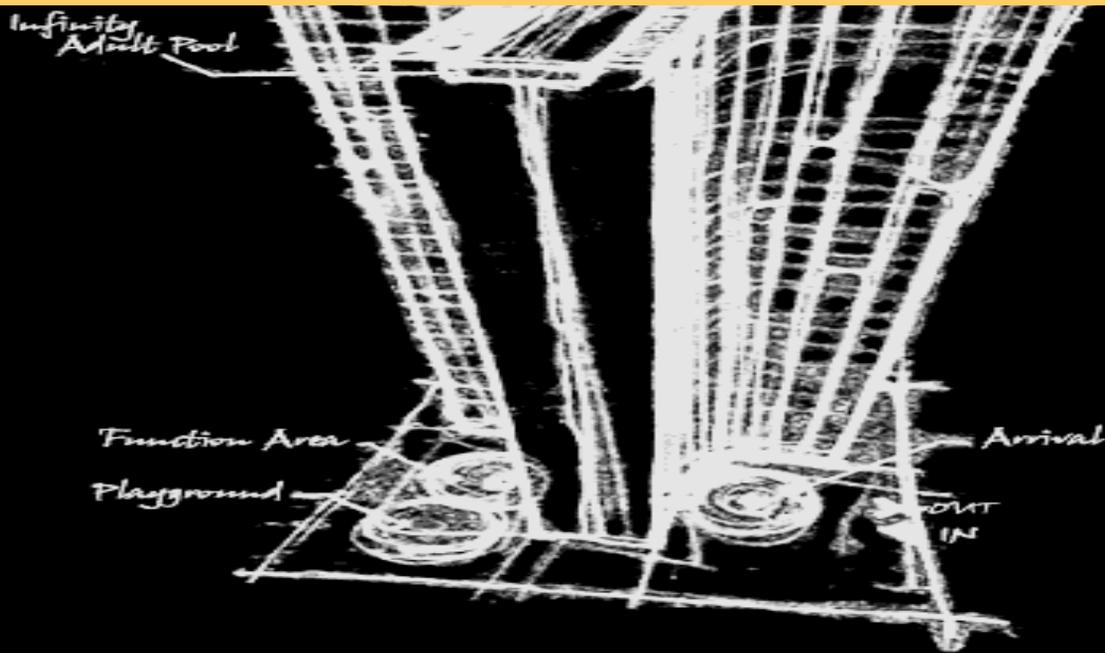




BUILDERS OF VISIONS (I)

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2014 Financial Ratios for Builders of Visions.

1. ACTIVITY	MEAN	MEDIAN
(A) NUMBER OF DAYS OF RECEIVABLES	164.61	118.74
(B) NUMBER OF DAYS OF PAYABLES	242.87	233.18
(C) DAYS OF PAYABLES / DAYS OF RECEIVABLES	1.76	1.84
(D) TOTAL ASSET TURNOVER	0.29	0.28
(E) FIXED ASSET TURNOVER	1.05	0.78
(F) WORKING CAPITAL TURNOVER	1.70	1.14
2. LIQUIDITY	MEAN	MEDIAN
(A) CURRENT RATIO	2.59	2.42
(B) QUICK RATIO	1.34	0.95
(C) CASH RATIO	0.67	0.53
3. SOLVENCY	MEAN	MEDIAN
(A) DEBT-TO-EQUITY	54.66%	48.44%
(B) DEBT-TO-CAPITAL	31.06%	32.63%
(C) DEBT-TO-ASSETS	25.16%	28.17%
(D) FINANCIAL LEVERAGE	194.04%	184.34%
(E) INTEREST COVERAGE	17.23	9.84
4. PROFITABILITY	MEAN	MEDIAN
(A) NET PROFIT MARGIN	24.55%	21.06%
(B) GROSS PROFIT MARGIN	39.70%	34.49%
(C) OPERATING PROFIT MARGIN	32.52%	30.06%
(D) PRE-TAX MARGIN	31.56%	28.26%
(E) RETURN ON ASSETS	6.88%	6.62%
(F) OPERATING RETURN ON ASSETS	8.12%	7.30%
(G) RETURN ON TOTAL CAPITAL	10.37%	8.46%
(H) RETURN ON EQUITY	11.12%	9.72%
5. PRICE MULTIPLES	MEAN	MEDIAN
(A) PRICE-EARNINGS (P/E) RATIO	12.82	11.48
(B) PRICE-SALES (P/S) RATIO	2.89	2.57
(C) PRICE-BOOK VALUE (P/B) RATIO	1.20	1.22
(D) PRICE-CASH FLOW (P/CF) RATIO	7.38	13.82

Sample Selection Basis

Builders of visions are basically a group of property development companies made up of 10 of the largest listed firms under the main market of Bursa Malaysia by market capitalization. They include SP Setia, IOI Properties, UEM Sunrise, Sunway Berhad, IJM Land, IGB Corporation, Mah Sing, UOA Development, Eastern & Oriental, and MRCB.

However, it must be noted that not all companies in the sample list are engaged fully in property development. Some of them might be well-diversified into other industries and might include subsidiaries such as plantation, construction, and healthcare under the group's listing. Nonetheless, the activity of property development remains the major revenue contributor to such groups.

Financial Analysis Basis

1. Activity Ratios

It was observed that property development firms displayed lengthy periods in collecting and paying their bills. Nonetheless, the amount of time taken to pay their bills were almost twice of that for receiving; which is quite healthy and liquid. In addition, these firms exhibited characteristics of high asset base and capital intensive; hence they collectively have low assets and working capital turnover.

