



Bina Puri Holdings Berhad

Increasing Urgency to Replenish Construction Jobs

TP: RM0.425 (+14.9%)

Last traded: RM0.37

HOLD

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Review

- Excluding the share of loss from reclassification of holding in KL-Kuala Selangor Expressway Sdn Bhd from investment to associate, BPURI's 1Q16 core profit of RM2.3mn came in below expectations, accounting for 17.5% of our full-year forecast. The variance was mainly due to slower-than-expected construction and property development progress and lower-than-expected property margin.
- YoY, 1QFY16 core profit improved 13.3% despite 13.0% drop in revenue to RM294.5mn. This improvement in bottom line mainly came from the power division in tandem with higher power sales (+177.3%).
- QoQ, the core net profit dropped 18.9% to RM2.3mn mainly due to lower contribution from the construction and property divisions. This was, however, offset by lower taxation.

Impact

- Adjustments are made to reflect the challenging property outlook, ceasing of polyol business and slow in order book replenishment as the group has yet to announce any construction job wins in 2016. All in, we cut FY16 and FY17 earnings forecasts by 5.1% and 15.9% respectively but raise FY18 earning estimate by 1.0%.

Outlook

- We estimate the outstanding order has depleted to RM1.5bn, at 1.4x of FY15 construction revenue. While the group has yet to secure new construction projects in 2016, we see more opportunities in 2H16 with potential job wins from Pan Borneo Highway, LRT line 3, MRT line 2, DASH, SUKE and BRT in Kota Kinabalu. We have assumed RM800mn order book replenishment for FY16.

Valuation

- In view of the challenging property market, we cut the target PE multiple to 7x, from 8x previously. After factoring in the earnings revision, reduced target PE multiple, and rolling forward our valuation base year to CY17, we lower our target price from RM0.47 to **RM0.425**. Maintain our **HOLD** call on **BPURI**.

Share Information

Bloomberg Code	BIN MK
Bursa	BPURI
Stock Code	5932
Listing	Main Market
Share Cap (mn)	239.3
Market Cap (RMmn)	88.5
Par Value	0.50
52-wk Hi/Lo (RM)	0.555/0.33
12-mth Avg Daily Vol ('000 shrs)	555.4
Estimated Free Float (%)	48.3
Beta (x)	0.93

Major Shareholders (%)

Jentera Jati Sdn Bhd	8.55
Tee Hock Seng	7.04
Ng Keong Wee	5.91
Bumimaju Mawar Sdn Bhd	5.67

Forecast Revision

	FY16	FY17
Forecast Revision (%)	(5.1)	(15.9)
Net profit (RMm)	12.6	14.3
Consensus (RM'mn)	-	-
TA's / Consensus (%)	-	-
Previous Rating	Hold (Maintained)	

Scorecard (%)

	% of FY	
vs TA	17.5	Below
vs Consensus	na	na

Financial Indicators

	FY16	FY17
Net Debt / Equity (%)	199.1	181.5
CFPS (sen)	(25.0)	13.9
Price / CFPS (x)	(1.5)	2.7
ROA (%)	0.8	0.9
NTA/Share (RM)	1.3	1.4
Price/NTA (x)	0.3	0.3

Share Performance (%)

Price Change	BPURI	FBM KLCI
1 mth	(9.8)	(3.6)
3 mth	(11.9)	(1.9)
6 mth	(14.9)	(3.1)
12 mth	(32.7)	(7.1)

(12-Mth) Share Pricerelative to the FBM KLCI



Source: Bloomberg

Earnings Summary

FYE December (RMmn)	2014	2015	2016F	2017F	2018F
Revenue	1053.5	1227.9	1393.9	1086.8	1241.3
Gross profit	64.8	104.2	139.4	119.5	136.5
EBITDA	41.6	76.5	64.1	65.8	60.5
EBITDA margin (%)	3.9	6.2	4.6	6.1	4.9
EBIT	27.2	62.7	41.3	44.8	41.3
PBT	58.3	35.7	25.4	28.7	25.0
Net profit	6.5	3.4	12.6	14.3	12.2
Core profit*	6.9	7.5	12.6	14.3	12.2
Core EPS (sen)	4.0	3.6	5.4	6.1	5.2
PER (x)	9.3	10.4	6.8	6.1	7.1
Gross dividend (sen)	2.0	0.0	0.0	0.0	2.0
Dividend yield (%)	5.4	0.0	0.0	0.0	5.4
ROE (%)	2.1	3.7	5.6	5.9	4.8

*Excluding revaluation gain on investment property and share of loss from reclassification of holding in KL-Kuala Selangor Expressway Bhd from investment to associate in 2014

1QFY16 Results Analysis

FYE Dec (RMmn)	1Q15	4Q15	1Q16	QoQ (%)	YoY (%)	3MFY15	3MFY16	YoY (%)
Revenue	338.4	473.6	294.5	(37.8)	(13.0)	338.4	294.5	(13.0)
COGS	(318.0)	(428.9)	(274.6)	(36.0)	(13.6)	(318.0)	(274.6)	(13.6)
GP	20.4	44.7	19.8	(55.6)	(3.0)	20.4	19.8	(3.0)
Other Op Income	2.5	3.9	3.9	1.4	56.0	2.5	3.9	56.0
Admin Expenses	(15.6)	(29.1)	(15.5)	(46.7)	(0.7)	(15.6)	(15.5)	(0.7)
Finance Costs	(4.2)	(7.3)	(4.4)	(39.9)	4.3	(4.2)	(4.4)	4.3
Associate	(0.6)	(9.1)	(1.4)	(84.6)	<(100.0)	(0.6)	(1.4)	<(100.0)
Investment income	0.5	20.7	0.0	(99.8)	(91.9)	0.5	0.0	(91.9)
PBT	3.1	23.8	2.5	(89.3)	(17.8)	3.1	2.5	(17.8)
Tax	(0.7)	(10.1)	(0.8)	(91.9)	25.3	(0.7)	(0.8)	25.3
MI	(1.2)	(14.1)	(0.9)	(93.5)	(23.9)	(1.2)	(0.9)	(23.9)
Net profit	1.2	(0.5)	0.8	<(100.0)	(34.5)	1.2	0.8	(34.5)
Core net profit	2.1	2.9	2.3	(18.9)	13.3	2.1	2.3	13.3
Core EPS (sen)	1.1	1.5	1.0	<(100.0)	(46.2)	3.9	1.0	(6.9)
Dividend (sen)	0.0	0.0	0.0	na	na	0.0	0.0	na
Margin (%):				% pts	% pts			% pts
- PBT	0.9	5.0	0.9	(4.2)	(0.1)	0.9	0.9	(0.1)
- PAT	0.7	2.9	0.6	(2.3)	(0.1)	0.7	0.6	(0.1)
- Effective tax rate	21.1	42.6	32.1	(10.5)	11.0	21.1	32.1	11.0

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