

MITA No. 010/06/2008

15 May 2009

Soilbuild Group Hldgs Ltd

Downgrade to

HOLD

Previous Rating: BUY

S\$0.62

Fair Value: S\$0.77

Stock Code:

Reuters: SOIL.SI

ISIN Code T94

Bloomberg: SG SP

Event: Results

Core performance remains strong

Strong results aided by revaluation gain. Soilbuild Group reported a good set of 1Q09 results that was partly aided by revaluation gains. Revenue jumped 104.3% YoY to S\$64.7m, with revenue coming from its 4 residential projects - Espa (TOP in Jan), Leonie Parc View, Montebieu and Centrio, development of Tuas Lot and rental income from newly completed projects. In particular, maiden contributions from the leasing of Tuas Connection and Penjuru Logistics Hub (PLH) had drove Soilbuild's rental income higher by 38% YoY in 1Q09. A one-off revaluation gain of S\$6.5m was also recognized from the revaluation of PLH which was completed in Jan. As a result, PATMI jumped 207.5% YoY to S\$19.1m. Excluding the revaluation gain, underlying PATMI still remains strong, growing by an estimated 90.3% YoY.

Higher NAV reduces gearing level. Debt level remains stable at the end of 1Q09, standing at S\$410.1m (end FY08: S\$406.7m). However, as NAV increased by 7.5% QoQ to S\$0.99 per share at the end of 1Q09, Soilbuild's net gearing level continued to decline, falling from 1.9x to 1.7x. While revaluation gains had been instrumental in driving Soilbuild's NAV higher, bulk of the revaluation gain had been derived from the value-add that Soilbuild provided from the development of the properties, rather than from change in market value of the properties. As such, we believe that Soilbuild's NAV still remains defensive in light of the weak property market.

New project achieved encouraging take-up. For the year to date, Soilbuild launched 1 new residential project - The Mezzo, which is a 127 residential units and commercial development project located at Balestier Road. Although, average selling price of ~S\$900 psf fell below our estimated S\$1,000 psf for the project but take-up rate for the project has so far been encouraging. According to URA's March data, out of the 20 units launched in March, 17 units were sold, translating to a take-up rate of 85%. For Soilbuild's remaining projects - Heritage 9 and Meier Suites, the design development for these 2 projects have already been completed.

Downgrading to HOLD on valuation grounds. Our RNAV estimate has now been lowered to S\$1.55 per share (previously S\$1.58), after lowering our selling price assumption for The Mezzo. Maintaining a 50% discount to RNAV, our fair value estimate has now been lowered to S\$0.77 (previously S\$0.79). While current share price still implies an upside potential of 24.8%, we are now downgrading Soilbuild to **HOLD**, in line with our rating policy for small-cap stocks.

General Data	
Issued Capital (m)	218
Mkt Cap (S\$m/US\$m)	135 / 92
Major Shareholder	Lim Chap Huat (46.55%)
Free Float (%)	31.4%
NAV per share (S cents)	99.38
Daily Vol 3-mth ('000)	97
52Wk High (S\$)	0.981
52Wk Low (S\$)	0.402

Foo Sze Ming

(65) 6531 9810

e-mail: FooSzeMing@ocbc-research.com

Year to 31 Dec	Turnover (S\$m)	Gross Profit (S\$m)	Net Profit (S\$m)	EPS (cents)	NAV (cents)	Price/NAV (x)	Div Yield (%)
FY 07	105.5	34.9	52.4	26.1	57.5	1.1	4.8
FY 08	238.0	90.7	75.2	33.8	94.8	0.7	6.5
FY 09F	300.8	99.1	67.7	31.2	119.0	0.5	6.5
FY 10F	181.4	85.8	52.4	24.1	139.1	0.4	6.5

Please refer to the important disclosures at the back of this document.

Exhibit 1: RNAV Estimate

	in S\$m
Surplus from development properties	61.1
Estimated value of investment properties	167.1
Book value of investment properties	149.9
Estimated surplus from investment properties under construction	59.9
Surplus from investment properties	77.2
End FY08 Book value (S\$m)	198.0
RNAV (S\$m)	336.3
Shares outstanding (m)	217.3
RNAV per share (S\$)	1.55
Valuation (at 50% discount to RNAV)	0.77

