities Benefit UBG

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, Sabah & Sarawak.

Besides, PPB (Putrajaya Perdana Bhd), a subsidiary of UBG, is a niche player in the construction of energy efficient buildings could

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 starts to roll out.

PetroSaudi Plans To Privatise, Delist UBG

Thus far there are no latest updates with respect to their PetroSaudi International Ltd (PSI) plan of privatising and to delist UBG.

Recap, PSI plans to priva-

tise and delist UBG by offering up to RM1.1 bn to acquire the latter's controlling shareholders Cahya Mata Sarawak Bhd (CMS) and Majestic Masterpiece Sdn Bhd (MMSB).

MMSB holds a 52.6% stake in UBG, followed by CMS at 37.2%.

Following this, UBG will also be required to extend an offer for sale of its two main construction units Loh & Loh Corp Bhd and Putrajaya Perdana Bhd, both of which UBG owns more than 80% each.

Neutral

We continue to reiterate our 'Neutral' recommendation with our fair value maintained at RM2.67.