

# Equity Beat

25 February 2010

## FY09 Results Review

## Naim Holdings Berhad

FY09 results within expectation

**Maintain BUY****Unchanged Target Price (TP): RM3.90**

- Naim's FY09 net profit of RM78.9m was within our expectation. Naim declared a final dividend of 5 sen, totalling 8 sen dividend for the full year with 2.4% yield.
- Forecast for FY10 and FY11 are maintained, backed by RM1.85b order book, which mainly centered on Kuching Flood Mitigation project and road works.
- Our BUY call is maintained with 12-month target price of RM3.90 per share based on sum-of-parts valuation relative to PER approach.

## STOCK INFO

Price ( 24 Feb 10)	RM3.30	KLCI	1,270.78
Issued shares (mil)	250	Bursa / Bloomberg	5073 / NHB MK
Par Value (RM)	1.00	Board / Sector	Main / Construction
Market cap. (RM'm)	RM0.83m	Syariah Compliant	Yes
Price over NTA	1.27		
52-wk price Range	RM1.08–RM3.70	Major Shareholders	
Beta (against KLCI)	1.04	Island Harvests S/B	12.25%
3-mth Avg Daily Vol	0.189m	Hasmi Hasnan	11.67%
3-mth Avg Daily Value	RM0.56m	Tapak Beringin S/B	10.96%

**Profit within estimate.** Naim full year net profit came in within our expectation at RM78.9m. However, full year turnover was marginally 5% above MIDF expectation, supported by higher construction division contribution of 11.8%yoy although property contribution softened as compared to the preceeding year.


**E&C contributes more than 50% of its turnover.** Year-on-year, the construction division contributed 56% of its revenue while the remaining came from its property division of 30% and sale of goods and services of 14%. Construction division is expected to continue to contribute more than 50% of its turnover growth as more state projects are likely to be awarded and local construction companies including Naim is expected to be one of the frontrunners.

**RM1.85b contracts in hand.** Naim has a commendable orderbook of RM1.85b which centered on Kuching Flood Mitigation (RM150m for Phase 1) and SPNB (RM624m). It holds LOIs worth RM1.5b for the subsequent phases of Kuching Flood Mitigation and other road works. Prospects for new order book should improve further with the development of SCORE and more infrastructure related jobs (i.e. roads, bridges, schools) are expected to roll out in the coming months ahead of the state election next year. As highlighted earlier, East Malaysia will benefit from the RM2.3b government expenditure allocation under the 10MP. Moving forward, management indicated orderbook to be boosted by up to RM7b over the next five years.

**Margins seen to be sustainable.** The group registered a gross margin of 23% which is very close to 21% recorded last year, while pretax profit margin has increased to 20.9% from 19.9%. We estimate the pre-tax margin to sustain between 19% and 21% moving forward.

FYE 31 Dec	FY08	FY09A	FY10F	FY11F
Revenue (RM'm)	523.7	527.0	568.4	650.6
EBIT (RM'm)	66.4	86.7	85.3	96.3
Pretax Profit (RM'm)	104.2	110.2	107.3	126.1
Net Profit (RM'm)	85.8	78.9	85.3	104.1
EPS (sen)	34.3	31.6	34.1	41.6
EPS growth (%)	na	20.6	8.0	22.0
PER(x)	9.6	10.6	9.7	7.9
Net Dividend (sen)	8.0	8.0	9	9
Net Dividend Yield (%)	2.4	2.4	2.7	2.7

Source: Company, Forecasts by MIDFR

**Maintain BUY with no change in forecast.** We are maintaining our profit forecasts for FY10 and FY11 with target price of RM3.90 per share based on sum-of-parts valuation relative to PER approach, suggesting potential total returns more than 10% (including 2.7% dividend yield). We have ascribed industry PER of 12.5x, 9.5x and 10x to the net earnings of its 2010 construction, property and oil and gas divisions respectively. Given positive outlook on the respective divisions, the target PERs are within the average of their respective industry peers. 

## On-going projects

KEY PROJECTS	VALUE (RMm)
<b>Current Projects</b>	
Kuching Flood Mitigation (Phase 1)	148.8
Bengoh Dam	310.6
Sibu-Julau Road	176.5
Selangau-Matedang Road	188.0
SPNB Affordable Housing (3 contracts)	623.7
Kompleks Islam Sarawak	90.0
Transmission Line Package B	209.1
Fiji Projects	105.0
<b>Total</b>	<b>1,851.0</b>
<b>LOI stage</b>	
Kuching Flood Mitigation	1,151.0
Balingian Road	250.0
Supply of Equipment to Adtec	100.0
<b>Total</b>	<b>1,501.0</b>
<b>Grand Total</b>	<b>3,352.7</b>

Source: Naim Holdings Berhad

## Naim Holdings Berhad: 4Q09 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results			Cumulative		Comments
	4Q09	%YoY	%QoQ	FY09	%YoY	
Revenue	152.9	7.1%	5.8%	527.0	0.6%	Lower property sales offset by higher construction revenue
Operating costs	-130.1	-5.6%	12.4%	-440.3	-3.7%	
EBIT	22.8	356.0%	-20.6%	86.7	30.6%	
Interest cost	-1.0	150.0%	13.6%	-2.7	58.8%	
Invt income	1.8	-21.7%	102.2%	7.4	-60.8%	
Associate profit	1.2	-60.0%	-75.0%	18.8	-8.7%	Dayang's contribution falls yoy
Pretax profit	24.8	150.5%	-26.0%	110.2	5.8%	Better contribution supported by its construction activities yoy
Tax	-7.7	381.3%	-36.4%	-31.3	47.6%	Higher effective tax rate yoy
Minority Int	-1.7			0.0		
Net profit	15.4	88.6%	-28.2%	78.9	-8.0%	
		+/- ppts	+/- ppts		+/- ppts	
Pretax margin (%)	16.2%	1.3	-0.3	20.91%	0.1	

## Sum-of-parts valuation

Segment	Net Profit (RM'm)	Valuation (RM'm)	Basis
Construction	40.9	511.8	12.5x PER, FY10 projected earnings
Property	32.4	307.93	9.5x PER, FY10 projected earnings
Oil & Gas	11.9	119.42	10x PER, FY10 projected earnings
		<b>939.2</b>	
<b>Net cash</b>		0.6	
<b>Target price</b>		<b>3.88</b>	

Source: Company, Forecasts by MIDFR

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.