

Bursa Method Platinum Webinar

“CBIP, Costal C & Padini”

March 2015 Session 2

Date: 31st March 2015

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CBIP Analysis

1st Comment: As Reuters provide Year End Capital, many people did a mistake by using “Net Profit/Year End Capital” to get the ROE. The correct way is to use “Net Profit/Avg Equity”.

2nd Comment: As we do our valuation, it will be good to record the exact dates when you did the valuation. Because as time goes by, share price as well as numbers of shares changes.

3rd Comment: To obtain Shares Outstanding, it is better we state the “Shares Issued” & “Treasury Shares”. When “Shares Issued” minus off “Treasury Shares”, we will be able to get Total Shares Outstanding. This is because when a company buy back shares, the Shares Issued remains the same but the Treasury Shares will increase, in that sense the Shares Outstanding would have changed.

To check **Shares Issued** → Go to **Bursa Malaysia**, then to **CBIP**, then to **Announcements**, then to **Additional listing announcements, Latest Issued Unit (538,248,352 shares)**.

To check **Treasury Shares** → Go to **Bursa Malaysia**, then to **CBIP**, then to **Announcements**, then to **Latest Buybacks, Total Number of Shares retained in treasury (6,909,027 shares)**.

To get **Shares Outstanding** → **Latest Issued Unit (538,248,352 shares) - Total Number of Shares retained in treasury (6,909,027 shares) = 531,339,325 shares**.

Company: CBIP		Period Length	Period Length	Period Length	Period Length	Period Length
OVERALL (Sourced from Reuters)		12 Months	12 Months	12 Months	12 Months	12 Months
Beta: 0.89		2014	2013	2012	2011	2010
		31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010
In Millions of Ringgit						
Dividend Payout RM		26.5	26.7	120.9	0.0	13.2
Dividend Payout ratio to Net Income %		29%	27%	142%	0%	27%
Retention Rate %		71%	73%	42%	100%	73%
1) Shares Issued: 538,248,352 2) Treasury Shares: 6,909,027 531,339,325		Current Share Info: Updated on 31/03/2015 Total Shares outstanding ('mm) 531.3 Current Share Price (RM) 1.93 Market Capitalization (RM'mm) 1,025.48 NAV Per Share (RM) 1.12 PE 11.1 Price to book (Multiple) 1.7		<i>Formula used Today, might not be so appropriate. Suggest having 2 columns, Shares Issued and Treasury Shares.</i> <i>Check if there's outstanding warrants by the company.</i> <i>Latest P/E</i>		
Assumption & Analysis:						
Quartile 1 ROE		16.9%		Value Multiple	2.1	V/B Multiple
Required Rate of Return		13.0%		Calculated PE	12.2	V/E Multiple

4th Comment: For Market Cap, Raymond uses Total Shares Outstanding times Current Share Price. This is generally correct if a company does not have warrants outstanding. If a company have warrants outstanding, then we need to make adjustments. We need to include in the warrants value multiply by the warrants outstanding. When the warrants are converted into the mother share, the number of shares being issued will be increase while the warrant outstanding will decrease.

To get **Market Cap** → **Market Cap + Warrants Value** = Market Cap + (Nos warrants outstanding * Warrants Market Price)

There are a few types of warrants issued by investment bankers(We do not need to include because this is just an internal settlement between investment bankers and the warrant buyers, it has no effects on the company's value). We only add in warrants issued by the company itself.

No	Announcement Date	Company	Title
1	30 Oct 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	Listing Information & Profile for Structured Warrants (Amended Announcement)
2	27 Oct 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	CBIP-CA - NOTICE OF BONUS ENTITLEMENT
3	21 Oct 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	Bonus Issue
4	20 Aug 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	STRUCTURED WARRANTS ANNOUNCEMENT: ADJUSTMENT TO TERMS OF STRUCTURED WARRANTS
5	14 Aug 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	TERM SHEET RELATING TO THE OFFERING OF UP TO 50,000,000 EUROPEAN STYLE NON-COLLATERALISED CASH-SETTLED CALL WARRANTS OVER ORDINARY SHARES OF CB INDUSTRIAL PRODUCT HOLDINGS BERHAD ("CBIP") ("CBIP SHARES") WITH AN EXERCISE RATIO OF 6 CALL WARRANTS 1 CBIP SHARE ("CALL WARRANTS") AT AN ISSUE PRICE OF RMD 150 PER CALL WARRANT
6	14 Aug 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	STRUCTURED WARRANTS ANNOUNCEMENT: INITIAL OFFERING
7	14 Aug 2014	CBIP-CA, CW CB INDUSTRIAL PRODUCT HOLDING BERHAD (CIMB)	Listing Information & Profile for Structured Warrants

Listing Date	15/08/2014
Term Sheet Date	14/08/2014
Issue Date	14/08/2014
Issue/ Ask Price	MYR 0.1500
Issue Size Indicator	Unit
Issue Size in Unit	50,000,000
Maturity Date	28/08/2015
Exercise/Strike/Conversion Price	MYR 4.5000
Revised Exercise/Strike/Conversion Price	MYR 2.2500
Exercise/ Conversion Ratio	6 : 1
Revised Exercise/ Conversion Ratio	3 : 1
Settlement Type/ Convertible into	Cash
Name and contact details of market maker (if applicable)	CIMB Bank Berhad c/o Equity Derivatives Group 17th Floor Menara CIMB Jalan Stesen Sentral Kuala Lumpur Sentral 50470 Kuala Lumpur Tel: 03-2261 8888 Fax: 03-2261 8000
Circumstances under which the market maker may not be able to provide quotes (if applicable)	Please refer to Section 5.2 of the Base Prospectus dated 6 May 2014

When we see codes of "CA, CB, CW, HA, HB", all these warrants are issued by Investment Bankers and the Settlement is by "Cash".

