

More to Naim Holdings?

Analysts say the stock is undervalued based on several factors

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PETALING JAYA: Naim Holdings Bhd's stock is said to be undervalued after considering factors such as the group's real estate assets, earnings visibility and 34% stake in associate Dayang Enterprise Holdings Bhd, according to research analysts.

The group, headquartered in Kuching, Sarawak, was in the lime-light recently after its wholly-owned subsidiary Naim Engineering Sdn Bhd won a RM208.2mil contract for one of the work packages for the My Rapid Transit (MRT) project in Kuala Lumpur.

Naim Holdings is involved in property development, and contracting of construction, civil engineering, oil and gas and infrastructure projects.

According to *Bloomberg* data, the major shareholders of Naim Holdings include Island Harvests Sdn Bhd (12.25%), Tapak Beringin Sdn Bhd (10.96%), Lembaga Tabung Haji (10%), managing director Datuk Hasmi Hasnan (6.67%), Skim Amanah Saham Bumiputra or ASB (5%), Employees Provident Fund (5%) and chairman Datuk Abdul Hamed Sepawi (4.86%).

Hasmi is also the chairman of Dayang Enterprise.

The group's market capitalisation is RM472.5mil. The stock closed 5 sen higher to RM1.89 yesterday.

TA Securities Holdings Bhd analyst Ooi Beng Hooi pointed out that Naim Holdings' 33.63% stake in Dayang Enterprise, which is a service provider to the oil and gas industry, is worth RM379.1mil or RM1.51 per Naim Holdings share (based on a price of RM2.05 per Dayang Enterprise share).

"Also, Naim Holdings has an undeveloped land bank of 2,620 acres in Sarawak with an estimated gross development value (GDV) of RM9.5bil," said Ooi.

The group's flagship property developments are Bandar Baru Permyjaya in Miri, Desa Ilmu in Kota



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Samarahan, and the up-market Riveria satellite township in Kuching.

TA Securities is maintaining a buy call on Naim Holdings' stock, with a target price of RM2.26 per share.

Meanwhile, Kenanga Research has an outperform call Naim Holdings' stock, with a target price of RM2.94.

In a recent note, Kenanga Research said it was neutral on the MRT contract as it was within the research unit's financial year 2012 annual order book replenishment of RM500mil.

"We expect the contract margin to hover around 6% to 8% at the pre-tax level, which is in line with the group's track record."

The research unit said to date, Naim Holdings' outstanding order book stood at RM1.3bil, including the MRT contract, which would provide earnings visibility for the next four years.

"The next re-rating catalyst for Naim Holdings will be additional new contracts secured this year. Thus far, the group has secured RM500mil worth of new contracts this year," said Kenanga Research.

An industry source also reckoned there was plenty of share price

upside potential for Naim Holdings within a two to three-year horizon, based on new property developments and possibly more government construction contracts in Sarawak.

The source pointed out that Naim Holdings would develop the site of the old Bintulu airport into an integrated upmarket commercial and residential project, with a GDV of RM2bil.

"Also, look at the proximity of the fast-developing new Samalaju Industrial Park, where international companies have invested, to Bintulu. A new RM1.8bil Samalaju Port project is also ongoing in Bintulu. So, there is strong potential for lucrative property plays for Naim Holdings," said the source.

Samalaju is one of the five growth nodes of Sarawak Corridor of Renewable Energy (SCORE) and it will become the state's new heavy-industry centre.

Meanwhile, HwangDBS Vickers Research said Naim Holdings' MRT contract win underpinned its competitiveness, as it is the first East Malaysian contractor to be awarded one of the main packages of the MRT project.

"Future prospects remain bright with the development of SCORE, where Naim is poised to be one of the largest beneficiaries as the local champion."

The research unit also said property sales remained robust in Sarawak, supported by the booming oil and gas industry.

Naim Holdings' unbilled sales stood at RM176mil, and the take-up for its new launches has been strong.

"The group generated RM184mil sales last year, the best since 2007. The strong sales performance will translate into sound financial results over the next two years."

It should be noted that last year, Naim Holdings posted a significant 52.3% drop in net profit to RM46.6mil, compared with RM97.75mil in 2010.

Revenue dropped 32.8% year-on-year to RM411.9mil for the year ended Dec 31, 2011.

In its 2011 annual report, Naim Holdings pointed out that last year was only the second time in its 16-year history that the group has performed below expectations.

However, the group was confident the results were only a temporary setback due to factors such as the slowdown of Federal Government funding for major infrastructure projects in Sarawak, and the nationwide decline in construction margins.

Naim Holdings had posted improved results for the first quarter ended March 31, where its net profit grew 31.5% year-on-year to RM16.1mil. Revenue was 22% lower to RM94.2mil for the quarter under review, and the group attributed the earnings growth to improved margins for its construction segment as well as better performance of its associates and joint ventures, and a decrease in administrative expense.

HwangDBS Vickers Research said an earnings recovery on the horizon for Naim Holdings, and its balance sheet remained strong with 17% net gearing (as at March).