

Recommendation: **HOLD**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR0.76

12-Month Target Price: MYR0.80

Date: January 15, 2009

Board: Main

Sector: Construction

GICS: Industrials/Construction & Engineering

Market Value - Total: MYR63.0 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 its 50%-owned company, KL-Kuala Selangor Expressway (KLSE), has successfully secured financial arrangement of up to MYR1.04 bln for its road concession. Bina Puri and its partner Arena Irama were earlier granted on revised terms from the Government, a 40-year concession to design, construct, operate and maintain the expressway. The construction work commenced on Oct. 28, 2008 with Mudajaya Corporation (MDJ MK, MYR1.06, Strong Buy) appointed as the principal contractor. The expressway will provide the group a stable income when it becomes operational in 2011.
- The group's order book presently stands at MYR2.5 bln, of which over MYR1.2 bln is unbilled, which will keep it busy till 2011. More than 30% of its projects are overseas in countries such as Thailand, UAE, Pakistan and Brunei. The latest key contract awarded is the MYR161.6 mln construction works for Universiti Malaysia in Sabah. The project (expected to be completed within 30 months) was secured in December 2008. The group subsequently secured a smaller project in Thailand earlier in January this year worth THB246 mln (MYR24.6 mln). We understand that the group is tendering for some MYR1 bln worth of jobs and hopes to convert them shortly.
- For its property division, the Jesselton condominium and Taman Malawa Jaya apartments are nearing completion. Due to the cautious property outlook, the group is expected to delay its upcoming launches of condominium developments in Puchong (GDV = MYR39 mln) and Johor Bahru ("Gugusan Murni" with GDV = MYR70 mln).

Key Stock Statistics

FY Dec.	2007	2008E
Reported EPS (sen)	8.5	7.3
PER (x)	8.9	10.4
Dividend/Share (sen)	6.0	6.0
NTA/Share (MYR)	0.89	0.92
Book Value/Share (MYR)	0.89	0.92
No. of Outstanding Shares (mln)	82.8	
52-week Share Price Range (MYR)	0.66 - 1.09	
Major Shareholders:	%	
Jentera Jati Sdn. Bhd.	24.7	
Tan Sri Datuk Tee Hock Seng	18.3	
Tony Tan Cheng Kiat	11.0	

*Stock deemed Shariah compliant by the Securities Commission

Recommendation & Investment Risks

- We maintain our Hold recommendation with a slightly lower 12-month target price of MYR0.80 (MYR0.81 previously).
- We continue to value Bina Puri based on blended target multiples of PER of 9x and P/B of 0.8x on our 2009 estimates. Our target price includes a projected net DPS of 4.5 sen. The target multiple is at the slightly higher end of the valuation range for small- and mid-sized construction companies. This is due to its: (i) earnings visibility underpinned by a strong order book; (ii) potential new projects worth about MYR1 bln (LOIs have been received); (iii) steady earnings from Bina Puri's quarry and polyol divisions; (iv) long-term recurring earnings from the KLSE concession; and (v) potential earnings from its participation in part of the construction of the expressway.
- Risks to our recommendation and target price include work delays for existing contracts and slower-than-expected replenishment of the construction order book. Higher-than-expected increase in construction material prices could have a significant impact on group earnings given that average margins are low (single-digit).

Earnings Outlook

- We have fine-tuned our projections and have left our 2008 forecast relatively unchanged at MYR6.04 mln. However, we have reduced our 2009 forecast by 4.2% to MYR6.7 mln to reflect slower contribution from its property division offset by earnings from recent construction projects secured.

Per Share Data

FY Dec.	2005	2006	2007	2008E
Book Value (MYR)	0.81	0.84	0.89	0.92
Cash Flow (sen)	17.8	17.0	17.8	16.6
Reported Earnings (sen)	5.0	6.3	8.5	7.3
Dividend (sen)	5.0	5.0	6.0	6.0
Payout Ratio (%)	71.9	56.9	50.9	59.3
PER (x)	15.2	12.0	8.9	10.4
P/Cash Flow (x)	4.3	4.5	4.3	4.6
P/Book Value (x)	0.9	0.9	0.9	0.8
Dividend Yield (%)	6.6	6.6	7.9	7.9
ROE (%)	6.3	7.7	9.9	8.0
Net Gearing (%)	313.7	467.4	204.0	128.7

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Profit & Loss

FY Dec. / MYR mln	2006	2007	2008E	2009E
Reported Revenue	491.6	607.9	733.2	830.5
Reported Operating Profit	11.8	9.9	14.9	15.3
Depreciation & Amortization	-8.6	-7.7	-7.7	-7.7
Net Interest Income / (Expense)	-5.1	-4.4	-4.9	-4.9
Reported Pre-tax Profit	6.4	8.5	10.2	11.1
Effective Tax Rate (%)	19.2	6.5	28.0	28.0
Reported Net Profit	5.1	7.0	6.0	6.7
Reported Operating Margin (%)	2.4	1.6	2.0	1.8
Reported Pre-tax Margin (%)	1.3	1.4	1.4	1.3
Reported Net Margin (%)	1.0	1.2	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	0.80
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

