

# Bina Puri Holdings

Recommendation: **HOLD**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR1.04

12-Month Target Price: MYR1.12

Date: August 31, 2007

**Board:** Main

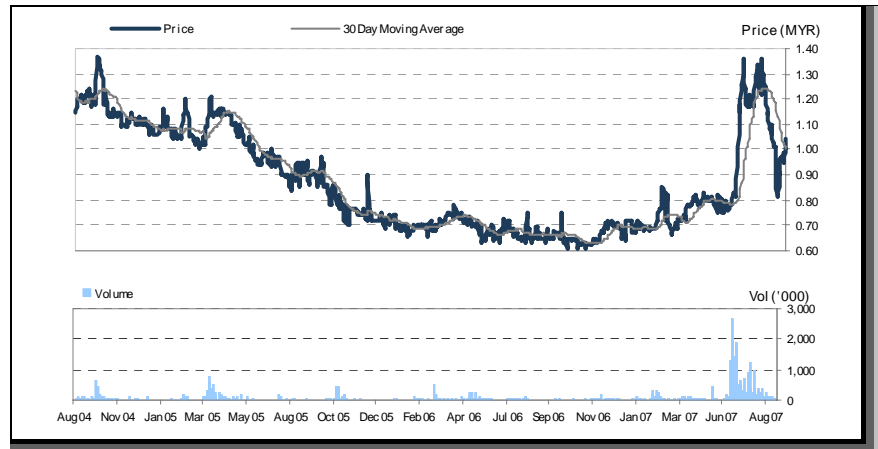
**Sector:** Construction

**GICS:** Industrials/Construction & Engineering

**Market Value - Total:** MYR84.4 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) from palm oil.

**Analyst:** Seu Yee Lau



## Results Review & Earnings Outlook

- Bina Puri reported a net profit of MYR1.6 mln for 2Q07 (+41% YoY). The results were below our expectations with cumulative 1H07 net profit accounting for 35% of our original full-year net profit forecast. Although 1H07 revenue was in line with expectations, margins were lower-than-expected (1H07 gross profit margin of 6.5% vs our full year forecast of 10%), partially offset by lower taxation (effective tax rate of 9.9% vs our full year forecast of 25%). No interim dividend was declared.
- 1H07 revenue increased 19% YoY but EBIT margin contracted (-1-pts to 1.8%) due to lower margins from both construction (-1.8%-pts to 1.2%) as a result of cost pressure and property development (-6.5%-pts to 4.9%). The overall 35% YoY increase in 1H07 net profit was due to higher contribution from associates, and a lower effective tax rate of 9.9% (1H06: 30.4%) as a result of tax-exempt income from a foreign country.
- Although 1H07 results disappointed, we are maintaining our 2007 net profit forecast as lower margin assumptions offsets the inclusion of contribution from recently secured projects. However, we are revising up our 2008 net profit forecasts by 21% as new projects secured this year with relatively better margins are expected to gain momentum. Key projects awarded this year include the MYR257 mln UAE-Al-Reem project, MYR186 mln housing development in Lahore, Pakistan, MYR8.6 mln Sg. Liang Industrial Park in Brunei and Thai housing projects worth about MYR165 mln.

## Recommendation & Investment Risks

- We maintain our Hold recommendation with a higher 12-month target price of MYR1.12 (previously MYR0.89).
- The higher target price is due to our earnings upgrade and revision in our target 2008 PER multiple to 10.0x (from 8.5x) and our 2008 P/B target to 1.0x (from 0.9x), which are within the range of our valuations for small and mid-sized construction groups. Our target price includes a projected net DPS of 3.7 sen.
- Bina Puri's outstanding construction order book is at about MYR1.8 bln, of which more than 50% comprise of overseas projects. In Thailand, Bina Puri's order book is about MYR1 bln, of which it has a 49% effective interest. Bina Puri has been expanding its order book, where since Mar. 2007, it has secured about MYR540 mln worth of projects. Bina Puri has also managed to pare down its gross borrowings and net gearing to MYR284 mln and 3.9x from MYR386 mln and 5.3x as at Mar. 2007. The reduction is due to the recent repayment of MYR102 mln of borrowings attributable to the Sipitang-Tenom Road project in Sabah.
- 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 construction costs, especially that relating to building materials and fuel (and transportation costs for overseas contracts), could have a significant impact on group earnings given that average margins are low (single-digit).

### Key Stock Statistics

FY Dec.	2006	2007E
Reported EPS (sen)	6.3	10.6
PER (x)	16.4	9.8
Dividend/Share (sen)	4.0	5.0
NTA/Share (MYR)	0.84	0.91
Book Value/Share (MYR)	0.84	0.91
No. of Outstanding Shares (mln)	81.2	
52-week Share Price Range (MYR)	0.61 - 1.36	
Major Shareholders:	%	
Jentera Jati Sdn. Bhd.	25.1	
Tan Sri Datuk Tee Hock Seng	16.5	
Tony Tan Cheng Kiat	11.2	

### Per Share Data

FY Dec.	2004	2005	2006	2007E
Book Value (MYR)	0.78	0.81	0.84	0.91
Cash Flow (sen)	19.5	17.8	17.0	20.4
Reported Earnings (sen)	5.9	5.0	6.3	10.6
Dividend (sen)	0.0	5.0	4.0	5.0
Payout Ratio (%)	0.0	71.9	45.5	34.1
PER (x)	17.6	20.7	16.4	9.8
P/Cash Flow (x)	5.3	5.8	6.1	5.1
P/Book Value (x)	1.3	1.3	1.2	1.1
Dividend Yield (%)	0.0	4.8	3.8	4.8
ROE (%)	7.9	6.3	7.7	12.1
Net Gearing (%)	123.2	313.7	468.0	377.2

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**Quarterly Performance**

FY Dec. / MYR mln	2007	2006	% Change
Reported Revenue	160.9	123.5	30.2
Reported Operating Profit	1.9	3.2	-39.7
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	-0.8	-1.7	-51.0
Reported Pre-tax Profit	2.3	1.6	45.1
Reported Net Profit	1.6	1.2	41.3
Reported Operating Margin (%)	1.2	2.6	-
Reported Pre-tax Margin (%)	1.4	1.3	-
Reported Net Margin (%)	1.0	0.9	-

Source: Company data

**Profit & Loss**

FY Dec. / MYR mln	2005	2006	2007E	2008E
Reported Revenue	464.8	491.6	591.1	658.7
Reported Operating Profit	11.1	11.9	16.3	21.7
Depreciation & Amortization	-10.4	-8.6	-8.0	-7.3
Net Interest Income / (Expense)	-5.9	-5.1	-6.0	-6.2
Reported Pre-tax Profit	4.9	6.4	12.8	18.3
Effective Tax Rate (%)	33.8	19.2	25.0	26.0
Reported Net Profit	4.1	5.1	8.6	9.6
Reported Operating Margin (%)	2.4	2.4	2.8	3.3
Reported Pre-tax Margin (%)	1.1	1.3	2.2	2.8
Reported Net Margin (%)	0.9	1.0	1.5	1.5

Source: Company data, S&amp;P Equity Research

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**Glossary**

**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.

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For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.

**Recommendation and Target Price History**

Date	Recommendation	Target Price
New	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
19-Oct-05	Sell	0.65

