

24 August 2010

BUY
RM1.18

Target Price: RM1.77

Bina Puri Holdings

2Q10 results within expectations

Stock data

| | |
|------------------------------|----------------|
| Market cap (RMm): | 124.1 |
| Issued shares (m): | 105.2 |
| 52-week range: | RM0.705-RM1.54 |
| 3-mth avg daily volume: | 321,394 shrs |
| Bloomberg code: | BIN MK |
| YTD price chg: | +34.1% |
| YTD KLCI chg: | +10.2% |
| Est. free float: | 37.7% |
| Major shareholders: | |
| <i>Jentera Jati:</i> | 19.4% |
| <i>Sen Tan Sri Datuk Tee</i> | 14.6% |
| <i>Hock Seng, JP:</i> | |
| <i>Bumimaju Mawar:</i> | 14.3% |
| <i>Dr Tan Cheng Kiat:</i> | 8.9% |
| <i>Dato' Mohamed Feisal:</i> | 5.1% |

| | | | | |
|------|-------|--------|---------|--------|
| KLCI | FBM70 | FBM100 | Syariah | Hijrah |
| No | No | No | Yes | No |

Consensus

| | | |
|-------------------|-------|-------|
| FYE 31 Dec | 2010E | 2011E |
| Net profit (RMm): | 27.8 | 32.2 |
| EPS (sen): | 17.0 | 20.0 |

Forecast revision

| | | |
|---------------------------|-------|-------|
| FYE 31 Dec | 2010E | 2011E |
| Net profit (RMm): | 18.1 | 20.5 |
| Revision (%): | - | - |
| Revised net profit (RMm): | 18.1 | 20.5 |

Share price chart

 The Research Team Tel: 603-2713 2292
research@kenanga.com.my

- **1H10 net profit of RM5.5m came in 31% of our forecast, however, after excluding LCCT contract, the 1H10 net profit came in slightly higher than our forecast at 55%.** Bina Puri's revenue jumped 76.2% on higher billing and contract secured in the late FY09 and its net profit inched up by significant 113% supported by improving net margin from 0.8% to 1%. The revenue from LCCT project will only be recognised in 2H10 with the big chunk of it in the 4Q10.
- **YoY, higher revenue by 44% on the back of higher order book.** As at 1H10, the order book stood at RM2.3b to last for the next 3 years. These contracts comprise local projects and overseas projects in Brunei, Thailand and Pakistan. The net profit margin shown some improvement 1.3% from 0.8% as the building materials prices are stable. Its property and polyol segment performance continues to be loss making while other divisions are improving.
- **QoQ, net profit soars 81% as net margin improves.** Despite of lower construction revenue, the Group's net profit grew 81% supported by higher construction margin and higher sales for its quarry division. The quarry division has been improving since previous quarters which inline with the growing construction contract.
- **Order book remains healthy at RM2.5b for the next 3 years.** Construction division still the main contributor for Bina Puri especially after the LCCT contract was secured in July 2010. The contribution will only materialise in 4Q10 which we expect the margin could be around 5% to 6%. On the overseas front, the Group is eyeing projects in Saudi Arabia which is still at preliminary stage, following the construction license award in Saudi Arabia.
- **More steady income from KLS highway in 1Q11.** The Kuala Lumpur-Kuala Selangor Ekspressway (KLS) is expected to be fully operational in 1Q11 as currently undergoing trial basis. This will add some stable recurring earnings to Bina Puri which we are not yet factored in to our forecast.
- **Maintain BUY with unchanged TP of RM1.77 based on 10x PE FY10.**

Results Highlights

| FYE Dec (RMm) | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | QoQ | YoY | 1H09 | 1H10 | YoY |
|-------------------|-------|-------|-------|-------|-------|-------|--------|--------|-------|-------|--------|
| Revenue | 135.0 | 186.3 | 208.2 | 250.7 | 298.4 | 267.7 | -10.3% | 43.7% | 321.3 | 566.1 | 76.2% |
| EBIT | 2.6 | 3.7 | 4.1 | 2.7 | 1.8 | 3.8 | 107.6% | 3.9% | 6.3 | 5.7 | -10.1% |
| EBIT margin (%) | 1.9 | 2.0 | 2.0 | 1.1 | 0.6 | 1.4 | | | 2.0 | 1.0 | |
| Investment Income | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.0 | | | 0.4 | 0.1 | |
| Finance costs | (1.5) | (1.2) | (1.1) | (0.9) | (1.1) | (0.9) | -16.0% | -20.3% | (2.6) | (2.0) | -22.8% |
| Pre-tax profit | 1.6 | 2.5 | 2.8 | 4.5 | 2.6 | 4.4 | 68.2% | 77.5% | 4.1 | 7.0 | 70.5% |
| Tax | (0.3) | (0.5) | (0.7) | (2.5) | (0.6) | (0.8) | | | (0.8) | (1.5) | |
| MI | (0.3) | (0.4) | (0.3) | (0.0) | 0.3 | 0.4 | | | (0.7) | 0.7 | |
| Net profit | 1.0 | 1.6 | 1.8 | 1.9 | 2.0 | 3.6 | 80.6% | 126.7% | 2.6 | 5.5 | 113.8% |
| EPS (sen) | 1.0 | 1.5 | 1.7 | 1.9 | 1.9 | 3.4 | 80.6% | 126.7% | 2.5 | 5.3 | 113.8% |

