



## Bina Puri Holdings Bhd

Something Worth Considering

**FV: RM1.73** (+23.6%)

Last Price: RM1.40

Not Rated

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We visited Bina Puri Holdings and it is in our opinion that this company is a stock worth taking a look at. Although the size of the company is relatively small compared to the likes of TRC Synergy and Naim Holdings and of course the three big construction players Gamuda, IJM and WCT, the projects that it undertakes and participates in are by no means modest. The company currently has on-going projects worth approximately RM5.7bn and its outstanding orderbook stands at RM2.5bn. Among the company's high-profile on-going projects are the LRT Extension (Ampang Line), KLIA2, UiTM Sarawak and housing projects in Brunei. Using a consensus FY11 EPS of 19.2sen whilst attaching a FY11 discounted small cap construction sector PER of 9x, we derive a fair value of RM1.73 for the stock.

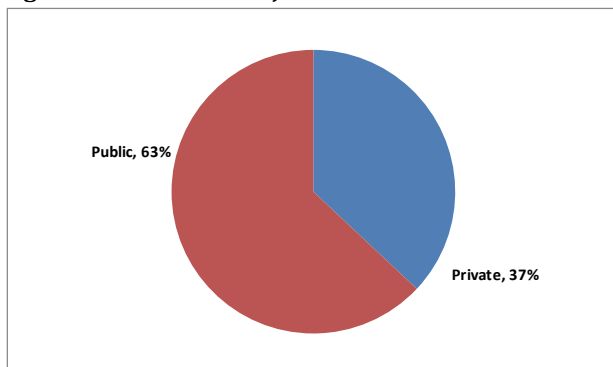
### Company Background

Bina Puri Holdings Bhd is involved in construction related activities which includes: civil and building engineering management, property development, highway concessionaire, quarry operations, manufacturing of construction materials and polyurethane system house. The company has been listed on the Main Board/Main Market of Bursa Malaysia since 1995.

### Civil and Building Construction

Historically, the company has been involved in more public projects compared with private projects. In addition, the company has a rather healthy spread of projects in West Malaysia as well as in East Malaysia. Refer Appendix A for list of ongoing projects.

Figure 1: Historical Projects - Public vs Private Sector (2006 - 2010)



Source: Company, TA Research

### SHARE INFO

|                                  |                                |
|----------------------------------|--------------------------------|
| Bloomberg Code                   | BIN MK                         |
| Bursa Name                       | BPURI                          |
| Stock Code                       | 5932                           |
| Listing                          | Main Market                    |
| Share Cap (m)                    | 107.7                          |
| Market Cap @ RM (RMm)            | 150.7                          |
| Par Value (RM)                   | 1.00                           |
| 52-wk Hi/Lo (RM)                 | 1.65/0.78                      |
| 12-mth Avg Daily Vol (000' shrs) | 315                            |
| Estimated Free Float (%)         | 35                             |
| Beta                             | 0.86                           |
| Major Shareholders (%)           |                                |
|                                  | Jentera Jati Sdn Bhd - 18.94   |
|                                  | Bumimaju Mawar Sdn Bhd - 13.93 |
|                                  | Tee Hock Seng - 13.65          |
|                                  | Tan Cheng Kiat - 8.70          |

### FORECAST REVISION

|                       | FY10 | FY11 |
|-----------------------|------|------|
| Forecast Revision (%) | -    | -    |
| Net profit (RMm)      | -    | -    |
| Consensus             | 18.2 | 19.9 |
| TA/Consensus (%)      | -    | -    |
| Previous Rating       | -    | -    |

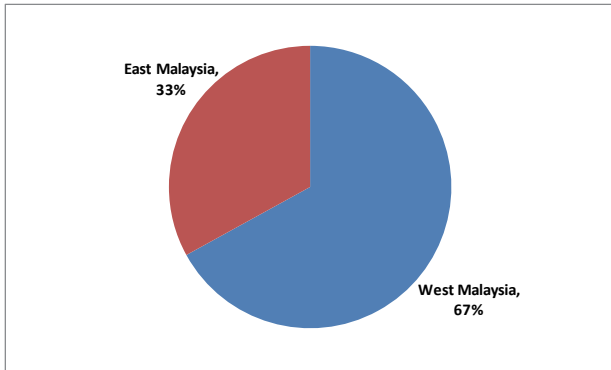
### FINANCIAL INDICATORS

|                     | FY10 | FY11 |
|---------------------|------|------|
| Net debt/equity (%) | 1.0  | 1.4  |
| ROE (%)             | 18.9 | 18.6 |
| NTA/Share (RM)      | 1.1  | 1.2  |
| Price/ NTA (x)      | 1.3  | 1.1  |

