

19 November 2010

**BUY**  
**RM1.30**

Target Price: RM1.79

# Bina Puri Holdings

## 3Q10 results within expectations

**Stock data**

Market cap (RMm):	137.9
Issued shares (m):	106.1
52-week range:	RM0.735-RM1.54
3-mth avg daily volume:	289,335 shrs
Bloomberg code:	FBC MK
YTD price chg:	+47.7%
YTD KLCI chg:	+17.6%
Est. free float:	38.4%
Major shareholders:	
<i>Jentera Jati:</i>	19.2%
<i>Sen Tan Sri Datuk Tee</i>	14.5%
<i>Hock Seng, JP:</i>	
<i>Bumimaju Mawar:</i>	14.1%
<i>Dr Tan Cheng Kiat:</i>	8.8%
<i>Dato' Mohamed Feisal:</i>	5.0%

KLCI	FBM70	FBM100	Syariah	Hijrah
No	No	No	Yes	No

**Consensus**

FYE 31 Dec	2010E	2011E
Net profit (RMm):	n.a.	n.a.
EPS (sen):	n.a.	n.a.

**Forecast revision**

FYE 31 Dec	2010E	2011E
Net profit (RMm):	18.1	18.6
Revised net profit (RMm):	-	-

**Share price chart**

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- **9M10 net profit of RM8.8m came in only at 50% of our full year forecast due to immaterial contribution from LCCT project in the 3Q10.** Nonetheless, if we strip out the LCCT progress contributions for FY10, the 9M10 net profit is within expectation at 73%. The net profit recorded for the year jumped by 101% due to more project secured during the year and the completion of the ongoing works coupled by higher net margin. We expect some RM6m contribution from LCCT project for FY10 which will only be recognised in the 4Q10.
- **YoY, revenue higher by 42%.** The jump in revenue was mainly due to building up order book from its construction business from c. RM1.5b in FY09 to RM2.7b in FY10. The net profit inched up by 83% to RM3.3m due to the absence of loss making property division recorded in 3Q09. Following the Medini North project in Johor Bahru, we do not expect immediate earnings contribution from this division.
- **QoQ, net profit drops 7% on the back of higher revenue by 10%.** The lower net profit was mainly due to higher building material cost (both cement and steel) coupled by higher financing cost by 5%. The construction pre-tax margin was reduced from 1.5% to 1.2%.
- **Order book remains healthy at RM2.7b for the next 3 years.** The earnings visibility is mainly on its outstanding order book for the next 3 years while banking on more stable income starting in 1Q11 from Kuala Lumpur-Kuala Selangor Ekspresway (KLS) which currently undergoing trial basis. Bina Puri holds 60% stake in KLS which the remaining 40% held by Arena Irama Sdn Bhd.
- **Beneficiaries on LRT project.** In riding on the construction sector prospect and the Group's capability to secure government related projects, we believe that Bina Puri will be one of the beneficiaries for the LRT projects which expected to be announced sometime next month.
- **Maintain BUY with slightly higher TP of RM1.79 from RM1.77 previously.** We trimmed down our FY11 earnings by 9% as we imputed higher financing cost to reflect the potential gearing up to undertake more projects. We upgrade our TP as we rolled our valuation to FY11 using unchanged 10x PE multiple.

**Results Highlights**

FYE Dec (RMm)	3Q09	4Q09	1Q10	2Q10	3Q10	QoQ	YoY	9M09	9M10	YoY
Revenue	208.2	250.7	298.4	267.7	294.8	10.1%	41.6%	529.4	860.9	62.6%
EBIT	4.1	2.7	1.8	3.8	3.4	-10.9%	-17.0%	10.4	9.1	-12.8%
EBIT margin (%)	2.0	1.1	0.6	1.4	1.2			5.9	3.2	
Investment Income	0.1	0.2	0.1	0.0	0.0			0.4	0.2	
Finance costs	(1.1)	(0.9)	(1.1)	(0.9)	(1.0)	5.1%	-7.8%	(3.7)	(3.0)	-18.5%
Associates' contribution	0.1	(1.0)	0.2	0.3	0.1			0.1	0.7	
Pre-tax profit	2.8	4.5	2.6	4.4	4.2	-2.9%	51.3%	6.9	11.2	62.7%
Tax	(0.7)	(2.5)	(0.6)	(0.8)	(0.9)			(1.4)	(2.4)	
MI	(0.3)	(0.0)	0.3	0.4	0.0			(1.1)	0.7	
Net profit	1.8	1.9	2.0	3.6	3.3	-6.8%	83.2%	4.4	8.8	101.2%
EPS (sen)	1.7	1.9	1.9	3.4	3.2	-6.8%	83.2%	4.2	8.5	101.2%