2. Liquidity Ratios

The sample size has quite respectable liquidity displayed under current ratio. However, when inventories was removed from the calculation; they performed poorly with low quick ratio. Thus, semi-completed inventories (known as capitalized development charges under current asset) played a very vital part in the firms' balance sheet. Therefore, the continuation of these firms hinges on the ability to convert these semi-completed inventories into revenue (cash and accounts receivable). Any severe slowdown in the property market would possibly cause a liquidity crisis and financial distress situation.

3. Solvency Ratios

It was noted that debt is an important source of financing for the property developers being examined; however, it is not the major option. Total debt only made up half of that of total equity, and one third of total capital. Generally, the total assets held by these firms could cover the debts taken by more than 3.5 times. Thus, equity is still the major source of financing over debt. Whilst the sample size displayed exceptionally good interest coverage.

4. Profitability Ratios

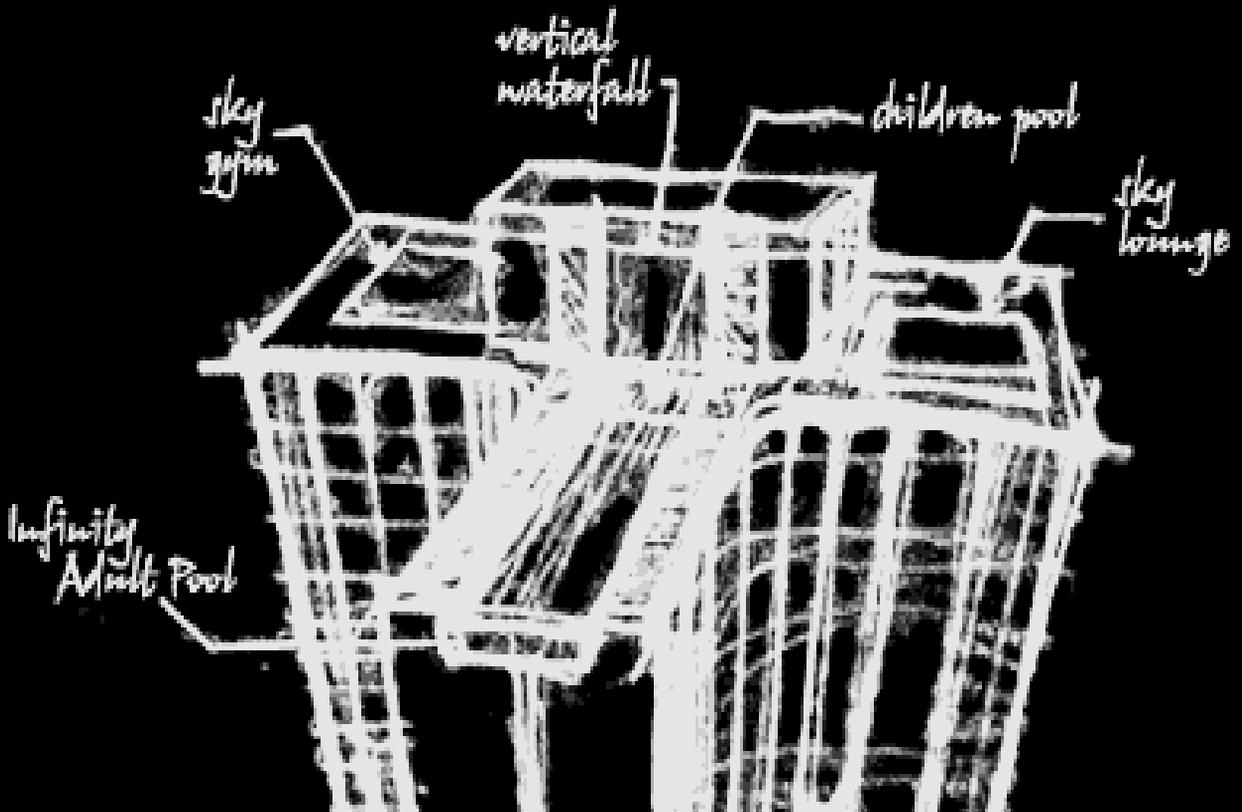
The profitability measure is quite harmonized over the 10 firms being examined, with IOI Properties being the only outstanding candidate among the group. In general, the sample size possessed low gross profit margin; with high COGS incurred (most probably building cost). While other operating expenses were kept quite low. The group's net profit margin was quite respectable at 21%. Return on assets and capitals were quite modest at single digit possibly due to high asset base, capital intensive, and the sheer size of these blue chip firms.

5. Price Multiples Ratios

When compared against the P/E ratio of KLCI for the corresponding period which has a reading of 18; the P/E ratio for the sample size is considered relatively cheap at 11. While the P/B ratio is quite subtle as well at 1.22. The group's P/CF ratio was dragged down by UEM Sunrise which was running under negative operating cash flow. However, price multiples ratios should not be read in isolation; a relatively pricy firm might suggest higher growth prospect, better future expectations, or even better management.

Deduction

It should be noted that the different categories used to analyze the sample size are not mutually exclusive. Thus, the overall performance and health of a firm should only be determined after examining the different category ratios. For a more comprehensive explanation of each category and detailed ratios, please visit our website at the back of the page for the full article.



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