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Results review

BBR Holdings

4 March 2008

Even better to come

Snapshot		P&L				Key ratios (FY08F)	
Recommendation	Buy	*(Y/E Dec)*	FY2006	FY2007	FY2008F	PER	5.0x
Current Price	S$0.08	Revenue (S$m)	101.1	204.1	225.7	P/BV	1.7x
Target Price	S$0.12	EBIT	2.9	5.4	30.9	Div yield	0%
No of Shares	1,541m	Earnings	2.4	4.4	24.6	ROE	43.2%
Market Cap	S$123.28m	EPS (Scts)	0.2	0.3	1.6	Net gearing	Cash
Year Hi/Lo	S$0.19/0.06	EPS growth (%)	6	50	433	Current ratio	2.3x

Source: SIAS Research, Bloomberg

FY07 Results Review

S$m	FY07	FY06	% Chg
Revenue	204.1	101.1	102
Gross Profit	14.4	10.6	35
Net Profit	4.4	2.3	92
Gross Margin	7.1	10.5	-32
Net Margin	2.2	2.3	-4.3

Source: Company, SIAS Research

- Net profit surged 92% to S$4.4m on the back of a 102% rise in revenue to S$204.1m due to an increase in number of construction projects. The group's share of profit from Nassim Hill project was S$0.9m.

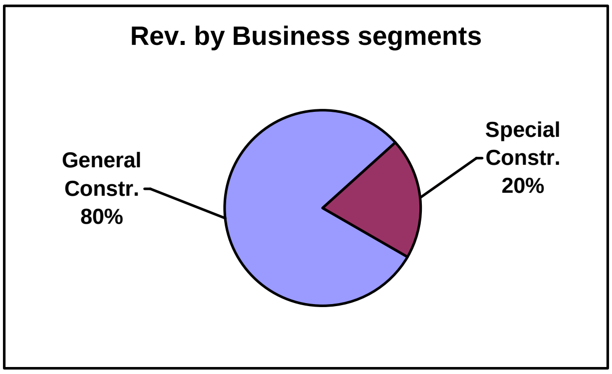
- Margins declined due to long-term jobs being secured prior to the rise in construction costs, with the latter not locked-in. Margins on upcoming jobs are expected to be much better given construction market buoyancy and limited further upside to construction costs.

S$m	FY07	FY06	% Chg
Total Assets	184.1	91.3	102
Total Liability	139.3	75.6	84
Equity	44.8	15.7	186

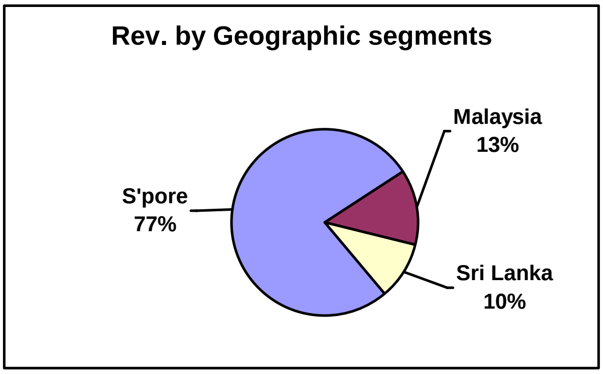
Source: Company, SIAS Research

- Total assets jumped 102% to S$184.1m with development properties being the main contributor. The 84% rise in total liability to S$139.3m was due to increased debt to finance working capital and cost associated with their property development projects. BBR had a share placement that accounted for the increase in equity to S$44.8m.

- Order book stands at an all time high of S$518m.



Constr. = Construction
Source: Company



Source: Company

Business Outlook

- Demand for construction in 2008 is expected to be between S$23b-S$27b. In 2007, government postponed S$2b construction projects to 2010, and lately postponed another S$1b, because of tight industry resources.

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- Revenue from the two property development projects would fuel BBR's bottom-line over the next two years.

Key Risk

- **Cooling Property Market:** Property transactions have decreased substantially in 4Q07. During this generally tough time, BBR still managed to sell seven of its 16 high-end Nassim units at attractive prices.

Valuation & Recommendation

- **Recommendation:** Our RNAV from the two properties is 12.5 cts. Due to the uncertainty and slowdown in the property market, a 20% discount to its RNAV would be prudent. Its construction peers are trading at 11.7x PE08. Our blended valuation is 12 cts. **Buy**. **(Johnny Kwon)**

Peer comparison

Company	Price S$	PE08	PE09	ROE	PB
ROTARY ENGINEERING LTD	0.91	8.4	7.5	34.6	3.1
YONGNAM HOLDINGS LTD	0.225	9.0	7.8	42.8	2.8
LOW KENG HUAT SINGAPORE LTD	0.485	18.7	6.5	7.1	0.7
HIAP SENG ENGINEERING LTD	0.37	7.6	4.4	30.5	2.0
Average		***11.7***	***6.2***	***26.8***	***1.8***

