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Faber stock takes a hit

It loses contracts worth RM184mil a year in Abu Dhabi

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PETALING JAYA: Faber Group Bhd was the biggest loser yesterday with its shares tumbling 44 sen to RM2.19.

This follows the company's announcement on Wednesday that its Abu Dhabi contracts, which had an estimated combined worth of RM184mil per annum, were not renewed.

Analysts, meanwhile, have slashed their earnings estimates for the company. OSK Research said in its note that the news came as an "unfavourable surprise."

According to the research house, the contracts contributed about RM200mil to Faber during the nine-month period of its financial year ended Dec 31, 2010 (FY10), with another RM20mil expected to be recognised in the final three months (fourth quarter).

"Management has guided that despite the non-renewal, it expects Faber to recognise RM100mil in revenue from the two contracts in FY11, based on its outstanding work orders.

"As we had initially estimated that these two contracts would contribute only RM180mil in FY11, we have cut our revenue forecast by 8.2% (for FY11)," it said.

OSK said given that the contracts contributed higher margins, the research house was lowering its overall margins assumption for Faber and raising its effective tax rate assumption since the contributions (from the jobs) was tax-free.

"Following the adjustments, our net profit forecast for FY11 is cut by 12.6%."

In two separate announcements on Wednesday, Faber told Bursa Malaysia that it had received letters from the Department of Municipal Affairs, Western Region Municipality (WRM), Emirate of Abu Dhabi, giving notice of non-renewal of its existing integrated facilities management contracts worth 154 million Arab Emirates dirham or AED (RM129mil) and 65.6 million AED (RM55mil) per annum respectively.

These contracts will expire in June and April respectively with no penalties to either party. Faber could not be contacted for comments at press time.

Meanwhile, OSK noted that with WRM expected to invite a fresh round of tenders for its infrastructure contracts, the potential upside catalysts for Faber would be the possibility that the company would secure new contracts from WRM, as well as renewal of its concession in Malaysia which could be announced at any time.

"We also believe that the revenue shortfall resulting from non-renewal of the contracts will be partly mitigated by improving prospects for Faber's property division."

HwangDBS Vickers, in its research note yesterday, said it was slashing Faber's expected FY11 and FY12 earnings 29% and 45% respectively on account of the non-renewal of the contracts.

"Taking a conservative stance, we are also cutting our new contract assumptions.

"Thus, (its facilities management) business is no longer the second major contributor to earnings," it said, adding that Faber's share of pre-tax profit is expected to shrink to 4% in FY12 from 38% in FY10.

According to its note, HwangDBS Vickers expects Faber's pre-tax profit to hit RM139mil in FY10.

StanChart forecasts 5.1% growth for Malaysia

By LEE KIAN SEONG
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KUALA LUMPUR: Standard Chartered Bank expects economic growth of 5.1% for Malaysia led by exports and investments.

Although the bank is currently reviewing its numbers, the 5.1% forecast is very much in line with the growth trend of the Malaysian economy, said Standard Chartered Bank regional head of research for South-East Asia, Tai Hui.

"We are expecting to see some deceleration in growth after a year of recovery in 2010. This year, we expect exports, especially commodities and investments, to lead the way. However, that does not mean that consumer spending will contract," he said.

From a fund management perspective, the elections and politics would be of secondary importance, Hui said at a press conference following the briefing entitled *Engaging Asia's Future Amid the New Supercycle* yesterday. The economy would be driven by the global risk appetite environment and sustainability of the US economic recovery. The ringgit is expected to perform broadly in line with other regional currencies in Asia this year and reach 2.98 against the US dollar by the end of the year. The ringgit advanced against the US dollar yesterday at 3.0545, the highest level since the Asian financial crisis of 1997/98.

Hui is "neutral" on the short term view for the ringgit as the currency had seen a quite strong appreciation last year. Thus, from a "rotation" standpoint, the appreciation of the ringgit would be less compared with that of other Asian currencies, he said.

