

Bina Puri Holdings

Recommendation: **HOLD**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR0.85

12-Month Target Price: MYR0.88

Date: October 6, 2009

Board: Main

Sector: Construction

GICS: Industrials/Construction & Engineering

Market Value - Total: MYR88.2 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



Recent Developments

- Bina Puri announced that it has been awarded a MYR185 mln contract to construct a block of a 38-storey service apartment with 2 basement car parks in Jalan Kuching, Bandaraya Kuala Lumpur. The project, awarded by Mayland View Sdn. Bhd., is expected to be constructed over 20 months. The project came soon after Bina Puri secured a smallish MYR36.8 mln contract for construction works at the proposed commercial development at Jalan Tun Fuad Stephens, Kota Kinabalu,
- These new contracts secured have boosted Bina Puri's outstanding construction order book to about MYR2.3 bln, of which about 40% are from overseas in countries such as Thailand, Brunei, UAE and Pakistan. The group has secured a sizeable MYR1.3 bln worth of projects so far this year. In addition, the group is hopeful of converting various letters of intent (LOIs) into additional projects worth about MYR400 mln shortly. Although we are positive on the growing orderbook, the group's thin construction margins are vulnerable to sudden changes in industry and competitive conditions.
- Meanwhile, for its property division, we expect contribution to be minimal in FY09 given that there are still no specific launch dates for its upcoming developments in Puchong (GDV=MYR39 mln), Johor Bahru (Gugusan Murni) (GDV=MYR70 mln) and Jesselton View@Hilltop (GDV = MYR37 mln).

Recommendation & Investment Risks

- We maintain our Hold recommendation with a higher 12-month target price of MYR0.88 (MYR0.84 previously). We believe the stock which is trading at a prospective 2010 PER of 10.5x is fairly valued and within the industry average of small to mid-sized construction companies. Whilst we like Bina Puri for its sizeable order book, we remain concerned over its: (i) still high gearing, although it is projected to improve to 104% in 2009 (from over 150%) pursuant to the recent debt capitalization exercise; (ii) relatively thin EBIT margins of 1.6% - 2.4% for the past 3 years; and (iii) lackluster property earnings due to delay in new launches.
- We have increased our PER target to 10x (from 9x) and our P/B target to 0.9x (from 0.8x) on our 2010 estimates to reflect the group's stronger prospects for order book enhancement and brighter construction outlook. Our target price includes a projected net DPS of 3 sen.

Earnings Outlook

- We have fine-tuned our projections and are revising higher our 2009 and 2010 net profit forecasts by 2% and 10% respectively to incorporate contribution from the recently awarded projects. In addition, we have assumed potential new construction contracts worth MYR200 mln and MYR350 mln in 2009 and 2010, respectively.

Key Stock Statistics

FY Dec.	2008	2009E
Reported EPS (sen)	5.1	6.5
PER (x)	16.6	13.1
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.	24.3	
Tan Sri Datuk Tee Hock Seng	17.4	
Tony Tan Cheng Kiat	10.8	

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	13.4
Reported Earnings (sen)	6.3	8.5	5.1	6.5
Dividend (sen)	5.0	6.0	4.0	4.0
Payout Ratio (%)	56.9	50.9	56.2	44.4
PER (x)	13.4	10.0	16.6	13.1
P/Cash Flow (x)	5.0	4.8	6.2	6.3
P/Book Value (x)	1.0	1.0	0.9	0.9
Dividend Yield (%)	5.9	7.1	4.7	4.7
ROE (%)	7.7	9.9	5.7	7.8
Net Gearing (%)	467.4	204.0	151.1	104.4

*Stock deemed Shariah compliant by the Securities Commission

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Profit & Loss

FY Dec. / MYR mln	2007	2008	2009E	2010E
Reported Revenue	607.9	676.5	811.2	1,035.3
Reported Operating Profit	9.9	13.6	15.5	17.7
Depreciation & Amortization	-7.7	-7.2	-7.2	-7.2
Net Interest Income / (Expense)	-4.4	-4.1	-4.4	-4.4
Reported Pre-tax Profit	8.5	8.0	11.1	13.9
Effective Tax Rate (%)	6.5	35.7	28.0	28.0
Reported Net Profit	7.0	4.3	6.7	8.4
Reported Operating Margin (%)	1.6	2.0	1.9	1.7
Reported Pre-tax Margin (%)	1.4	1.2	1.4	1.3
Reported Net Margin (%)	1.2	0.6	0.8	0.8

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
New	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
16-Aug-06	Hold	0.70
30-May-06	Hold	0.67

