

**RESULTS – 12MFY10**

31 May 2010

For period Jan-Mar 2010

<b>See Hup Consolidated</b>	<b>Price:</b>	RM1.00
	<b>Market Capitalisation:</b>	RM40.13m
	<b>Board:</b>	Main
<b>Stock Code/Name:</b>	7053 / SEEHUP	<b>FBM Index:</b> FBM Small Cap Index
<b>Recommendation:</b>	HOLD	<b>Sector:</b> Trading/Services

Key Stock Statistics	2011F
EPS (sen)	3.3
P/E (x)	30.5
Dividend/Share (sen)	4.5
NTA/Share (RM)	1.25
Book Value/Share (RM)	1.33
Issued Capital (mil shares)	40.13
52- weeks share price (RM)	0.77-1.00
Major Shareholders:	%
Hean Brothers Holdings Sdn Bhd	20.45
Dato' Lee Hean Guan	13.34

**PERFORMANCE**

See Hup reported a set of disappointing results during the quarter ended 31 March 2010 leading to a weaker than expected full year results.

The revenue and net profit for the 4<sup>th</sup> quarter ended 31 March 2010 came in at RM23.1m and RM0.2m respectively, while the cumulative 12-month revenue and PBT were registered at RM98.5m and RM1.3m.

Per Share Data	2008	2009	2010	2011F
<b>Year end: 31 March</b>				
Book Value (RM)	1.29	1.32	1.33	1.33
Op. Cash Flow (sen) - Net	-1.7	36.1	-3.9	16.3
FD Earnings (sen)	12.1	6.4	3.2	3.3
Dividend (sen)	6.3	3.6	5.4	4.5
Payout Ratio (%)	38.5	42.5	125.0	82.4
PER (x)	8.3	15.7	30.9	30.5
P/Cash Flow (x)	-60.0	2.8	-25.5	6.1
P/Book Value (x)	0.8	0.8	0.8	0.8
Dividend Yield (%)	6.3	3.6	5.4	4.5
ROE (%)	1.2	9.7	4.9	2.4
Net Gearing (%)	76.7	72.4	68.2	79.2

On a quarterly basis, the revenue and net profit were 11.1% and 76.7% lower in comparison to the previous quarter. It was reported that the weaker set of results was due to lesser working days arising from the festive holidays.

However, even on a full year basis, the revenue and net profit were 8.0% and 49.0% lower year-on-year (YoY), and came in 8.5% and 25.5% below our estimates. The saving point was that the weaker bottom line was due mainly to a higher effective tax rate (FY10: 45.8% vs. FY09: 30.2%) which was due to a higher deferred taxation charge. As a result the net profit margin declined from 2.4% in FY09 to 1.3% in FY10.

P&L Analysis (RM'm)	2008	2009	2010	2011F
<b>Year end: 31 March</b>				
Revenue	121.5	107.0	98.5	118.6
EBITDA	13.5	13.4	13.2	14.2
Less: Depreciation	-7.8	-9.0	-8.9	-9.4
Less: Interest Expenses	-2.1	-2.6	-2.2	-2.6
Add/(Less): Others	3.1	0.5	0.2	0.2
Pre-tax Profit	6.7	2.3	2.3	2.4
Net Profit	4.9	2.6	1.3	1.3
EBITDA Margin (%)	11.1	12.5	13.5	12.0
Pre-tax Margin (%)	5.5	2.1	2.3	2.0
Net-Margin (%)	4.0	2.4	1.3	1.1

On the business operation front, we understand that the effects of the worldwide economic slowdown has somewhat impacted the Group's bulk cargo handling services during the first half of the year although an improvement in the business activities in the second half of the financial year saw a rapid recovery in the container haulage and forwarding services business segments.

FYE 31 Mar.	4Q10	4Q09	yoy %	3Q10	qoq %
Rev (RMm)	23.1	19.7	17.5	26.0	-11.1
EBIT (RMm)	1.3	0.0	>100	1.3	-1.0
NPAT (RMm)	0.2	-0.2	>100	0.7	-76.7
EPS (sen)	0.4	-0.5	>100	1.7	-76.6

The Group has proposed a 5.4 sen first and final gross dividends for FY10, in contrast to 3.6 sen in FY09, implying a gross dividend yield of 5.4% or 4.1% net.

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## OUTLOOK

Given a brighter outlook for the global and domestic economies as well as a fast improving external trading (export and import) prospect, we believe that the top-line of the Group still has room for improvement. Hence, we have only tweaked our revenue estimate down slightly from RM120.4m to RM118.6m (a 20.5% growth from FY10) or 1.5%.

However, given the weaker final results and coupled with the potential reduction in the fuel subsidies, we have revised down our earnings forecast. Also, due to the longer cash conversion cycle (CCC) of 117 days in FY10 vis-à-vis 84 days in FY11, we do not rule out the possibility of the Group seeing its net gearing increased from 68.2% (from FY10A) to 80.1% (in FY11F). Coupled with a higher interest rate environment in the future, the profitability of the Group could be further eroded, we reckon.

We have lowered our previous FY11 net profit from RM2.0m to RM1.3m (a 1.1% growth from FY10), implying a 34% reduction, with the net profit margin estimate down from 1.7% previously to 1.1%.

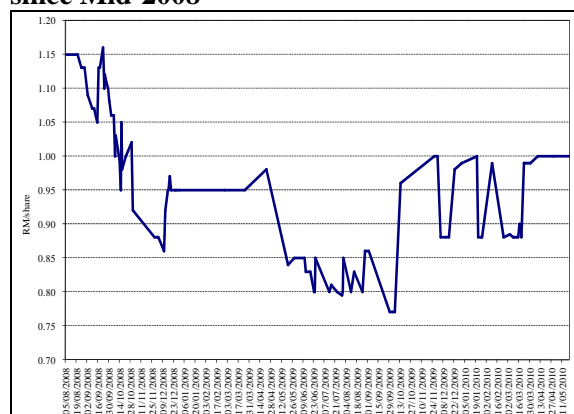
As for the dividend estimate, we believe the Group should be able to pay out a 3.6 sen gross dividend per share (GDPS), which is similar to the GDPS in FY09.

## VALUATION

Based on the current share price of RM1.00/share, the stock is traded at a stretched 30.9x and 30.5x historical FY10 PER and forward FY11 PER respectively.

We believe such a rich valuation could be due to its illiquidity rather than any quick recovery prospects for the group. Coupled with the weak earnings visibility and high inflationary pressure in fuel prices, we reckon that the stock should only deserve a HOLD recommendation and a fair valuation of RM1.00 at best.

**Figure 1: See Hup's Share Price Movement since Mid-2008**



Source: Bloomberg

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### Results Coverage

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