

# Bina Puri Holdings

## Bags RM388m Sabah contract

**BUY** ↔

**Price: RM1.28**
**Target Price: RM1.50↑**
**STOCK DATA**

Bloomberg Ticker	BIN MK	YTD price chg	-8.6%
Market Cap	138.4	YTD KLCI chg	3.1%
Issued shares	108.1		
52-week range (H)	1.65	<b>Major Shareholders</b>	
52-week range (L)	1.08	JENTERA JATI SDN	18.9%
3-mth avg daily volume	151,580	BUMIMAJU MAWAR	13.9%
Free Float	53.7%	HOCK SENG TEE	13.6%

**AT A GLANCE**

<b>Target Price (RM):</b>	<b>1.50</b>	<b>Upgrade</b>
Valuation:	11x PE FY12	
Current Price (RM):	RM1.28	

<b>Action:</b>	<b>BUY</b>	<b>Maintain</b>
Reason:	-	

**Basis of call:** Earnings visibility supported by RM2.4b order book for the next 3 years

**Catalyst:** Higher than expected newly secured project i.e. >RM500m

FYE31Dec RMm	2010A	2011E	2012E
Turnover	1,232.2	1,315.7	1,360.1
<b>Net Profit (NP)</b>	<b>11.9</b>	<b>14.6</b>	<b>15.5</b>
<b>Consensus (NP)</b>	N.A.	14.6	15.5
<b>Earnings Revision:</b>	N.A.	0%	0%
Earnings Revision Rationale:	No changes to earnings forecast		

**SHARE PRICE CHART**


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Bina Puri announced that it had secured a project worth RM389m with a tenure of 30 months. We are not entirely surprised on this news as we have factored in the potential new project in our FY11 forecast. The work scope is construction and development of Sabah government's administration office. At the same time, Bina Puri proposed up to 10% private placement and expected to raise RM14m (based on RM1.30 per share) for its working capital purpose and debt repayment. No change to our earnings forecast while we have imputed in the potential dilution to our EPS by 9% for FY11 as well as finance cost savings. We have rolled over our valuation to FY12 with a higher PE multiple of 11x (from 10x previously) due to its reputable order book size at RM2.4b for the next 3 years and strong news flow for the construction sector from 2H11 onwards. **Maintain BUY with a higher TP of RM1.50.**

**Sabah project.** Bina Puri has secured a project worth RM389m from Sabah Public Work Director to construct administration facilities in Likas with the completion period by 30 months. We are not surprised as we have factored in the potential new contract to be secured into our forecast for FY11 and FY12 (c. RM500m). Nonetheless, the contribution to FY11 earnings is expected to be minimal at RM1m (based on 2% net margin).

**10% placement.** At this juncture, we are unable to figure out the potential investor(s) for the placement. However, we believe this corporate exercise would increase the liquidity for Bina Puri shares going forward. Based on indicative price at RM1.30, Bina Puri is expected to raise about RM14m which 77% of it to be utilized for working capital and 20% for debt repayment. This will lead to 9% dilution to its FY11 and FY12 EPS while mitigated by finance cost savings from the RM3m debt settlement.

**LRT project contribution in 2Q11.** We expect a strong 2Q11 results mainly due to the contribution from its ongoing projects, particularly the LRT project. On top of that, its JV project in KLIA2 is expected to complete by 4Q12 while we do not discount that it could be another leg of delays as we see it is already 6 months behind its initial schedule. Based on these two projects, this would give meaningful contributions to its earnings starting from 2Q11 onwards.

**Indonesia power plants.** Based from the management guidance, the newly acquired power plants in Indonesia are expected to contribute c. RM4m in FY11. We have yet to impute the potential contributions in our forecast.

**Maintain BUY on higher TP at RM1.50.** Our FY11 EPS could have been diluted by 9% due to the placement; however, coupled with potential finance cost savings, we see minimal impact to our FY11 EPS. We maintain BUY on Bina Puri while upgraded our Target Price to RM1.50 as we have rolled over our valuation to FY12 based on a higher PER multiple of 11x (from 10x previously). The higher PE is justifiable due to its order book size of RM2.4b while riding on the positive construction sector in the near term.

## Earnings Estimates

FYE 31st Dec (RMm)	2008	2009	2010	2011E	2012E
<b>Revenue</b>	<b>676.5</b>	<b>780.1</b>	<b>1,232.2</b>	<b>1,315.7</b>	<b>1,360.1</b>
Pretax profit	8.0	11.5	14.3	27.0	25.2
<b>Net profit</b>	<b>4.3</b>	<b>6.5</b>	<b>11.9</b>	<b>16.8</b>	<b>15.5</b>
EPS (sen)	4.1	6.2	11.5	14.7	13.6
EPS growth (%)	-39%	51%	84%	28%	-8%
DPS (sen)	4.0	4.0	4.0	4.0	6.0
NTA/ share (RM)	0.9	1.0	1.0	1.1	1.2
Net gearing (%)	1.4	1.0	1.0	1.5	1.4
PER (x)	31.0	20.5	11.2	8.7	9.4
P/NTA (x)	1.4	1.3	1.2	1.1	1.0
Div. yield (%)	3%	3%	3%	3%	5%
EV/ EBITDA (x)	12.2	9.5	8.8	7.7	9.6
ROE (%)	6.9%	8.7%	11.3%	17.1%	14.5%

**Table 1: Utilisation of private placement proceeds**

No.	Purpose	RM	%
1	Working capital	11.1	77%
2	Debt repayment	3.0	20%
3	Private placement expenses	0.4	3%
	<b>Total</b>	<b>14.5</b>	<b>100%</b>

Source: Bursa, Bina Puri (price is based on RM1.30 per share)

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