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## Segmental breakdown

Revenue	<u>3Q09</u>	<u>4Q09</u>	<u>1Q10</u>	<u>2Q10</u>	<u>3Q10</u>	<u>QoQ</u>	<u>YoY</u>	<u>9M09</u>	<u>9M10</u>	<u>YoY</u>
Construction	186.8	226.6	279.3	244.6	275.8	12.8%	47.6%	464.8	799.7	72.0%
Property development	0.5	2.2	-	-	-	n.m	n.m	8.9	-	n.m
Polyol Quarry and ready mix concrete	4.2	2.9	2.8	3.5	4.3	25.2%	3.5%	12.6	10.6	-16.0%
Elimination	-	(3.6)	(3.2)	(4.3)	(1.9)			43.1	60.1	39.4%
<b>Total</b>	<b>208.2</b>	<b>250.7</b>	<b>298.4</b>	<b>267.7</b>	<b>294.8</b>	<b>10.1%</b>	<b>41.6%</b>	<b>529.4</b>	<b>860.9</b>	<b>62.6%</b>
<b>Operating Profit</b>										
Construction	2.2	5.0	2.4	3.6	3.4	-4.7%	53.9%	4.0	9.4	138.0%
Property development	(0.3)	(0.1)	(0.2)	(0.0)	0.4	>100%	-223.8%	0.2	0.1	-36.5%
Polyol Quarry and ready mix concrete	0.1	(0.0)	(0.1)	(0.1)	(0.1)	21.6%	-148.8%	0.2	(0.2)	-212.5%
Others	1.3	(0.2)	0.5	0.9	0.7	-14.7%	-42.0%	2.4	2.1	-13.2%
Elimination	(0.5)	(0.2)	0.0	0.0	(0.1)	>100%	-88.6%	0.1	(0.1)	-138.6%
Elimination	-	0.1	-	-	(0.2)					
<b>Total</b>	<b>2.8</b>	<b>4.5</b>	<b>2.6</b>	<b>4.4</b>	<b>4.2</b>	<b>-3.0%</b>	<b>51.3%</b>	<b>6.9</b>	<b>11.2</b>	<b>62.7%</b>

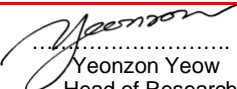
## Earnings estimates

<u>FYE 31 Dec (RMm)</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10F</u>	<u>FY11F</u>
Revenue	491.6	607.9	676.5	780.1	924.7	1,092.3
Pretax profit	6.4	8.5	8.0	11.4	27.8	29.5
Net profit	5.1	7.0	4.3	6.4	18.1	18.6
EPS (sen)	4.9	6.8	4.1	6.2	17.4	17.9
EPS growth (%)	26.3	37.1	-39.0	50.0	181.8	2.7
Gross DPS (sen)	5.0	6.0	4.0	4.0	4.0	4.0
NTA/share (RM)	0.8	0.9	0.9	1.0	1.1	1.2
Net gearing (%)	4.1	1.9	1.4	1.0	1.0	1.4
PER (x)	26.3	19.2	31.5	21.0	7.5	7.3
P/NTA (x)	1.5	1.5	1.4	1.4	1.2	1.1
Div. Yield (%)	3.8	4.6	3.1	3.1	3.1	3.1
ROE (%)	7.8	11.3	6.9	8.6	18.8	17.6

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