

## Bina Puri Holdings

Recommendation: **HOLD**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR0.86

12-Month Target Price: MYR0.90

Date: November 25, 2009

Board: Main

Sector: Construction

GICS: Industrials/Construction &amp; Engineering

Market Value - Total: MYR89.3 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 &amp; Earnings Outlook

- Bina Puri's 3Q09 net profit of MYR1.8 mln is at the lower end of our expectations. Lower-than-expected revenue was partially offset by a lower effective tax rate of 20.9% (2009E:28%). An interim gross DPS of 2 sen was declared, as expected.
- Although cumulative 9M09 net profit accounts for only 66% of our original full-year forecast, we believe that earnings will catch up in subsequent quarters as construction projects secured recently hit key billing milestones.
- 9M09 revenue was flat at MYR529.4 mln. Although contribution from construction increased by 9.7% YoY to MYR464.8 mln, this was offset by lower property sales (-75% YoY to MYR8.9 mln). The decline is due to the absence of new launches and completion of Jesselton and Taman Malawa Phase 2. EBIT margin also declined slightly to 2% (-0.1%-pts YoY) due to smaller contribution from the higher-margin property division. This more than offset higher construction margin of 1.7% (+0.3%-pts YoY). The group's overall net profit was, however lifted by a lower effective tax rate of 20.9% (-9.6%-pts YoY), resulting in a YoY increase of 2.2% to MYR4.4 mln.
- We have reduced our 2009 net profit forecast by 3% as we have pushed back recognition of some construction projects, offset partially by a lower projected effective tax rate of 25% (vs. 28% previously). We have however, increased our 2010 net profit forecast by 4.5% as a result of the lower taxation. To date, Bina Puri has in total secured MYR1.4 bln worth of new contracts in 2009.

## Recommendation &amp; Investment Risks

- We maintain our Hold recommendation with a higher 12-month target price MYR0.90 (MYR0.88 previously). We believe the stock which is trading at a prospective 2010 PER of 10.1x is fairly valued 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 lackluster property earnings due to delay in new launches.
- We continue to value Bina Puri based on blended target multiples of PER of 9x and P/B of 0.8x based on our 2010 estimates. Our target price includes a projected net DPS of 3 sen.
- Bina Puri has a sizeable MYR2.2 bln worth of unbilled contract works although the group's EBIT margins of 1.6%-2.4% for the past 3 years have been razor thin. In addition, the group has secured LOIs of about MYR400 mln worth of local project and hopes to convert them soon.
- Bina Puri recently announced that it is planning a luxury development in Kota Kinabalu comprising of hotels, resorts, high-end condominium and villas. The group is presently in talks with local developers and foreign parties for a possible JV partnership. We await further details of the development.
- 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.	2008	2009E
Reported EPS (sen)	5.1	6.3
PER (x)	16.8	13.7
Dividend/Share (sen)	4.0	4.0
NTA/Share (MYR)	0.90	0.94
Book Value/Share (MYR)	0.90	0.94
No. of Outstanding Shares (mln)	103.8	
52-week Share Price Range (MYR)	0.72 - 0.96	
Major Shareholders:	%	
Jentera Jati Sdn. Bhd.	19.7	
Bumimaju Mawar Sdn. Bhd.	19.3	
Tan Sri Datuk Tee Hock Seng	14.0	

## Per Share Data

FY Dec.	2006	2007	2008	2009E
Book Value (MYR)	0.84	0.89	0.90	0.94
Cash Flow (sen)	17.0	17.8	13.7	13.2
Reported Earnings (sen)	6.3	8.5	5.1	6.3
Dividend (sen)	5.0	6.0	4.0	4.0
Payout Ratio (%)	56.9	50.9	56.2	46.0
PER (x)	13.6	10.1	16.8	13.7
P/Cash Flow (x)	5.1	4.8	6.3	6.5
P/Book Value (x)	1.0	1.0	1.0	0.9
Dividend Yield (%)	5.8	7.0	4.7	4.7
ROE (%)	7.7	9.9	5.7	7.5
Net Gearing (%)	467.4	204.0	151.1	110.5

\*Stock deemed Shariah compliant by the Securities Commission

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## Quarterly Performance

FY Dec. / MYR mln	3Q09	3Q08	% Change
Reported Revenue	208.2	200.3	4.0
Reported Operating Profit	4.4	4.2	4.2
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	-1.3	-1.3	0.2
Reported Pre-tax Profit	2.8	2.5	13.8
Reported Net Profit	1.8	1.2	45.0
Reported Operating Margin (%)	2.1	2.1	-
Reported Pre-tax Margin (%)	1.3	1.2	-
Reported Net Margin (%)	0.9	0.6	-

Source: Company data

## Profit &amp; Loss

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	607.9	676.5	777.0	1,027.0
Reported Operating Profit	9.9	13.6	15.5	19.2
Depreciation & Amortization	-7.7	-7.2	-7.2	-7.2
Net Interest Income / (Expense)	-4.4	-4.1	-4.7	-4.7
Reported Pre-tax Profit	8.5	8.0	10.3	14.0
Effective Tax Rate (%)	6.5	35.7	25.0	25.0
Reported Net Profit	7.0	4.3	6.5	8.8
Reported Operating Margin (%)	1.6	2.0	2.0	1.9
Reported Pre-tax Margin (%)	1.4	1.2	1.3	1.4
Reported Net Margin (%)	1.2	0.6	0.8	0.9

Source: Company data, S&amp;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.

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**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
New	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
27-Nov-06	Hold	0.72

