

Bina Puri Holdings

Recommendation: **HOLD**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR0.86

12-Month Target Price: MYR0.90

Date: February 26, 2010

Board: Main

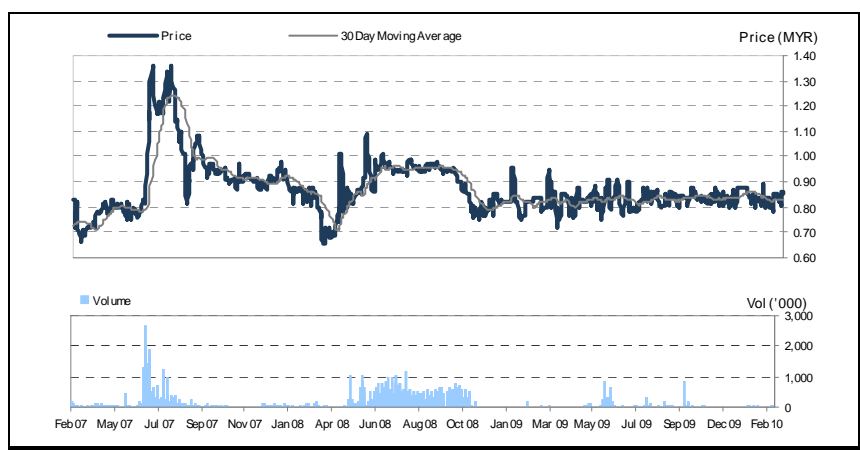
Sector: Construction

GICS: Industrials/Construction & Engineering

Market Value - Total: MYR89.6 mln

Summary: Bina Puri Holdings (Bina Puri) is engaged in civil engineering, road and building construction, property development, quarrying and the manufacturing of natural oil polyol (base material for polyurethane foam).

Analyst: Seu Yee Lau



Results Review & Earnings Outlook

- Bina Puri reported a net profit of MYR2.0 mln for 4Q09 (as compared to a loss of MYR0.012 mln in 4Q08). 2009 results were in line with our expectations. Stronger-than-expected EBIT margin of 2.2% (vs. 2009E: 2%) and lower interest expenses were offset by higher-than-expected effective tax rate of 34.9% (vs. 2009E: 25%). A final gross DPS of 2 sen was declared, bringing the total gross DPS for 2009 to 4 sen (2008: 4 sen gross).
- 2009 revenue increased 15.3% to MYR780.1 mln. This is on the back of stronger works recognition for construction (29.2% to MYR690.9 mln) with the commencement of projects secured in 2009 namely the MYR703 mln housing development in Brunei and MYR224 mln medium cost apartment in Menggatal. This was offset partially by lower property sales (-76% to MYR11.1 mln) due to the absence of new launches and completion of the Jesselton and Taman Malawa apartments. EBIT margin also increased slightly to 2.2% (+0.2%-pts) as a result of improved margins from construction (+0.7%-pts to 2.1%). Meanwhile, the group reported a lower effective tax rate of 34.9% (-0.8%-pts YoY). These all together resulted in an increase in 2009 pre-tax and net profit by 42.0% and 49.3% respectively.
- We have kept our 2010 net profit forecast relatively unchanged at MYR8.8 mln after incorporating (i) lower interest expense and (ii) stronger EBIT margins; offset by (iii) a higher projected effective tax rate of 32% (vs. 25% previously). Meanwhile, we introduce our 2011 net profit forecast of MYR9.6 mln. Bina Puri has in total secured MYR1.4 bln worth of new contracts in 2009.

