

28 May 2013

Bina Puri Holdings

Outlook remains bright

- | | |
|--------------------------------|--|
| Period | <ul style="list-style-type: none"> 1Q13 / 3M13 |
| Actual vs. Expectations | <ul style="list-style-type: none"> BPURI's 1Q13 net profit of RM1.6m came in below with our estimates, making up 14% of our FY13 earnings estimates of RM11.1m due to slower than expected construction activities. |
| Dividends | <ul style="list-style-type: none"> No dividend was declared, as expected. |
| Key Result Highlights | <ul style="list-style-type: none"> QoQ, its revenue declined 14% to RM273.7m attributable to slower construction activities in 1Q13 which is generally a slower period for construction due to festive season (Ampang LRT extension still makes up c.50% of its existing order book), and construction margin contracted by 1.5ppt to 0.8%. However, its net profit improved significantly by 138% from RM0.7m to RM1.6m. The improvement in net profit is mainly due to a significant decline of 63ppt effective tax rate from 92% to 29%. YoY, its net profit decreased 25% from RM2.1m to RM1.6m underpinned by slower recognition in construction revenue which saw a dip by 9% coupled with a higher contribution to non-controlling interest from their overseas project. The dip in construction revenue was mainly due to completion of certain projects i.e. building works in East Malaysia. |
| Outlook | <ul style="list-style-type: none"> Their KLIA2 package has been recently completed and we are relieved as the project has been a drag on their margins and cash flow. Going forward, the group will be better positioned to realize more stable margins and larger projects such as their JV with Prasarana to develop a parcel of land in Brickfields with an estimated GDV of RM1.3b. Moving forward, the completion on KLIA2 project would allow the group to execute on larger projects as they would be in a better cash flow position. To recap, Bina Puri entered into a JV with Prasarana to develop a parcel of land in Brickfields with an estimated GDV of RM1.3b. |
| Change to Forecasts | <ul style="list-style-type: none"> Lower FY13E earnings by 18% as we expect one more weak quarter in 2Q13 due to timing of KLIA2 completion. However, we raise our FY14E estimates by 5% as management does expect better operating margins since highly difficult projects like KLIA2 package has been completed. Additionally, our estimates are conservative as we have yet to factor for the property contributions from the Brickfields JV project. |
| Rating | <p>Upgrade to MARKET PERFORM</p> <ul style="list-style-type: none"> Given the optimistic outlook on the construction sector, we believe that Bina Puri will be able to secure another project within the range of RM200m – RM300m in near term. To date, Bina Puri has secured a total worth of c.RM230m projects, making up 46% of our order book replenishment assumption of RM500m. |
| Valuation | <ul style="list-style-type: none"> Raised TP to RM0.78, on higher 8x FY14E PER and roll-ed over FY14E EPS of 9.8sen (previous TP of RM0.40 was based on 5x FY13E PER). Our valuations are extremely conservative as it only values the construction division; we will reveal our SoP valuation during our next update note. So in the meantime, we assume a higher PER to take into account the bullish run-ups of the property and construction sectors. In fact, 8x FY14E PER is inline with our small-mid cap contractors. |
| Risks | <ul style="list-style-type: none"> Escalating building material prices. |

MARKET PERFORMANCE ↑

Price: RM0.78
Target Price: RM0.78 ↑

Share Price Performance



| | |
|---------------------|---------|
| KLCI | 1767.13 |
| YTD KLCI chg | 4.6% |
| YTD stock price chg | -3.7% |

Stock Information

| | |
|----------------------|---------------|
| Bloomberg Ticker | BIN MK Equity |
| Market Cap (RM m) | 100.1 |
| Issued shares | 129.1 |
| 52-week range (H) | 0.90 |
| 52-week range (L) | 0.57 |
| 3-mth avg daily vol: | 344,790 |
| Free Float | 64% |
| Beta | 1.3 |

Major Shareholders

| | |
|----------------------|-------|
| JENTERA JATI SDN BHD | 15.8% |
| HOCK SENG TEE | 13.0% |
| CHENG KIAT TAN | 7.3% |

