

Recommendation: **HOLD**

Stock Code: 5932

Bloomberg: BIN MK

Price: MYR0.97

12-Month Target Price: MYR1.05

Date: August 28, 2008

Board: Main

Sector: Construction

GICS: Industrials/Construction & Engineering

Market Value - Total: MYR80.3 mln

Summary: Bina Puri Holdings (Bina Puri) is engaged in civil engineering, road and building construction, property development, quarrying and the manufacturing of natural oil polyol (base material for polyurethane foam).

Analyst: Seu Yee Lau



Results Review & Earnings Outlook

- Bina Puri reported a net profit of MYR1.8 mln for 2Q08 (+12.4% YoY). The results were broadly within our expectations. Cumulative 1H08 net profit of MYR3.1 mln (+1.5% YoY) accounts for 43% of our full-year net profit forecast. While 1H08 revenue was in line with expectations, margins were higher-than-expected (1H08 EBIT margin of 2.15% vs our full year forecast of 1.8%). However, this was offset by higher taxation (effective tax rate of 21.8% vs our full year forecast of 10%). No interim dividend was declared.
- 1H08 revenue increased 24% YoY to MYR329.9 mln on the back of stronger works recognition for construction (+28% YoY to MYR250.5 mln) and higher progress billings from property development (+113% YoY to MYR33.1 mln). EBIT margin also improved slightly (+0.3%-pts to 2.15%) due to higher margins from both construction (+0.3%-pts to 1.6%) and polyol manufacturing (+1%-pts to 5.1%). However, this was partially offset by lower associated income (-49% YoY to MYR0.74 mln) and higher effective tax rate of 21.8% (+11.8%-pts YoY).
- We have fine-tuned our projections and have kept our net profit estimates relatively unchanged at MYR7.1 mln and MYR7.4 mln for 2008 and 2009, respectively. This was after incorporating contribution from recently secured projects offset by higher projected effective tax rate of 22% (vs 10% in 2008 and 2009). Key projects recently awarded include the MYR293 mln subcontract works for the Eastern Dispersal Link in Johor Bahru, MYR4.5 mln clubhouse in Lahore, Pakistan and the MYR20.4 mln infrastructure works for University Malaysia Kelantan.

Key Stock Statistics

FY Dec.	2007	2008E
Reported EPS (sen)	8.5	8.6
PER (x)	11.4	11.3
Dividend/Share (sen)	6.0	6.0
NTA/Share (MYR)	0.89	1.27
Book Value/Share (MYR)	0.89	1.27
No. of Outstanding Shares (mln)	82.8	
52-week Share Price Range (MYR)	0.66 - 1.09	
Major Shareholders:	%	
Jentera Jati Sdn. Bhd.	24.7	
Tan Sri Datuk Tee Hock Seng	17.0	
Tony Tan Cheng Kiat	11.0	

Recommendation & Investment Risks

- We maintain our Hold recommendation with an unchanged 12-month target price of MYR1.05.
- We continue to value Bina Puri based on blended target multiples of PER of 11x and P/B of 0.8x on our 2008 estimates. Our target price includes a projected net DPS of 4.5 sen (6 sen gross). The target multiple is at the slightly higher end of the valuation range for small and mid-sized construction companies. This is due to: (i) earnings visibility underpinned by a present strong order book; (ii) potential new projects worth about MYR700 mln (LOIs has been received) to add to its order book; (iii) steady earnings from Bina Puri's other divisions such as polyol manufacturing (iv) long-term recurring earnings from the KL-Kuala Selangor Expressway 40-year concession when it commences operation; (v) potential earnings from its participation in part of the construction of the expressway.
- Risks to our recommendation and target price include work delays for existing contracts and slower-than-expected replenishment of the construction order book. Higher-than-expected increase in construction material prices could have a significant impact on group earnings given that average margins are low (single-digit).

Per Share Data

FY Dec.	2005	2006	2007	2008E
Book Value (MYR)	0.81	0.84	0.89	1.27
Cash Flow (sen)	17.8	17.0	17.8	17.9
Reported Earnings (sen)	5.0	6.3	8.5	8.6
Dividend (sen)	5.0	5.0	6.0	6.0
Payout Ratio (%)	71.9	56.9	50.9	50.4
PER (x)	19.4	15.3	11.4	11.3
P/Cash Flow (x)	5.4	5.7	5.4	5.4
P/Book Value (x)	1.2	1.2	1.1	0.8
Dividend Yield (%)	5.2	5.2	6.2	6.2
ROE (%)	6.3	7.7	9.9	7.9
Net Gearing (%)	313.7	467.4	204.0	136.1

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Quarterly Performance

FY Dec. / MYR mln	2Q08	2Q07	% Change
Reported Revenue	179.3	160.9	11.5
Reported Operating Profit	5.0	1.9	>100
Depreciation & Amortization	NA	NA	NA
Net Interest Income / (Expense)	-1.1	-0.8	32.2
Reported Pre-tax Profit	3.1	2.3	35.1
Reported Net Profit	1.8	1.6	12.4
Reported Operating Margin (%)	2.8	1.2	-
Reported Pre-tax Margin (%)	1.7	1.4	-
Reported Net Margin (%)	1.0	1.0	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2006	2007	2008E	2009E
Reported Revenue	491.6	607.9	712.1	760.2
Reported Operating Profit	11.8	9.9	14.2	14.5
Depreciation & Amortization	-8.6	-7.7	-7.7	-7.7
Net Interest Income / (Expense)	-5.1	-4.4	-4.4	-4.4
Reported Pre-tax Profit	6.4	8.5	11.4	11.9
Effective Tax Rate (%)	19.2	6.5	22.0	22.0
Reported Net Profit	5.1	7.0	7.1	7.4
Reported Operating Margin (%)	2.4	1.6	2.0	1.9
Reported Pre-tax Margin (%)	1.3	1.4	1.6	1.6
Reported Net Margin (%)	1.0	1.2	1.0	1.0

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services

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Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Shariah-compliant stock - As defined by the Shariah Advisory Council of Malaysia's Securities Commission

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Recommendation and Target Price History

Date	Recommendation	Target Price
20-Jun-08	Hold	1.05
4-Oct-07	Not Ranked	
31-Aug-07	Hold	1.12
15-Jun-07	Hold	0.89
1-Mar-07	Hold	0.86
27-Nov-06	Hold	0.72
16-Aug-06	Hold	0.70
30-May-06	Hold	0.67
19-Oct-05	Sell	0.65

