

GICS: Industrials/Construction & Engineering

Business Summary: Incorporated in 1993, and listed on SGX SESDAQ in 1997 and upgraded to the Main Board on Sep. 20, 2006, BBR Holdings (S) Ltd (BBR), a key player in the Singapore construction industry provides services in general construction, specialised engineering and property.

Country of Incorporation: Singapore

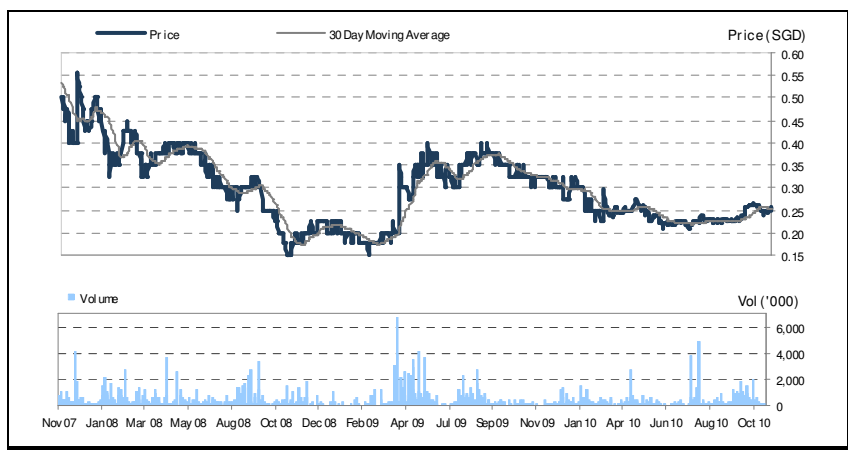
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Results Review

- BBR reported a net profit of SGD3.5 mln for 3Q10 (+19% YoY). Cumulative 9M10 results were within our expectations, making up about 75% of our original full-year net profit forecast. Better-than-expected gross margin at 13.9% (vs. 2010E:12%) was offset by a higher-than-expected effective tax rate of 12.9% (vs. 2010E:10%). As expected, no interim dividend was declared
- 9M10 group revenue decreased 12.3% YoY to SGD146.2 mln as a result of lower works recognition from construction. Although work has commenced for key new projects - which include the SGD139.6-mln proposed common service tunnel at Downtown Marina Bay and the SGD81.5-mln Tai Seng facility building since 2Q10 - they have yet to hit key billing milestones. More notable is BBR's jump in gross profit margin, from 8.2% in 9M09. This is due to recognition of receipts, especially from specialist engineering projects, which have higher profit margins, and its ongoing tight project cost monitoring. In addition, as the costs for these projects were prudently expensed in 2009, this resulted in an overall higher margin in 9M10. Meanwhile, associate contribution reduced 15.1% YoY to SGD4.9 mln, as there was a lack of profit contribution from 8 Nassim Hill which has already achieved TOP. The above translated to an increase in net profit to SGD10.7 mln in 9M10 (up 33.2% YoY).
- BBR's total orderbook stands at SGD520 mln, with projects that will last to 2014 in Singapore and Malaysia. We expect BBR to start recognizing sales contribution from the Lush on Holland Hill from FY11 onwards, which should boost its property income.

Earnings Outlook / Estimates Revision

- After fine-tuning our projections, we have increased our 2010 and 2011 net profit forecasts slightly by 1% and 3% respectively. We have incorporated higher gross margins particularly in 2010, to reflect the group's prudent cost management offset partially by a higher effective tax rate of 13% (vs. 10% previously). Although the higher workers' levy recently announced is expected to erode gross margin, this should be mitigated by contribution from the property division (with the start of revenue recognition from Holland Hill in FY11 onwards) which yields higher margins.
- The outlook looks positive, with construction demand (particularly government public projects) to be sustained in the next few years and with the healthy interest in the Singapore property market. In order to replenish its landbank, the group recently bought a site in Goodrich Park, located in close proximity to the Kovan MRT station for SGD86.0 mln, which will be developed into a low-rise condominium. The project is targeted to be launched some time in end-2011.

Investment Risks

- A sharp rise in labor or material costs, shortage of skilled labor or increase in project execution costs can adversely affect project viability and profitability. Similarly, an unexpected downturn in the property market will likely adversely affect the group's property sales. On the other hand, if the real estate market continues its uptrend, the government may be forced to impose further cooling measures which may temper sentiment and future sales.

Key Stock Statistics

52-week Share Price Range (SGD)	0.21 - 0.33
Avg Vol - 12 months ('000 shares)	337.7
Price Performance (%)	
- 1 month	-3.8
- 3 month	8.7
- 12 month	-23.1
No. of Outstanding Shares (mln)	307.7
Free Float (%)	68.0
Market Cap (SGD mln)	76.9
Enterprise Value (SGD mln)	68.2
Major Shareholders (%)	
BBR Holding Ltd	26.6
Kheng Hwee Tan, Andrew	5.4

Per Share Data

FY Dec.	2008	2009	2010E	2011E
Book Value (SG cents)	15.62	20.03	24.54	27.95
Cash Flow (SG cents)	3.5	6.0	5.5	4.8
Reported Earnings (SG cents)	1.2	4.3	4.7	4.0
Dividend (SG cents)	0.0	0.6	0.6	0.6
Payout Ratio (%)	0.0	11.5	12.8	15.0
PER (x)	21.1	5.8	5.3	6.2
P/Cash Flow (x)	7.1	4.2	4.6	5.2
P/Book Value (x)	1.6	1.2	1.0	0.9
Dividend Yield (%)	0.0	2.4	2.4	2.4
ROE (%)	17.9	29.2	21.0	15.3
Net Gearing (%)	79.9	10.2	9.3	0.0

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Earnings Performance

FY Dec. / SGD mln	3Q10	3Q09	% Change
Reported Revenue	77.4	51.7	49.8
Reported Operating Profit	3.1	1.9	65.6
Depreciation & Amortization	-0.6	-0.5	10.4
Net Interest Income / (Expense)	-0.5	-0.3	88.8
Reported Pre-tax Profit	4.3	3.7	16.4
Reported Net Profit	3.5	3.0	18.9
Reported Operating Margin (%)	4.0	3.6	-
Reported Pre-tax Margin (%)	5.6	7.2	-
Reported Net Margin (%)	4.5	5.7	-

Source: Company data

Profit & Loss

FY Dec. / SGD mln	2008	2009	2010E	2011E
Reported Revenue	253.9	205.4	189.7	338.6
Reported Operating Profit	1.1	6.8	11.0	10.3
Depreciation & Amortization	-2.5	-2.3	-2.4	-2.5
Net Interest Income / (Expense)	-0.1	-1.2	-1.8	-1.8
Reported Pre-tax Profit	3.9	15.7	16.9	14.5
Effective Tax Rate (%)	3.3	12.9	13.0	13.0
Reported Net Profit	3.7	13.4	14.4	12.3
Reported Operating Margin (%)	0.4	3.3	5.8	3.0
Reported Pre-tax Margin (%)	1.5	7.6	8.9	4.3
Reported Net Margin (%)	1.4	6.5	7.6	3.6

Source: Company data, S&P Equity Research

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