Source: OIR estimates

Soilbuild's Key Financial Data

Soilbuild Results					
Year Ended 31 Dec (S\$ m)	1Q08	1Q09	% Chg	4Q08	% Chg
	(S\$m)	(S\$m)	(YoY)	(S\$m)	(QoQ)
Sales	31.7	64.7	104.3	50.0	29.4
Cost of sales	-19.8	-43.9	121.7	-31.3	40.2
Gross Profit	11.9	20.8	75.2	18.6	11.4
Other gains	0.0	8.3	NM	25.5	-67.7
Selling expenses	-0.7	-0.3	-57.8	-1.2	-74.3
Administrative expenses	-2.3	-3.7	59.8	-4.5	-17.2
Other operating expenses	-0.2	-0.2	-11.1	0.1	NM
Finance costs	-1.5	-1.9	29.7	-1.6	18.3
Profit before tax	7.1	22.9	223.0	37.0	-38.0
Income tax expenses	-0.9	-3.5	293.0	-6.4	-45.9
Net profit	6.2	19.4	213.1	30.5	-36.3
Attributable To:					
Equity Holders of the Company	6.2	19.1	207.5	30.5	-37.4
Minority Interest	0.0	0.3	NM	0.0	NM

EARNINGS FORECAST

Year Ended 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Sales	105.5	238.0	300.8	181.4
Cost of sales	-70.6	-147.4	-201.7	-95.6
Gross Profit	34.9	90.7	99.1	85.8
Other gains	49.4	27.2	9.5	1.8
Miscellaneous	2.5	2.1	3.0	1.8
Revaluation gain	43.4	25.6	6.5	0.0
Changes in fair value of derivatives	3.5	-0.6	0.0	0.0
Gain on disposal	0.0	0.1	0.0	0.0
Selling expenses	-2.7	-2.8	-2.1	-1.6
Administrative expenses	-12.9	-14.7	-13.5	-12.7
Other operating expenses	-1.0	-0.4	-1.2	-0.7
Finance costs	-3.7	-6.8	-6.3	-8.6
Profit before tax	64.1	93.1	85.5	63.9
Income tax expenses	-11.8	-16.6	-15.4	-11.5
Net profit	52.3	76.5	70.1	52.4
Attributable To:				
Equity Holders of the Company	52.4	75.2	67.7	52.4
Minority Interest	-0.1	1.3	2.4	0.0

BALANCE SHEET

As at 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Cash at bank and on hand	57.0	28.8	32.5	29.9
Other current assets	249.2	533.9	518.9	567.1
Plant property and equipment	1.8	1.7	1.8	1.8
Investment properties	78.9	149.9	195.7	245.7
Other non-current assets	5.7	3.1	1.8	1.8
Total assets	392.6	717.4	750.7	846.3
Borrowings	211.3	406.7	353.9	458.9
Current liabilities less borrowings	54.1	90.6	113.6	60.6
Non-current liabilities less borrowings	11.9	22.1	20.9	20.9
Total Liabilities	277.3	519.4	488.5	540.4
Share capital	50.7	58.7	58.7	58.7
Retained earnings	64.5	133.7	195.5	239.3
Shareholders equity	115.2	196.7	258.5	302.2
Minority interests	0.0	1.3	3.7	3.7
Total Equity	115.2	198.0	262.2	305.9
Total Liabilities and Equity	392.6	717.4	750.7	846.3

CASH FLOW

Year Ended 31 Dec (S\$ m)	FY07	FY08	FY09F	FY10F
Operating profit before working cap. changes	20.5	73.9	91.9	72.7
Working capital changes	19.1	-291.5	-62.0	-101.3
Income tax paid	-0.8	0.4	0.4	0.3
Net cash from operating activities	38.8	-217.2	30.3	-28.3
Net cash from investing activities	0.7	1.4	1.1	1.0
Net Cash from financing activities	2.6	187.7	-27.7	24.6
Net cash flow	42.2	-28.2	3.6	-2.6
Cash at beginning of year	17.8	57.0	28.8	32.5
Cash at end of year	60.0	28.8	32.5	29.9
Add: Bank overdrafts	-3.0	0.0	0.0	0.0
Cash and cash equivalents at end of year	57.0	28.8	32.5	29.9

Key Ratios

PER (x)	2.4	1.8	2.0	2.6
P/NAV (x)	1.1	0.7	0.5	0.4
Gross profit margin (%)	33.1	38.1	33.0	47.3
Net profit margin (%)	49.6	32.1	23.3	28.9
Net gearing (x)	1.3	1.9	1.2	1.4
Dividend yield (%)	4.8	6.5	6.5	6.5
ROE (%)	45.5	38.0	25.8	17.1
ROA (%)	13.3	10.5	9.0	6.2

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

RATINGS AND RECOMMENDATIONS:

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

DISCLAIMER FOR RESEARCH REPORT

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. OCBC Investment Research Pte Ltd, OCBC Securities Pte Ltd and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally.

Privileged/Confidential information may be contained in this message. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you may not copy or deliver this message to anyone. Opinions, conclusions and other information in this message that do not relate to the official business of my company shall not be understood as neither given nor endorsed by it.

For OCBC Investment Research Pte Ltd

Co.Reg.no.: 198301152E



Carmen Lee
Head of Research

Published by OCBC Investment Research Pte Ltd

