

▶ BOUSTEAD HOLDINGS BHD				
	2009F	2010F	2011F	2010F
<b>NET PROFIT (RM mil)</b>	341.6	418.3	486.7	490.5
<b>EPS (sen)</b>	36.3	44.5	51.8	52.2
<b>P/E (x)</b>	9.9	8.0	6.9	6.9
<b>DIV YIELD (%)</b>	6.2	6.3	6.3	6.3

## Boustead a buy on dividend play theme pending acquisition

- ▶ **Recommendation: Buy**  
**Target Price RM4.14**  
 By ECMLibra Investment  
 Research (June 11)

BOUSTEAD at the moment has only one small subsidiary in the healthcare business called Idaman Pharma. The company currently makes generic drugs (has 118 product licences) covering injectibles, capsules, liquids, ointments, creams and is actually a vendor to Pharmaniaga Bhd. As such, we believe that the group is looking to grow their healthcare business by perhaps, taking a stake in Pharmaniaga, or buying a business within the company.

With the sale of Boustead Insurance recently completed, Boustead is sitting on some RM363 million in cash that could be used for this possible deal. Looking into Pharmaniaga's latest results, the best fit we view for Boustead would be to buy the manufacturing business. However, the business just only broke even in 1QFY10 hence some concerns of profitability might crop up. In any case, we are merely speculating here.

On a side note, we view that it is this way around rather than the other (Pharmaniaga buying out Boustead's healthcare business) largely from the manner of

the announcements were made.

### **Maintain Buy and TP of RM4.14**

Pending announcement by Boustead, we maintain our buy call and target price of RM4.14 which is derived from pegging historical average 8 times PE on FY11 earnings per share. To note, the group also makes for a good dividend play.

*Note: Boustead, last Friday, tabled a RM534 million or RM 5.75 a share cash offer to UEM Group Bhd for its 86.81% stake in Pharmaniaga Bhd. If successful, Boustead will also make a general offer for the remaining Pharmaniaga shares.*