Summary Earnings Table

| FYE Dec (RM m) | 2012A | 2013E | 2014E |
|-------------------|--------------|--------------|--------------|
| Revenue | 1,227 | 1,426 | 1,444 |
| Pretax profit | 13.2 | 16.1 | 20.6 |
| Net profit | 5.4 | 9.0 | 12.2 |
| Consensus (NP) | - | - | - |
| Earnings Revision | | -18% | +5% |
| EPS (sen) | 4.3 | 7.2 | 9.8 |
| EPS growth (%) | -13% | 67% | 35% |
| DPS (sen) | 2.0 | 2.0 | 2.0 |
| NTA/ share (RM) | 1.1 | 1.1 | 1.1 |
| Net gearing (%) | 1.8 | 1.6 | 1.4 |
| PER (x) | 17.9 | 10.7 | 7.9 |
| P/NTA (x) | 0.7 | 0.7 | 0.7 |
| Div. yield (%) | 3% | 3% | 3% |

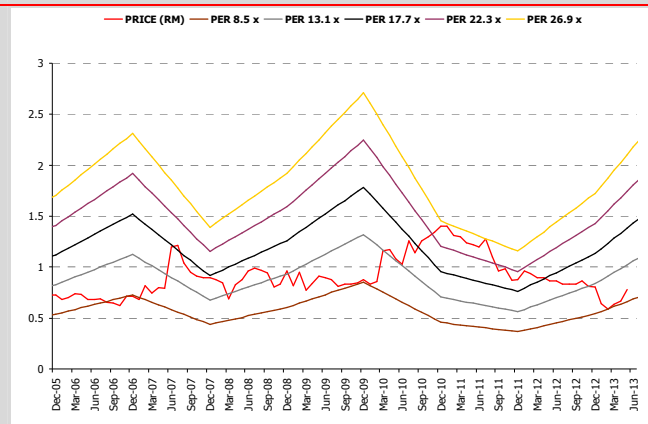
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Result Highlight

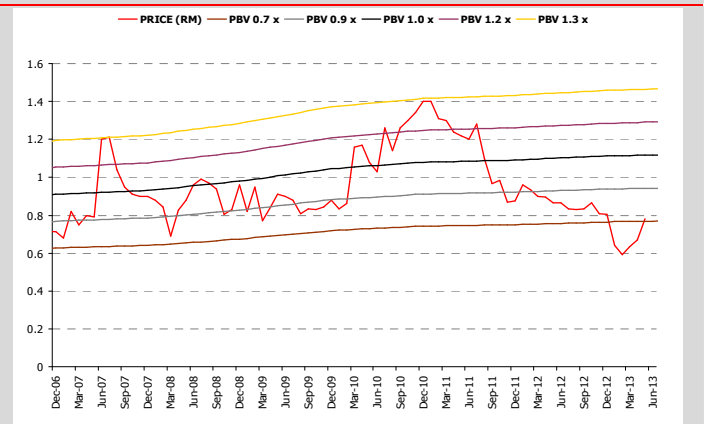
| FY 31 Dec (RMm) | 1Q13 | 4Q12 | QoQ | 1Q12 | YoY | FY12 | FY11 | YoY |
|------------------------|------------|------------|-------------|------------|-------------|------------|------------|-------------|
| Revenue | 273.7 | 318.0 | -14% | 301.9 | -9% | 273.7 | 301.9 | -9% |
| EBIT | 1.8 | 8.0 | -78% | 2.7 | -33% | 1.8 | 2.7 | -33% |
| Pretax profit | 3.2 | 7.8 | -58% | 3.8 | -15% | 3.2 | 3.8 | -15% |
| Taxation | (1.0) | (7.2) | | (1.5) | | (1.0) | (1.5) | |
| Minority Interest | 0.7 | (0.1) | | 0.2 | | 0.7 | 0.2 | |
| Net Profit | 1.6 | 0.7 | 138% | 2.1 | -25% | 1.6 | 2.1 | -25% |
| EPS (sen) | 1.3 | 0.5 | 138% | 1.7 | -25% | 1.3 | 1.7 | -25% |
| Net gearing (x) | 2.8 | 2.5 | | 2.3 | | 2.8 | 2.3 | |
| EBIT margin (%) | 0.6% | 2.5% | | 0.9% | | 0.6% | 0.9% | |
| PBT margin (%) | 1.2% | 2.4% | | 1.3% | | 1.2% | 1.3% | |
| Net profit margin (%) | 0.6% | 0.2% | | 0.7% | | 0.6% | 0.7% | |
| Effective tax rate (%) | 29% | 92.4% | | 39.9% | | 29.4% | 39.9% | |

Source: Company, Kenanga Research

Forward PER



Forward PBV



Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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