Company Announcements
This section contains all announcements made by Public Listed Companies.
Important: Bursa Malaysia does not verify or endorse the contents of announcements made by Public Listed Companies. Please read our [Disclaimer](#) pertaining to Company Announcements for further information.
Note: Please download the [Annual Report](#) of the Company for further information.

Company Announcements

Category: **Company Announcements**

Sub Category:

Company:

Alphabetical:

Date Range:

CB INDUSTRIAL PRODUCT HOLDING BERHAD (7076) (WA)

CCCC-C1 CW CHINA COMM CONSTRUCTION COMPANY LTD (OSK) (0509C1)
CCCC-C2 CW ZS CHINA COMM CONSTRUCTION COMPANY LTD (CIMB) (0509C2)
CCCC-C3 CW CHINA COMM CONSTRUCTION COMPANY LTD (CIMB) (0509C3)
CCCC-C4 CW CHINA COMM CONSTRUCTION COMPANY LTD (OSK) (0509C4)
CCCC-C5 CW CHINA COMM CONSTRUCTION COMPANY LTD (CIMB) (0509C5)
CCCC-C6 CW CHINA COMM CONSTRUCTION COMPANY LTD (CIMB) (0509C6)
CCK CONSOLIDATED HOLDINGS BERHAD (7035)
CCM DUOPHARMA BIOTECH BERHAD (7148)
CEMENT INDUSTRIES OF MALAYSIA BERHAD (2844)
CENSOF HOLDINGS BERHAD (5195WB)
CENSOF HOLDINGS BERHAD (5195)
CENSOF HOLDINGS BERHAD (5195WA)
CENTRAL INDUSTRIAL CORPORATION BERHAD (8052)
CENTURY BOND BHD (7171)
CENTURY LOGISTICS HLDGS BHD - WARRANTS RIGHTS (7117WR)
CENTURY LOGISTICS HLDGS BHD-WARRANTS (7117WA)
CENTURY LOGISTICS HOLDINGS BERHAD (7117)

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Issue Date	07/11/2014
Issue/ Ask Price	Not Applicable
Issue Size Indicator	Unit
Issue Size in Unit	88,409,815
Maturity Date	06/11/2019
Revised Maturity Date	
Exercise/ Conversion Period	5.00Year(x)
Revised Exercise/ Conversion Period	
Exercise/Strike/Conversion Price	MYR 2.4000
Revised Exercise/Strike/Conversion Price	
Exercise/ Conversion Ratio	1:1
Revised Exercise/ Conversion Ratio	
Mode of satisfaction of Exercise/ Conversion price	Cash
Settlement Type/ Convertible into	Physical (Share)

Remarks :
Each Warrant entitles the registered holder to subscribe for one (1) new Share at any time during the exercise period at the exercise price (subject to adjustments in accordance with the provisions of the deed poll dated 17 October 2014 constituting the Warrants). Any Warrants not exercised during the exercise period will thereafter lapse and cease to be

When it is issued by the company itself, it would have codes like “WA, WB”. The settlement will be in “Physical Shares”.

Coastal Contracts Analysis

36. Significant Event

On 24 September 2012, a wholly-owned subsidiary, Seri Modalwan Sdn. Bhd. ("SM"), had received a Writ of Summons and Statement of Claim from a customer, namely PT Mainstream Indonesia ("PTMI") and its affiliate, Mainstream Venture Sdn. Bhd. ("collectively referred to as the Plaintiffs") pertaining to the loss of use and damage to PTMI's vessel while under repair at the SM premises. The Plaintiffs alleged that the damage to the subject vessel by fire was due to negligence of SM, which allegation was denied by SM. The Plaintiffs claim for the sum of RM7,927,314.46 being the cost of the subject vessel and the loss of income for the subject vessel from September 2011 to July 2012 and other relevant costs, interest, cost and such other relief as may be appropriate or just. However, SM had via its solicitors filed a Statement of Defence on 16 November 2012 in response to the Statement of Claim served by the Plaintiffs. Subsequently on 30 November 2012, the Plaintiffs served a Statement of Reply against SM.

On 4 March 2014, SM received a correspondence from its solicitors informing that the High Court at Sandakan had adjudged that the Plaintiffs' claims against SM be dismissed with costs of RM50,000 to SM. However, on 19 March 2014, the Plaintiffs had lodged an appeal to the Court of Appeal against the decision made. As at the reporting date, there is no further development on the above litigation. The Directors are in the opinion that the Court of Appeal will rule in favor of the Company and hence no provision is made.