### SHARE PERFORMANCE

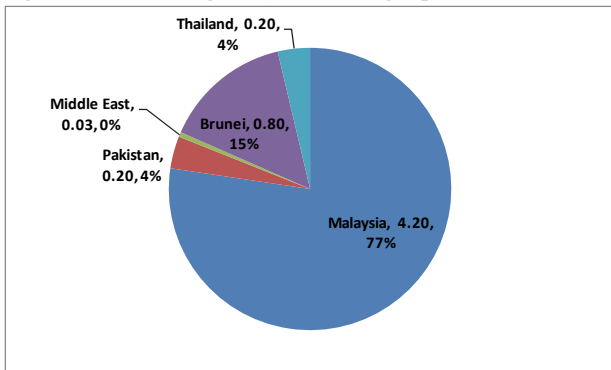
| Price chg (%) | BIN   | FBMKLCI |
|---------------|-------|---------|
| 1 mth         | 0.00  | 0.07    |
| 3 mth         | 11.11 | 0.68    |
| 6 mth         | 11.11 | 11.68   |
| 12 mth        | 67.66 | 20.71   |

**Figure 2: Historical Projects - West vs East Malaysia (2006 – 2010)**



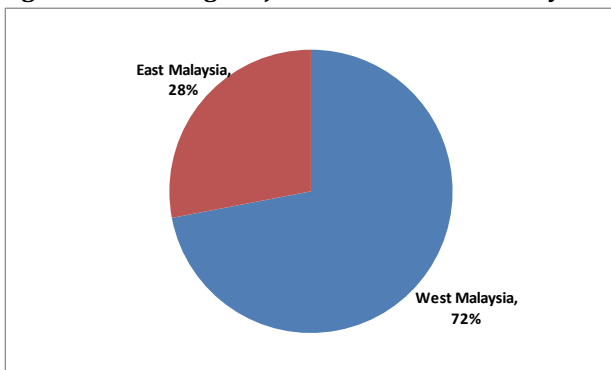
Source: Company, TA Research

**Figure 3: On-Going Projects - Geographical Break down (RMbn)**



Source: Company, TA Research

**Figure 4: On-Going Projects – West vs East Malaysia**



Source: Company, TA Research

**Stating the Obvious**

*Relatively Small Market Cap*

At first glance, it is rather noticeable that Bina Puri is a comparatively small construction company with an outstanding share of 107.58mn and a market cap of RM151mn. Surely, we can expect little or perhaps limited participation from institutional funds due to its small market cap. However, retail investors should keep this stock on their radar screens due to three reasons we put forward below. Management did indicate that moving forward, there will be some sort of corporate exercise to increase its share base and market cap, thus improving liquidity. But safe to say, management expects its share base to periodically increase from its ESOS exercise due to the run-up in share prices since the past one year or so.

**Figure 5: Historical Revenue and PATAMI Margin**

| Year              | 2005  | 2006  | 2007  | 2008  | 2009  | 9M2010 |
|-------------------|-------|-------|-------|-------|-------|--------|
| Revenue (RMmn)    | 464.8 | 491.6 | 607.9 | 676.5 | 788.0 | 860.9  |
| PATAMI Margin (%) | 0.9   | 1     | 1.2   | 0.6   | 0.8   | 0.9    |

Source: Company, TA Research

We do acknowledge the fact that PATAMI margin has been consistently low for the past five years. We attribute this to the company's highly competitive tenders to successfully win big ticket projects. Since this margin pattern is nothing new for Bina Puri, we do not see this as a major concern because the company is able to remain profitable on the back of healthy topline growth. We need to however caution investors that in an event that raw material prices were to spike upwards, there will be little room to absorb the increase. Management remains confident that raw material prices will remain manageable moving forward. The company indicated that it is comfortable and confident in achieving around RM1.5bn new orders yearly. This we see as a rather spectacular feat given the size of the company.

#### *Big Ticket Projects Winner*

Bina Puri is no stranger as a surprise winner at clinching some high profile big ticket projects. Among the many famous ones are the RM702mn LRT Extension project (Ampang Line – from Sri Petaling to Putra Heights), the RM997mn (Bina Puri's portion is 40%) New Permanent LCCT project, the RM958mn KL-Kuala Selangor Expressway (Package 1 and 2) and notable overseas job like the RM693mn 2000-unit housing project in Brunei. Tying back to our earlier point, one of the main reasons why we believe Bina Puri is able to win these jobs is because of its highly competitive bids and tenders (which explains its low margins), in addition to a successful track record in completing projects on time. However we need to stress that moving forward, we can be optimistic with margin expansions thanks to its expanding property arms. Also, for the LRT Extension project, management guided a comfortable high single-digit PBT margin which should help in improving margins moving forward since the project makes out about 28% of the total outstanding current orderbook.