Sime plans 15 property launches by June

KUALA LUMPUR: The Sime Darby group is preparing for at least 15 property launches for the six months ending June when the group's financial year comes to an end.

Sime Darby Property Bhd head of marketing development Henri Young said these 15 launches would cover different locations. Young was speaking to reporters at the launch of the Certificate of Real Estate Investment Finance programme in Malaysia, which will be sponsored by the Sime Darby group for the first time.

The eight-month course was first launched in 2007, and Malaysia is the fifth market to offer the programme.

The programme is promoted by the Asia Pacific Real Estate Association, which is partnering with the Malaysia Property Inc and Sime Darby Property, to offer the programme.

Young said the property market had been very buoyant the last year with units being sold the first two months after launch.

"Demand is very strong for landed units. We are now seeing a demand for service apartments and condominiums in the suburban areas. Buyers are looking for more value and they see room for capital appreciation in future years. The KLCC and Mont'Kiara areas have reached their peak and the rental market is struggling."

In the next two months, the company will be launching The Glades in Putra Heights, Subang Jaya, a 53-acre development with bungalows, semi-detached, link and condominium units.

This will take place in May where as the Denai Alam in Shah Alam development will be offering Mulberry Grove linked houses while the Bandar Bukit Raja project will also offer linked houses.

In USJ Heights, it will offer zero-lot bungalows, where the compound is either small or limited.

In Melawati, the company launched super-linked terraces in Casa Rimba priced at RM1.5mil and retail and condominium units at its Quartza development in Desa Melawati.

Good outlook despite soft rental market for property

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KUALA LUMPUR: The overall property sector is expected to enjoy an uptrend this year, buoyed by the various economic transformation programmes announced by the Government and expansion in the manufacturing and services sectors, a property real estate consultancy said.

Rahim & Co Chartered Surveyors Sdn Bhd, one of the largest property consultancy firms, said at a press conference that the outlook was good despite a soft market in the rental of high-end condominiums. Executive chairman Datuk Abdul Rahim Rahman said average prices in the secondary high-end condominium market fell by 29% between the second quarter of 2008 and the second quarter of 2009 but this subsegment of the residential market had been on the uptrend since the third quarter of 2010, increasing by 13%. Prices of new launches range between RM750 and RM2,500 per sq ft (psf).

"The leasing market has not fully recovered. Rental rate has remained low at about RM4.30 psf compared with its high in 2008 at RM4.90 psf. With the various projects to be implemented under the ETP to make city living more vibrant, we expect the market to be on the uptrend by 2012," said Abdul Rahim.

In locations like Shah Alam, landed units by the more reputable developers are snapped up within six months. "People are buying because for RM2mil or so, they can buy the same type of houses which cost RM6.5mil to RM7mil in the city. That is why the launches outside KL are doing well, coupled with the fact that there is no landed launches within KL itself because of the scarcity of land. In locations like Bangsar and Sri Hartamas, only condominiums are launched," he said.

In view of this, Shah Alam, Rawang, Selayang and Sg Buloh have become the hot spots today. The effects of the 2008 financial crisis also put pressure on the rental rate in the office sector, which enjoyed a peak of between RM6.50 and RM8 psf in 2007/2008.

He said there were limited transactions in 2010 but capital values rose to an average of RM775 psf after a sharp decline of 19% in 2008/09. Net yield is estimated to be between 6% and 7%.

Abdul Rahim cautioned that in the next five years, an estimated 14.5 million sq ft of new office space would be completed, of which about 27% would be located in the suburbs.

He added that with selling prices of between RM500 and RM1,000 psf, some companies in the city centre were relocating to new office buildings in the suburbs due to lower rental rates, opportunity to own their own space, and convenience which helps recruitment and retention of staff.

"With the recovery in the economy expected to continue in the second half of 2011 and the effects of the ETP being felt, the office market may stabilise in the short term but will continue to be challenging in the long term," he said.