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BINA PURI HOLDINGS BERHAD 2QFY07 Results Update Analyst: Liong Chee How/Teoh Cheng Guan		Price:	RM0.99
		Market Capitalisation:	RM81.8m
		Board:	Main Board
		Sector:	Construction
Stock Code:	5932	Recommendation:	BUY

Table 1: Key Stock Statistics

	2006	2007E
EPS (est.)	6.3	9.2
P/E (est.)	9.2	8.6
Gross Dividend/Share	5.0	
NTA/Share (RM)	0.84	
Book Value/Share	0.84	
Issued Capital (mil shares)	82.6	
52-weeks Share Price Range	RM0.60 – RM1.41	
Major Shareholders:		
Jentera Jati Sdn Bhd	25.2%	
Tan Sri Dato Tee Hock Seng	16.5%	
Dr Tony Tan Cheng Kiat	11.2%	
Dato' Mohamed Feisal bin Ibrahim	6.5%	
Henry Tee Hock Hin	6.0%	

Table 2: Per Share Data

Y/E: 31 Dec.	2005	2006	2007E	2008F
Book Value (RM)	0.81	0.84	0.91	0.99
Cash Flow (sen)	17.8	16.9	21.8	23.3
Earnings (sen)	5.0	6.3	10.7	11.6
Dividend (sen)	5.0	5.0	5.0	5.0
Net Payout Ratio	71.8	56.9	33.6	31.2
P/E (x)	19.8	15.6	9.2	8.6
P/Cash Flow (x)	5.5	5.9	4.5	4.3
P/Book Value (x)	1.2	1.2	1.1	1.0
Dividend Yield (%)	5.1	5.1	5.1	5.1
ROE (%)	5.1	7.8	12.4	12.2
Net Gearing (%)	276.5	411.6	410.5	272.3

Table 3: P&L Analysis

Y/E: 31 Dec. (RM m)	2005	2006	2007E	2008F
Revenue	464.8	491.6	554.5	601.5
Operating Profit	11.1	11.8	15.7	15.8
Depreciation	10.4	8.5	9.0	9.5
Interest Expenses	7.4	8.0	8.3	7.0
Pre-tax Profit	5.0	6.4	11.5	12.6
Effective Tax Rate	34.8	19.2	25.0	26.0
Net Profit	4.1	5.1	8.7	9.3
Operating Margin	2.4	2.4	2.8	2.6
Pre-tax Margin	1.1	1.3	2.1	2.1
Net-Margin	0.9	1.0	1.6	1.6

Figure 1: Share Price Chart – Bina Puri Holdings Berhad (“Bina Puri”)


1. 2QFY07 Result Highlights:

Table 4: 2QFY07 & 2QFY06 Results

	2QFY07	2QFY06	% Change
Revenue	160.9	123.5	30.2
Operating Profit	1.9	3.2	-39.7
Associates	1.2	0.0	-2406.5
Finance Costs	-1.3	-1.7	21.9
Pre-tax Profit	2.3	1.6	45.1
Net Profit	1.6	1.2	41.3
Operating Margin (%)	1.2	2.6	
Pre-tax Margin (%)	1.4	1.3	
Net-Margin (%)	1.0	0.9	

Bina Puri Holdings Berhad’s (“Bina Puri”) 2QFY07 results were below our expectations. 1HFY07 revenue, pre-tax profit and net profit constituted 47.9%, 35.3% and 34.5% of our FY07 estimates, respectively.

Bina Puri’s 2QFY07 revenue increased 30.2% y-y to RM160.9m on the back of higher contribution from all divisions (construction, quarry and premix, property development and polyol). Operating profit declined 39.7% y-y from RM3.2m to RM1.9m, as the construction division registered a sharp contraction in operating profit despite turnover growth. The lower operating margin was mainly due to higher cost of construction materials. 2QFY07 pre-tax and net profit grew 45.1% and 41.3% yy, respectively, mainly on higher profit contribution from associates and lower

tax expense as a result of tax exempt income from foreign country .

In terms of q-q comparison, 2QFY07 turnover jumped 62.7% q-q from RM74.2m to RM120.8m, as all divisions recorded double digit growth in revenue. However, 2QFY07 operating profit registered a sharp drop of 32.8% q-q mainly because of the lower operating profit margin registered by the construction division as mentioned earlier. Pre-tax and net profit managed to post growth of 25.2% and 21.1% q-q on the back of higher contribution from associates and lower tax expense.

Table 5: Segmental Breakdown - Quarterly

	2Q07	2Q06	y-y	1Q07	q-q
Revenue					
Construction	120.8	100.4	20.3%	74.2	62.7%
Property Dev't	8.7	1.0	776.2%	6.8	27.2%
Polyol Mfg	5.3	4.9	7.3%	4.7	11.4%
Quarry&premix	26.2	17.3	51.5%	19.0	38.1%
Others	0.0	0.0		0.0	
Total	160.9	123.5	30.2%	104.7	53.6%
Op. Profit					
Construction	0.8	2.9	-74.2	1.7	-54.5
Property Dev't	0.3	0.1	329.7	0.4	-27.6
Polyol Mfg	0.3	0.1	89.1	0.2	67.1
Quarry&premix	0.6	0.3	90.8	0.5	16.9
Others	0.0	-0.2	-93.9	0.1	-114.7
Total	1.9	3.2	-39.7	2.9	-32.8

Source: Company announcement, Kenanga estimates

2. Outlook and Recommendation

Bina Puri's current value of contract work in progress is about RM2.0b, which is expected to provide a steady stream of earnings for the group over the next few years. We understand that Bina Puri is still actively bidding/negotiating for contracts in Malaysia and overseas.

We are maintaining our FY07 estimates despite the lower than expected 1HFY07 numbers, as momentum for the construction sector will likely pick up in 2HFY07. Going forward, we expect profit margin to improve as projects with relatively better profit margins start contributing.

Bina Puri's share price has retreated to RM0.99 following the recent correction in global equity markets. We are upgrading Bina Puri from a HOLD to a BUY with an unchanged 12-month target price of RM1.16, which is based on the average FY08 P/E of 10x for small to mid-cap construction firms.

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