

## Bina Puri's potential earnings not fully priced in

In The Edge Financial Daily Today 2012

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Tuesday, 24 July 2012 17:00

### Bina Puri Holdings Bhd (July 23, 85 sen)

**Not rated, with a target price of RM1.19:** With 37 years of experience in the construction industry, Bina Puri has a strong track record with clientele in both the local and international markets. Most of the projects undertaken by Bina Puri are timely and well delivered.

Bina Puri has organically grown from a mere contractor into an integrated player with activities in property development, highway concession, quarry operations, manufacturing of construction materials, a polyurethane system house — which purchases liquid chemicals from major producers and re-sells them to its own customers — utilities and hospitality management. Bina Puri's outstanding order book stands at RM2.6 billion.

RM (in 000,000)	2007	2008	2009	2010	2011	2012*	2013*
Sales	817,551	876,347	788,341	1,132,246	1,178,202	1,280.1	1,419.8
Pre-tax profit	8,128	8,224	11,428	14,136	25,340	25.5	28.7
EPS (sen)	7.02	8.20	9.92	12.02	21.92	22.0	25.2
Divided EPS (sen)	5.8	5.17	7.12	10.28	9.40	10.9	16.3
EPS adj.	8.2	8.3	8.2	8.2	21.2	8.8	8.8
Net profit margin (%)	1.15	0.93	1.45	1.26	2.15	2.0	2.4
Return on equity (%)	—	—	2.25	2.31	3.75	11.1	10.2
Return on assets (%)	—	—	13.25	13.9	21.57	1.3	2.4
ROA	10.22	17.00	12.24	9.72	16.31	8.25	5.28

\*Company figures  
Source: Bloomberg, M&J Research

This is higher than other mid-cap contractors such as Eversendai Corp Bhd (RM1.9 billion) and Hock Seng Lee Bhd (RM2 billion). Bina Puri's order book could last for the next three years and almost all contracts in hand are from Malaysia. Historically, Bina Puri has consistently won an average of RM1 billion worth of contracts and management expects this trend to continue for the foreseeable future.

We believe it is achievable given the fact that Bina Puri has a strong track record in securing various types of construction jobs via competitive bids against its peers. Based on our estimates, from next year Bina Puri could fetch a recurring pre-tax income of RM5 million to RM10 million.

This will be contributed by its 72 apartment units in Brunei, two shopoffices in Kuala Lumpur, and five 2MW power plants in Indonesia. We noticed that there was no contribution from its property arm for the financial year ended Dec 31, 2011 (FY11). However, management expects the division to start contributing significantly in FY13.

This will be driven mainly by the bungalow and link housing project, Laman Villa, in North Mont'Kiara. We believe Bina Puri's venture into the property sector is to lessen its over-reliance on the lower-margin construction segment.

Despite no fixed dividend policy, on average Bina Puri has been paying 46% of net profit as dividend or two sen to six sen per share per year. This translates into a decent average gross dividend yield of 3%. Going forward, management intends to maintain the dividend payout. — MIDF Research, July 23

*This article appeared in **The Edge Financial Daily** on July 24, 2012.*