Source: Bloomberg

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Financial Table and Ratios

Year End December	FY05	FY06	FY07	FY08F
Profit & Loss (S$m)				
Turnover	123.2	101.1	204.1	225.7
EBIT	3.1	2.9	4.5	30.9
PBT	2.6	2.7	5.1	30.1
Earnings	2.2	2.4	4.4	24.6
Earnings per share (Scts)	0.2	0.2	0.3	1.6
Balance Sheet (S$m)	**FY05**	**FY06**	**FY07F**	**FY08F**
Long Term Assets	13.1	11.9	19.4	17.6
Current Assets	58.3	79.4	164.7	138.4
Current Liabilities	56.6	62.1	73.4	63.1
Long Term Liabilities	1.4	13.5	66.0	22.4
Total Equity	13.3	15.7	44.8	70.5
Net Gearing	Net Cash	Net Cash	103.0%	Net Cash
Cash Flow (S$m)	**FY05**	**FY06**	**FY07F**	**FY08F**
Operating Cash Flow	1.3	(4.6)	(64.7)	55.4
Investing Cash Flow	8.2	7.0	(8.0)	(1.4)
Financing Cash Flow	(9.0)	(0.7)	79.2	(40.5)
Net cash increase/(decrease)	0.5	1.7	6.5	13.5
Cash at year end	12.3	14.1	20.6	34.1
Financial Ratios	**FY05**	**FY06**	**FY07F**	**FY08F**
Revenue Growth (%)	15.4%	-18.0%	101.9%	10.6%
Operating Profit Growth (%)	-19.3%	-6.8%	54.0%	606.6%
Earnings Growth (%)	14.9%	9.7%	82.6%	472.4%
Operating Margin (%)	2.6%	2.9%	2.2%	14.1%
Net Margin (%)	1.8%	2.4%	2.2%	11.3%
Current Ratio (x)	1.0	1.3	2.2	2.2
Book value per share (Scts)	1.0	1.0	2.9	4.6
Return on Equity (%)	16.7%	15.5%	14.7%	44.1%
Return on Asset (%)	3.1%	2.7%	2.4%	16.3%
Valuations	**FY05**	**FY06**	**FY07F**	**FY08F**
PER (x)	44.1	41.9	27.7	4.8
Price to book (x)	7.4	6.5	2.8	1.7

Source: Company, SIAS Research

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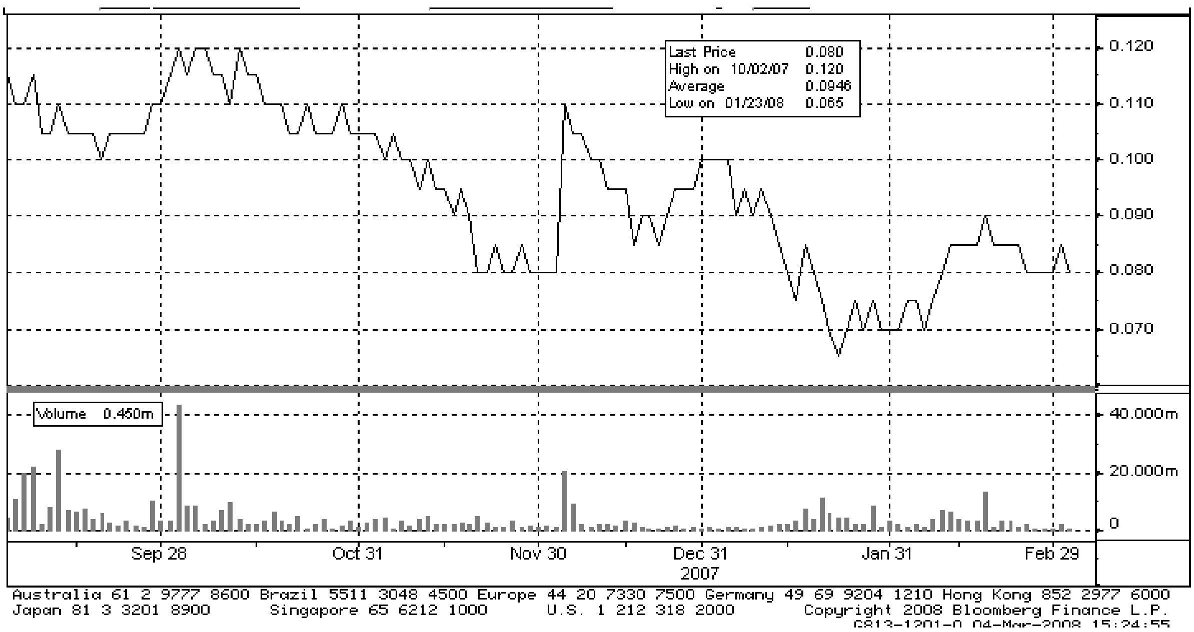
About the Company

Since its inception in 1993, the BBR Group has grown significantly and today, it has established three core business activities, namely, General Construction, Specialist Engineering and Property Development. Its General Construction activities are mainly undertaken through its wholly-owned subsidiary, Singapore Piling & Civil Engineering Pte Ltd. The company is active in Singapore as well as overseas, having undertaken projects in Korea as well as Sri Lanka. Its Specialist Engineering arm is part of the BBR Network that spans 42 countries. Today, BBR Singapore has a strong presence in Malaysia, Philippines, Thailand and Sri Lanka.

Price–Volume Chart



Source: Bloomberg

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As of the date of the report, the analyst and his immediate family do not hold positions in the securities recommended in this report.

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