Segmental breakdown

| | <u>1Q09</u> | <u>2Q09</u> | <u>3Q09</u> | <u>4Q09</u> | <u>1Q10</u> | <u>2Q10</u> | <u>QoQ</u> | <u>YoY</u> | <u>1H09</u> | <u>1H10</u> | <u>YoY</u> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Revenue | 109.9 | 168.1 | 186.8 | 226.6 | 279.3 | 244.6 | -12.4% | 45.4% | 278.0 | 523.9 | 88.4% |
| Construction | 109.9 | 168.1 | 186.8 | 226.6 | 279.3 | 244.6 | -12.4% | 45.4% | 278.0 | 523.9 | 88.4% |
| Property development | 7.4 | 1.0 | 0.5 | 2.2 | - | - | n.m | -100.0% | 8.4 | - | -100.0% |
| Polyol | 3.8 | 4.6 | 4.2 | 2.9 | 2.8 | 3.5 | 24.7% | -24.6% | 8.4 | 6.2 | -25.7% |
| Quarry and ready mix concrete | 13.8 | 12.6 | 16.7 | 22.7 | 19.6 | 24.0 | 22.8% | 90.5% | 26.4 | 43.6 | 64.7% |
| Elimination | - | - | - | (3.6) | (3.2) | (4.3) | | | | | |
| Total | 135.0 | 186.3 | 208.2 | 250.7 | 298.4 | 267.7 | -10.3% | 43.7% | 321.3 | 566.1 | 76.2% |
| Operating Profit | | | | | | | | | | | |
| Construction | 0.3 | 1.4 | 2.2 | 5.0 | 2.4 | 3.6 | 48.7% | 148.7% | 1.7 | 6.0 | 245.5% |
| Property development | 0.6 | (0.1) | (0.3) | (0.1) | (0.2) | (0.0) | -91.3% | -77.8% | 0.5 | (0.2) | -152.4% |
| Polyol | (0.0) | 0.1 | 0.1 | (0.0) | (0.1) | (0.1) | -50.5% | -146.4% | 0.1 | (0.2) | -336.9% |
| Quarry and ready mix concrete | 0.7 | 0.5 | 1.3 | (0.2) | 0.5 | 0.9 | 65.3% | 78.9% | 1.2 | 1.4 | 18.0% |
| Others | 0.1 | 0.5 | (0.5) | (0.2) | 0.0 | 0.0 | 0.0% | -99.6% | 0.7 | 0.0 | -99.4% |
| Elimination | - | - | - | 0.1 | - | - | | | | | |
| Total | 1.6 | 2.5 | 2.8 | 4.5 | 2.6 | 4.4 | 68.3% | 77.5% | 4.1 | 7.0 | 70.5% |

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 | 32.2 | |
| Net profit | 5.1 | 7.0 | 4.3 | 6.4 | 18.1 | 20.5 | |
| EPS (sen) | 4.9 | 6.8 | 4.1 | 6.2 | 17.4 | 19.8 | |
| EPS growth (%) | 26.3 | 37.1 | -39.0 | 50.0 | 181.8 | 13.4 | |
| 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 | 1.0 | |
| PER (x) | 23.9 | 17.4 | 28.6 | 19.1 | 6.8 | 6.0 | |
| P/NTA (x) | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 | 0.9 | |
| Div. Yield (%) | 4.2 | 5.1 | 3.4 | 3.4 | 3.4 | 3.4 | |
| ROE (%) | 7.8 | 11.3 | 6.9 | 8.6 | 18.8 | 19.1 | |

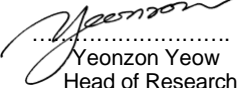
CMDF-Bursa Research Scheme ("CBRS")

This report has been prepared by Kenanga Investment Bank Berhad (KIBB) for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. KIBB will receive total compensation of RM15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at: <http://www.bursamalaysia.com/website/bm/>

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H) (formerly known as K&N Kenanga Bhd)
8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenangaresearch.com


Yeonzon Yeow
Head of Research