Recommendation & Investment Risks

- We maintain our Hold recommendation with an unchanged 12-month target price MYR0.90. We believe the stock is fairly valued, trading at a prospective 2010 PER of 10.2x and within the industry average of small to mid-sized construction companies. Whilst we like Bina Puri for its strong order book, we remain concerned over its high gearing and relatively thin margins.
- We continue to value Bina Puri based on blended target multiples of 10x PER and 0.9x P/B based on our 2010 estimates. Our target price includes a projected net DPS of 3 sen.
- At present, Bina Puri has a sizeable MYR2.1 bln worth of unbilled contract works. In addition, the group has secured LOIs of about MYR400 mln worth of local project and hopes to convert them soon. The group recently announced that it is eyeing a contract worth around MYR200 mln to construct a retail mall and condominium at the Kota Kinabalu City Waterfront in Sabah. It is also seeking to secure several projects in East Malaysia which include hospitals, roads, highways and private housing. Meanwhile for its property division, the group plans to launch several projects in 2010 which include Gugusan Murni, Johor Bahru (GDV=MYR70 mln), Jesselton View@Hilltop (GDV=MYR37 mln) and a condominium in Puchong (GDV=MYR39 mln).
- Risks to our recommendation and target price include work delays for existing contracts, slower-than-expected orderbook replenishment and increase in material prices which could affect its razor-thin margins.

Key Stock Statistics

FY Dec.	2009	2010E
Reported EPS (sen)	6.1	8.5
PER (x)	14.0	10.2
Dividend/Share (sen)	4.0	4.0
NTA/Share (MYR)	0.96	1.01
Book Value/Share (MYR)	0.96	1.01
No. of Outstanding Shares (mln)	104.2	
52-week Share Price Range (MYR)	0.72 - 0.95	
Major Shareholders:	%	
Jentera Jati Sdn. Bhd.	19.7	
Bumimaju Mawar Sdn. Bhd.	19.3	
Tan Sri Datuk Tee Hock Seng	14.8	

Per Share Data

FY Dec.	2007	2008	2009	2010E
Book Value (MYR)	0.89	0.90	0.96	1.01
Cash Flow (sen)	17.8	13.7	13.0	15.3
Reported Earnings (sen)	8.5	5.1	6.1	8.5
Dividend (sen)	6.0	4.0	4.0	4.0
Payout Ratio (%)	50.9	56.2	46.9	34.0
PER (x)	10.1	16.8	14.0	10.2
P/Cash Flow (x)	4.8	6.3	6.6	5.6
P/Book Value (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	7.0	4.7	4.7	4.7
ROE (%)	9.9	5.7	7.3	8.6
Net Gearing (%)	204.0	151.1	148.7	126.4

*Stock deemed Shariah compliant by the Securities Commission

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Quarterly Performance

FY Dec. / MYR mln	4Q09	4Q08	% Change
Reported Revenue	250.7	146.4	71.3
Reported Operating Profit	6.3	2.3	>100
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	-0.8	-0.4	73.8
Reported Pre-tax Profit	4.5	0.7	>100
Reported Net Profit	2.0	0.0	NM
Reported Operating Margin (%)	2.5	1.6	-
Reported Pre-tax Margin (%)	1.8	0.5	-
Reported Net Margin (%)	0.8	0.0	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2008	2009	2010E	2011E
Reported Revenue	676.5	780.1	1,060.9	1,024.6
Reported Operating Profit	13.6	17.0	21.0	22.3
Depreciation & Amortization	-7.2	-7.2	-7.2	-7.2
Net Interest Income / (Expense)	-4.1	-4.3	-4.2	-4.2
Reported Pre-tax Profit	8.0	11.4	15.4	16.8
Effective Tax Rate (%)	35.7	34.9	32.0	32.0
Reported Net Profit	4.3	6.4	8.8	9.6
Reported Operating Margin (%)	2.0	2.2	2.0	2.2
Reported Pre-tax Margin (%)	1.2	1.5	1.5	1.6
Reported Net Margin (%)	0.6	0.8	0.8	0.9

Source: Company data, S&P Equity Research

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Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Shariah-compliant stock - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

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Recommendation and Target Price History

Date	Recommendation	Target Price
25-Nov-09	Hold	0.90
6-Oct-09	Hold	0.88
20-Aug-09	Hold	0.84
29-May-09	Sell	0.80
5-Mar-09	Sell	0.78
20-Feb-09	Sell	0.70
15-Jan-09	Hold	0.80
26-Nov-08	Hold	0.81
20-Jun-08	Hold	1.05
4-Oct-07	Not Ranked	
31-Aug-07	Hold	1.12
15-Jun-07	Hold	0.89
1-Mar-07	Hold	0.86

