



Bina Puri Holdings Berhad

Construction margin remains depressed

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TP: RM0.76 (+14.3%)

Last traded: RM0.665

HOLD

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Review

- BPURI's 1Q14 net profit of RM1.2mn came in below our expectations as it accounted for only 8.0% of our full year forecast. The variance was due to lower-than-expected margin recorded by its construction and property development divisions.
- While revenue was flat at RM279.8mn YoY, 1Q14 net profit declined 25.8% to RM1.8mn, mainly due to higher finance cost, higher taxation and minority interest.
- QoQ, despite revenue dropped 18.3% to RM270.8mn, the net profit jumped 130.6% primarily due to significantly lower taxation (-66.8%). At pretax level, the profit declined 3.6% to RM4.6mn.

Impact

- We cut our earnings forecasts for FY14 to FY16 by 4.1% to 41.0% to reflect the margin compression experienced by its construction division, as well as slower-than-expected launch of the RM1.3bn Rivo City Development.

Outlook

- Supported by an outstanding order book of RM1.7bn, which translates into 2.0x of FY13 construction revenue, it is expected to keep the construction team busy at least until 2016.
- With established construction track records, BPURI could tender for the upcoming infrastructure works, especially highway projects and rail-related projects such as West Coast Expressway, Kinrara-Damansara Expressway, East Klang Valley Expressway, Damansara-Shah Alam Expressway, Sungai Besi-Ulu Klang Expressway, and MRT Line 2.
- While the group has a total potential GDV of RM3.0bn in its property development pipeline, the introduction of property cooling measures late last year may dampen the sentiment in the property market, resulting in property developers, including BPURI to be more cautious in new property launches.

Valuation

- We roll forward our valuation base year to 2015 and revise our target price to **RM0.76/share**, from RM0.715/share previously, and upgrade our call on **BPURI** to **HOLD** from **SELL**.

Share Information

Bloomberg Code	BIN MK
Bursa	BPURI
Stock Code	5932
Listing	Main Market
Share Cap (mn)	177.9
Market Cap (RMmn)	118.3
Par Value	1.00
52-wk Hi/Lo (RM)	0.875/0.63
12-mth Avg Daily Vol ('000 shrs)	391.2
Estimated Free Float (%)	56.1
Beta (x)	1.03

Major Shareholders (%)

Jentera Jati Sdn Bhd	11.46
Tee Hock Seng	8.64
Ng Keong Wee	7.92
Tan Cheng Kiat	5.27
Bumimaju Mawar Sdn Bhd	5.27

Forecast Revision

	FY14	FY15
Forecast Revision (%)	(40.9)	(29.8)
Net profit (RMm)	8.6	17.0
Consensus (RM'mn)	-	-
TA's / Consensus (%)	-	-
Previous Rating	Sell (Upgraded)	

Scorecard (%)

	% of FY	
vs TA	14.2	Below
vs Consensus	na	na

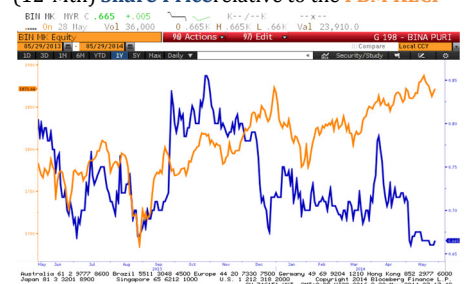
Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	124.9	140.5
CFPS (sen)	67.7	(40.0)
Price / CFPS (x)	1.0	(1.7)
ROA (%)	0.8	1.5
NTA/Share (RM)	1.2	1.3
Price/NTA (x)	0.6	0.5

Share Performance (%)

Price Change	BPURI	FBM KLCI
1 mth	(6.3)	0.7
3 mth	(5.0)	2.0
6 mth	(16.9)	3.3
12 mth	(17.4)	4.9

(12-Mth) Share Pricerelative to the FBM KLCI



Source: Bloomberg

Earnings Summary

FYE December (RMmn)	2012	2013	2014F	2015F	2016F
Revenue	1280.1	1058.4	1173.5	1510.4	1755.6
Gross Profit	68.3	65.1	74.8	96.7	114.1
EBITDA	31.5	34.2	39.2	53.8	82.8
EBITDA margin (%)	2.5	3.2	3.3	3.6	4.7
EBIT	20.7	21.8	26.0	40.3	68.8
PBT	16.4	13.9	17.1	31.9	60.0
PAT	5.1	5.5	8.6	17.0	34.4
EPS (sen)	4.1	4.0	4.9	9.5	19.4
PER (x)	16.1	16.5	13.7	7.0	3.4
Gross dividend (sen)	2.0	1.5	2.0	4.0	4.0
Dividend yield (%)	3.0	2.3	3.0	6.0	6.0
ROE (%)	3.9	3.6	4.6	8.0	14.3

1QFY14 Results Analysis

FYE Dec (RMmn)	1Q13	4Q13	1Q14	QoQ (%)	YoY (%)	3MFY13	3MFY14	YoY (%)
Revenue	273.7	331.3	270.8	(18.3)	(1.0)	273.7	270.8	(1.0)
COGS	(258.5)	(313.6)	(255.3)	(18.6)	(1.3)	(258.5)	(255.3)	(1.3)
GP	15.2	17.6	15.5	(11.9)	2.5	15.2	15.5	2.5
Other Op Income	1.6	0.8	4.8	529.9	195.4	1.6	4.8	195.4
Admin Expenses	(12.1)	(14.6)	(13.1)	(10.4)	7.8	(12.1)	(13.1)	7.8
Finance Costs	(1.9)	(2.0)	(3.1)	53.2	60.9	(1.9)	(3.1)	60.9
Associate	0.3	0.2	0.0	(77.3)	(86.7)	0.3	0.0	(86.7)
Jointly controlled entity	0.0	0.0	0.0	na	(100.0)	0.0	0.0	(100.0)
Investment income	0.2	2.7	0.3	(89.4)	64.0	0.2	0.3	64.0
PBT	3.2	4.7	4.6	(3.6)	41.4	3.2	4.6	41.4
Tax	(1.0)	(4.1)	(1.4)	(66.8)	43.9	(1.0)	(1.4)	43.9
MI	(0.7)	(0.1)	(2.0)	1785.2	187.6	(0.7)	(2.0)	187.6
PAT	1.6	0.5	1.2	130.6	(25.8)	1.6	1.2	(25.8)
EPS (sen)*	1.3	0.3	0.7	118.2	(42.9)	1.3	0.7	(42.9)
Dividend (sen)*	0.0	1.5	0.0	(100.0)	na	0.0	0.0	na
Margin (%):				% pts	% pts			% pts
- PBT	1.2	1.4	1.7	0.3	0.5	1.2	1.7	0.5
- PAT	0.8	0.2	1.2	1.0	0.3	0.8	1.2	0.3
- Effective tax rate	29.4	87.1	30.0	(57.1)	0.5	29.4	30.0	1.7

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