Company: COASTAL		Period Length	Period Length	Period Length	Period Length
OVERALL (Sourced from Reuters)		12 Months	12 Months	12 Months	12 Months
Beta: 1.23		2014	2013	2012	2011
In Millions of Ringgit		31/12/2014	31/12/2013	31/12/2012	31/12/2011
Current Share Info: Updated on 31/03/2015					
Total Shareoutstanding ('mm)	531.60				
Current Share Price (RM)	2.86				
Market Capitalization (RM'mm)	1,520.38				
NAV/Per Share (RM)	2.70				
PE	7.97				
Price to book (Multiple)	1.06				
Assumption & Analysis:					
Quartile 1 ROE	15.6%			Value Multiple *	1.8
Required Rate of Return	13.0%			Calculated PE	11.5
Earning Growth	9.7%				
Intrinsic Value					
Intrinsic Value Per Share	4.84				
Proposed Buying Price (Below or equal)	3.23				

Question: How do you view significant events (Eg. Lawsuit which might be a potential liability of a company?) Will you take them into consideration? (Referring to Coastal Contracts 2013 Annual Report note 36)

Answer: Yes, when there is a lawsuit, we need to factor in the full payout (worst case scenario). The lawsuit cost is RM7.9Million. We need to see how much is RM7.9Million in relation to what the company has. From the analysis, we know that the company has a market cap of RM1.5Billion & the intrinsic value is RM2.5Billion. So assuming if it is a full loss of RM7.9Million, it is only 0.03%.

Padini Analysis

PADINI HOLDINGS BERHAD Company No. 989019		Date: 16/02/2015			
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2014					
	3 months ended		6 months ended		
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	
	RM '000	RM '000	RM '000	RM '000	
Revenue	245,590	224,175	472,220	401,295	
Cost of Sales	(145,694)	(124,476)	(209,477)	(209,279)	
Gross Profit	99,896	99,699	262,743	192,016	
	41%	47%	43%	47%	
Other income	2,401	2,492	4,476	4,714	
Administrative expenses	(14,807)	(15,409)	(21,142)	(27,990)	
Selling and distribution costs	(62,666)	(56,379)	(124,112)	(109,416)	
Finance costs	(695)	(644)	(1,220)	(1,127)	
Profit before tax	16,719	20,238	58,054	78,198	
Income tax expense	(7,267)	(10,626)	(15,402)	(22,061)	
Profit for the period	9,452	9,612	42,652	56,137	
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translations	1,402	105	1,796	645	
Total comprehensive income for the financial period	10,854	9,717	44,448	56,782	
Profit attributable to:					
Owners of the parent	9,452	9,612	42,652	56,137	

1st Comment: We notice ROE for Padini has dropped since 2012. This is due to competitive market (Eg. Uniqlo & H&M). Therefore, do not buy and forget. We need to consistently understand the company and see what is happening in the industry.

2nd Comment: If we see the most recent results. The cost of sales has increased but the gross profit margin has actually reduced. Profit before tax also reduce as well. So perhaps the ROE need to adjust further down instead of using 24%. A fast method is using the most recent 6months. Therefore, $ROE = [\text{Profit for the year}(35.4)/\text{Equity}(387.6)] \times 2(\text{Because data is for 6months}) = 18.3\%$. Although ROE is still above 15% but is has dropped significantly.

Q&A

Question1: Implementation of GST is coming soon. I think that there will be short term impact on consumer industry. Will you try to avoid or delay investing in company under consumer industry even if they are undervalued? (Referring to Padini)

Answer1: First of all, Peter would want to adjust the numbers. (Eg. Instead of of using ROE 24%, Peter will use 18%) If the price drops to below Intrinsic Value and it gives a comfortable margin of safety, Peter will consider buying as well.

Question2: Do you think it's fair to treat intrinsic value as fair value of a company? How do you identify a range of fair value of a company?

Answer2: Yes, intrinsic value is the value of a company, what the company is worth. To identify a range of fair value, 1st it depends on the return you want. 2nd It also depends on the growth (which is affected by the retention rate). The 3rd is depending on the ROE. So these are the 3 main factor. A change in any of the 3 factor, your intrinsic value will change as well. Then we can have two sets of intrinsic value (Eg. Conservative & Realistic Intrinsic Value). Say if Conservative IV is RM3 & Realistic IV is RM4. You know that a fair value is around RM3.50.

Question3: Are sector and industry comparison on ROE, PE & EPS part of your investment decision making factors?

Answer3: No, Peter do not look at whichever sector or industry. Sometimes Peter's portfolio will be highly concentrated on consumer stocks also. Because each company is unique by itself and some sectors are really terrible by itself. If Peter diversify, he will end up having less of a good sector and having more of a bad sector.

Question4: When you were analyzing coastal contract in DEC 2014, you used (total equity+cash) / (Market Cap+warrant value) to verify that the stock is cheap. Do you also take warrant into consideration when calculating Intrinsic Value?

Answer4: Yes, Peter did share in CBIP analysis as well.