#### **Something That Retail Investors Should Keep an Eye on**

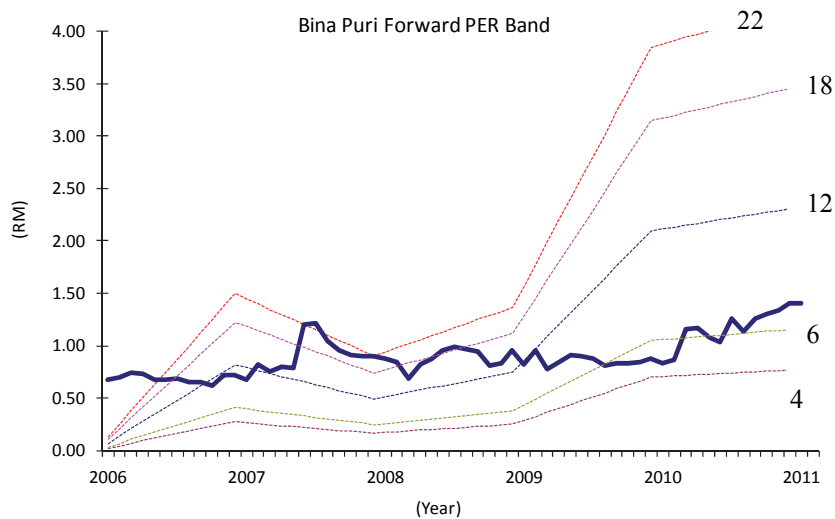
##### *Bite-size retail investor interest?*

As we have mentioned earlier, we do not see significant participation from institutional funds investing in this company, but we do however, recommend retail investors to keep an eye on this bite-size stock. Since March 2010, the stock has rallied from around RM0.82 to RM1.40 currently. That is a respectable capital gain of 71%. In addition to that, earnings visibility remains clear as the company currently has an outstanding orderbook (inclusive of expected incoming projects) of RM2.5bn which should easily last them a comfortable three years.

##### *Comparatively low PER is rather attractive*

Historically, Bina Puri has been trading at an average five years forward PER of 12x. Currently, it is trading at about 7x FY11 EPS. Hence, we believe that valuation wise, this stock is relatively cheap. Bear in mind that for the next three years, visibility remains strong and bottomlines are expected to register healthy numbers.

**Figure 6: Forward PER Band**



Source: Bloomberg Consensus, TA Research

*Expanding Property Segment*

Besides being a reputable construction company, Bina Puri is also a potential upcoming property company. In years 2007 and 2008, its property segment contributed 27-28% of its operating income but declined substantially thereafter due to the lack of new launches. However, the company has taken steps in reinventing and stimulating its property arm with a few planned new launches. Having said that, the company recently acquired a piece of land measuring 1.95acres for RM4.5mn in Kota Kinabalu targeting niche market segment.

The land will be used for the development of one block of service apartments consisting 100 units with sizes ranging from 1,500 sq ft to 4,500 sq ft. The GDV is estimated to be about RM60mn

The company also plans to develop its 6 acres land in Medini North, Iskandar Malaysia. The estimated GDV is around RM500mn comprising three phases; 50-units 5-storey shop office, 240-units service apartments and 30-units semi-d units.

**Figure 7: New Property Launches**



**Jesselton View @ Kota Kinabalu, Sabah**  
**(GDV : RM66m)**  
 80 Units of condominium  
 Expected launch date:- 1Q2011  
 100% owned



**Kiara 30 @ Mont Kiara North**  
**(GDV : RM74m)**  
 30 Units of 2 1/2 Storey Link Bungalow  
 Expected launch date:- 2Q2011  
 Associate contribution



**Straits Residence @ Johor Bahru**  
**(GDV : RM65m)**  
 23 Units of 4 Storey Link Villas  
 Expected launch date:- 2Q2011  
 100% owned



**Puchong Apartment @ Selangor**  
**(GDV : RM43m)**  
 140 Units of condominium  
 Expected launch date:- 4Q2011  
 100% owned

Source: Company

### Valuation

Using an FY11 consensus EPS of 19.2sen and a discounted FY11 small-cap construction sector PER of 9x, we derive a target price of **RM1.73**. Although this is a non-rated report, we recommend investors to keep an open mind and also an optimistic outlook on this stock riding on the positive local construction sector stemming from active Government initiatives in pump-priming the economy. In addition, a relatively cheap valuation warrants this stock a slight investment opportunity thought for the near term.

