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## Crest's shares a better bet than its warrants

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**T**he share price of construction-cum-property developer Crest Builder Holdings Bhd recovered lost ground after releasing strong results, gaining 8.6% to 82 sen last Tuesday.

The stock, which had started the year at 85 sen, saw decent trading volume of 734,500 shares last Tuesday. One of its warrants — Crest Builder-WB — too attracted interest with 197,300 units traded.

Investors expect strong earnings from Crest Builder, thanks to its two major property projects in downtown Kuala Lumpur. The projects, which are joint ventures with the landowners, have a combined gross development value of over RM2 billion.

One of the projects — the redevelopment of the Dang Wangi LRT station into a RM1.08 billion mixed-use development in partnership with landowner Syarikat Prasarana Negara Bhd — will commence by the second half of the year.

While warrants usually provide leverage to ride a company's growth, in the case of Crest Builder, the underlying share is more attractive. This is because Crest Builder-WB, which closed at 11.5 sen last Wednesday, is trading at a steep premium of 39% to the mother share, which closed at 80 sen.

Crest Builder-WB is a conventional issue with an exercise ratio of 1:1 at a strike

price of RM1. It expires on Oct 21, 2015. Crest Builder-WA, meanwhile, expires on May 30 this year.

In FY2012 ended Dec 31, Crest Builder's net profit grew 35% to RM39.6 million on better contribution from its construction and property segments.

Kenanga Research, in a note, says Crest Builder has a large tender book of about RM2 billion. According to the research house's calculations, the stock is trading at a huge discount to its sum-of-parts valuation of RM1.80.

With its shareholders' funds of RM316 million, Crest Builder is planning a fundraising exercise to undertake its development projects in the coming months.

In May last year, the group announced several fundraising exercises, including a private placement of up to 11.3 million shares or 10% of its issued and paid-up capital. It has not yet identified the investors for the private placement, no doubt due to the subdued mood of the capital market pending the 13th general election.

In a previous interview with *The Edge*, Crest Builder's management said the group will increasingly focus on property development by leveraging its expertise in construction. Management also said it is on the lookout for more rail-plus-property deals, like the Dang Wangi LRT redevelopment project, with Prasarana. ■

