

## BBR Holdings

5 February 2008

*Construction Deluge*

Snapshot		P&L				Key ratios (FY08F)	
Recommendation	Buy	(Y/E Dec)	FY2006	FY2007F	FY2008F	PER	4.7x
Current Price	S\$0.075	Revenue (\$m)	101.1	182.9	225.7	P/BV	1.7x
Target Price	S\$0.15	EBIT	2.9	7.7	32.1	Div yield	0%
No of Shares	1,541m	Earnings	2.4	4.2	24.7	ROE	43.2%
Market Cap	S\$107.9m	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

### Recent Updates

- **Sri Lanka expansion:** BBR incorporated a wholly owned subsidiary, Singapore Piling and Building Construction Lanka, in Sri Lanka in the 4<sup>th</sup> quarter of 2007.
- **Latest contract awards:** BBR was awarded a S\$189.6 million contract in December 2007. The URA job entails the construction of the proposed common services tunnel phase 3A at downtown core. The work started on 7 Dec 07 and is expected to be completed by 6 September 2010, a duration of 40 months.
- BBR clinched a S\$6 million contract in mid January 2008 from the Land Transport Authority. The job requires BBR to upgrade bridges at seven locations in Singapore and has a contract duration of 14 months starting 28 Jan 08.
- BBR was awarded a S\$95.3 million contract by Ascendas to build an office tower at the International Business Park in Jurong East. The 19 months long job is expected to start in February 2008.
- **Order book:** The order book now stands at S\$517.9 million. BBR is running at 74% construction capacity.
- **Properties:** Seven out of the 16 Nassim units have been sold during 4Q07. TOP will be obtained in mid 2010.

- The property development at Holland will have 56 units. The launch is expected to be in April 2008 subject to URA approval. TOP is set for Dec 2012.

### Outlook

- **Construction Industry:** The construction industry is expected to remain a darling in 2008. The government postponed S\$2b construction projects to 2010 because of tight industry resources. Upcoming construction jobs from the Exxon Mobil and Shell projects are worth S\$10b. Construction contracts to be awarded in 2008 is estimated to be S\$23-27b versus S\$24.5b in 2007.

### Key Risk

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

### Valuation & Recommendation

- **Valuation:** On an RNAV basis alone, BBR would be valued at 12.5 cts, considering the two properties bring a revaluation surplus of 9.8 cts. Using an average PE of 10.9x would value BBR at 17.4 cts. A blended valuation of BBR would price the stock at 15 cts.
- **Recommendation:** At the current price of 7.5 cts, there is limited downside risk and an upside potential of 100% based on our target price of 15 cts. Maintain **Buy**. (Johnny Kwon)

**Peer comparison**

Company	Price S\$	PE08	PE09	ROE	PB
CSC	0.285	7.4	7	40	2.4
ROTARY ENGINEERING LTD	0.905	9.0	7.8	29.0	2.7
YONGNAM HOLDINGS LTD	0.21	14.0	7.8	116.0	4.2
LOW KENG HUAT SINGAPORE LTD	0.445	17.1	5.9	7.1	0.7
HIAP SENG ENGINEERING LTD	0.345	7.2	4.1	30.5	1.9
<b>Average</b>		<b>10.9</b>	<b>6.5</b>	<b>44.5</b>	<b>2.4</b>

*Source: Bloomberg*

### Financial Table and Ratios

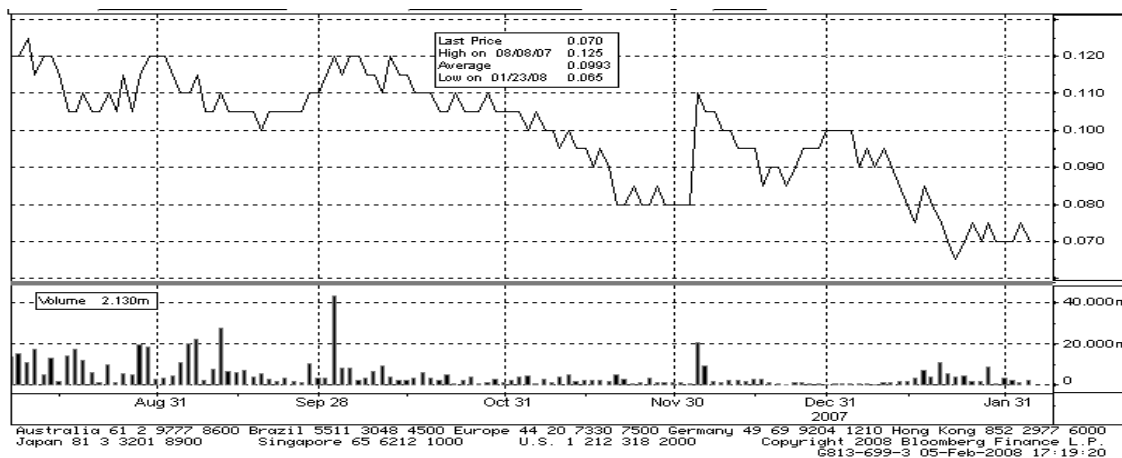
Year End December	FY05	FY06	FY07F	FY08F
<b>Profit &amp; Loss (\$m)</b>				
Turnover	123.2	101.1	182.9	225.7
EBIT	3.1	2.9	7.7	32.1
PBT	2.6	2.7	5.3	30.3
Earnings	2.2	2.4	4.2	24.7
Earnings per share (Scts)	0.2	0.2	0.3	1.6
<b>Balance Sheet (\$m)</b>				
Long Term Assets	13.1	11.9	17.7	16.1
Current Assets	58.3	79.4	150.5	143.3
Current Liabilities	56.6	62.1	81.0	63.7
Long Term Liabilities	1.4	13.5	42.4	26.1
Total Equity	13.3	15.7	44.8	69.6
Net Gearing	Net Cash	Net Cash	71.6%	Net Cash
<b>Cash Flow (\$m)</b>				
Operating Cash Flow	1.3	(4.6)	(49.1)	45.3
Investing Cash Flow	8.2	7.0	(7.3)	(1.2)
Financing Cash Flow	(9.0)	(0.7)	55.5	(14.8)
Net cash increase/(decrease)	0.5	1.7	(0.9)	29.3
Cash at year end	12.3	14.1	13.1	42.5
<b>Financial Ratios</b>				
Revenue Growth (%)	15.4%	-18.0%	80.9%	23.9%
Operating Profit Growth (%)	-19.3%	-6.8%	163.5%	308.2%
Earnings Growth (%)	14.9%	9.7%	72.3%	472.9%
Operating Margin (%)	2.6%	2.9%	4.2%	14.2%
Net Margin (%)	1.8%	2.4%	2.3%	11.0%
Current Ratio (x)	1.0	1.3	1.9	2.3
Book value per share (Scts)	1.0	1.0	2.9	4.5
Return on Equity (%)	16.7%	15.5%	9.4%	43.2%
Return on Asset (%)	3.1%	2.7%	2.5%	15.5%
<b>Valuations</b>				
PER (x)	44.1	41.9	26.8	4.7
Price to book (x)	7.4	6.5	2.6	1.7

Source: Company, SIAS Research

### 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, a company it acquired in 2001. Singapore Piling has a 37-year history and has been registered with the Building & Construction Authority of Singapore under the "A1" classification since 1984. 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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