NCB SIGNIFICANTLY UNDERPERFORMS SMALL-CAP PEERS

NCB Holdings Bhd

FYE Dec (RM mil)	2011A	2012A	2013F	2014F	2015F
Revenue	928.0	992.8	965.5	1,034.3	1,108.5
Ebitda	334.2	302.7	249.8	346.4	370.1
Recurring net profit	158.9	168.3	93.3	155.8	171.0
Recurring basic EPS (sen)	33.8	35.8	19.8	33.1	36.4
EPS growth (%)	2.6	5.9	(44.5)	67.0	9.7
DPS (sen)	61.3	65.5	9.5	18.0	20.0
BVPS (RM)	3.47	3.06	3.17	3.32	3.48
PER	10.4	9.8	17.7	10.6	9.7
EV/Ebitda (x)	3.0	4.7	7.9	5.6	5.0
Div yield (%)	17.4	18.6	2.7	5.1	5.7
P/BV (x)	1.0	1.1	1.1	1.1	1.0
Net gearing (%)	Cash	Cash	22.1	17.7	13.0
ROE (%)	9.7	11.7	6.3	10.0	10.4
ROA (%)	8.2	9.4	3.8	6.2	6.5

Source: Maybank KE

Financial Daily
20 December 2013

NCB Holdings Bhd
(Dec 19, RM3.55)

Maintain buy at RM3.52 with a target price of RM4.84: NCB's share price has significantly underperformed its small-cap peers by 63% in the past six months, potentially due to the delay in its concession renewal.

We expect a re-rating to come from: (i) the bottoming out of earnings in FY13 with a positive throughput outlook and a recovery in its logistics business in FY14; and (ii) potential materialisation of its concession renewal in 1Q14 with favourable terms, which will bump up our direct cash flow (DCF) valuation. NCB currently trades at FY14 price-earnings ratio of 11 times, a substantial 45% discount to its peers. Maintain "buy" and DCF-derived target price of RM4.84.

The formal extension of NCB's port concession (Northport: 30 years, Southpoint: 21 years) has been delayed (deadline: Nov 31) and the government has put in place an interim concession for the port operator. Being the country's oldest concession agreement, we understand it entailed many terms that are irrelevant today. As a result, there are many issues that need to be ironed out to ensure it aligns with the other concessions.

We also understand that the revised concession may not require a lump-sum renewal fee (our model assumes RM470 million), but the port lease rent will likely be raised. We note that the rent paid during the first concession's tenure was around RM170 million in total, and we believe the revised amount is unlikely to exceed the RM470 million we assumed for the concession renewal fee, hence providing the uplift to our DCF valuation for NCB.

We think NCB's earnings will bottom out in FY13 and grow 67% year-on-year in FY14 on: (i) positive throughput growth with the commencement of its CT4 this month; and (ii) the sharp recovery of its logistics division, which has already recognised most of the unbudgeted costs in 2QFY13. We forecast a 5% net dividend yield for FY14, but we believe there is room for more upside given our forecast of free cash flow yield of 10% in FY14 on slower capex ahead. No changes are made to our earnings forecasts. - Maybank IB Research, Dec 19