### Earnings Summary - Consensus

| FYE 31 Dec (RMmn) | 2007  | 2008  | 2009  | 2010E | 2011F  | 2012F  |
|-------------------|-------|-------|-------|-------|--------|--------|
| Revenue           | 307.9 | 676.5 | 780.1 | 924.7 | 1115.7 | 1360.1 |
| PBT               | 8.5   | 8.0   | 11.5  | 27.9  | 31.3   | 49.7   |
| PAT               | 7.0   | 4.3   | 6.5   | 18.2  | 19.9   | 33.0   |
| EPS (sen)         | 6.8   | 4.1   | 6.2   | 17.5  | 19.2   | 31.8   |
| EPS growth (%)    | 37.1  | -39.0 | 51.1  | 180.5 | 9.6    | 65.8   |
| Gross DPS (sen)   | 6.0   | 4.0   | 4.0   | 4.0   | 4.0    | 6.0    |
| NTA/Share (RM)    | 0.9   | 0.9   | 1.0   | 1.1   | 1.2    | 1.5    |
| Net Gearing (%)   | 1.9   | 1.4   | 1.0   | 1.0   | 1.4    | 1.1    |
| PER (x)           | 20.6  | 34.1  | 22.6  | 8.0   | 7.3    | 4.4    |
| P/NTA (x)         | 1.6   | 1.6   | 1.5   | 1.3   | 1.1    | 0.9    |
| Div Yield (%)     | 4.3   | 2.9   | 2.9   | 2.9   | 2.9    | 4.3    |
| ROE (%)           | 11.3  | 6.9   | 8.7   | 18.9  | 18.6   | 24.8   |

**Appendix A: List of Ongoing Projects – As of November 2010**

| <b>Projects</b>                                      | <b>Outstanding Value (RMmn)</b> | <b>Completion Date</b> |
|--|---------------------------------|------------------------|
| <b>Domestic</b>                                      |                                 |                        |
| Muar-Kem Batalion 6 Pasukan                          | 28.0                            | Feb-11                 |
| Perumahan Rakyat, Kuak, Sabah                        | 7.5                             | Mar-11                 |
| Housing Project, Sandakan Sabah                      | 19.1                            | Jul-11                 |
| Eastern Dispersal Link (EDL) Johor Bahru             | 81.7                            | Apr-11                 |
| Bangunan ATCK, Genting Klang, KL                     | 4.3                             | Jan-11                 |
| UMS, Kota Kinabalu, Sabah                            | 12.6                            | May-11                 |
| Pusat Latihan Polis, Semarak KL                      | 92.6                            | Aug-11                 |
| Medium Cost 1664 unit apartment, Kota Kinabalu       | 115.5                           | Jun-12                 |
| UMK Kampus Bachok, Phase 2                           | 30.0                            | Apr-11                 |
| Kuantan Project                                      | 6.9                             | Mar-11                 |
| Toll Plazas, Administration Complex - KLKSE          | 9.4                             | Apr-11                 |
| Plaza Merdeka Commercial Complex/Hotel - Kuching     | 23.7                            | Mar-11                 |
| City Waterfront Jln Tun Fuad Stephens, Kota Kinabalu | 2.7                             | Jan-11                 |
| Mayland Regalia Service Apartments                   | 81.1                            | May-11                 |
| Politeknik Sandakan Sabah                            | 28.2                            | Feb-11                 |
| Pool Villa (Korean Condo) Taman Tiara Phase 1        | 12.7                            | Apr-11                 |
| HUKM - Cheras KL                                     | 148.3                           | May-12                 |
| UiTM - Sarawak                                       | 304.0                           | Mar-13                 |
| Sri Damansara Earthworks                             | 4.5                             | Jan-11                 |
| New Permanent LCCT Complex & Associate Works*        | 974.8                           | Apr-12                 |
| 33 units Shop Offices, Lot 3 Alamesra K. Menggatal   | 16.0                            | Mar-12                 |
| Plaza Merdeka Commercial Complex/Hotel - Package 4   | 95.7                            | Mar-12                 |
| Proposed New Hospital Luyang, Kota Kinabalu          | 9.0                             | Feb-11                 |
| The Haven Condominium project, Ipoh                  | 82.3                            | Dec-12                 |
| Kelana Jaya and Ampang Line Extension Project        | 702.3                           | TBA                    |
| <b>Overseas</b>                                      |                                 |                        |
| Siam Ice Co. Ltd Plant at Rayong Thailand            | 0.2                             | Jan-11                 |
| Brunei - 2000 unit housing project                   | 76.9                            | Apr-11                 |
| Siam Pinapple Feed Plant at Rayong, Thailand         | 1.2                             | Jan-11                 |
| Brunei - Skim Tanah Kurnia Rakyat Kampung Lugu       | 155.5                           | TBA                    |
| Stormwater Pipeline Project in Qurayat, Saudi Arabia | 5.7                             | TBA                    |
| Stormwater Pipeline Project in Turaif, Saudi Arabia  | 19.7                            | TBA                    |
| Warehouse Building at Ladkrabang Industrial, Bangkok | 17.5                            | May-11                 |
| <b>Total</b>   | <b>3169.6</b>                   |                        |

\*Bina Puri's portion is 40% of total amount

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