

Naim clinches another MRT contract

Naim Holdings Bhd
(Oct 4, RM1.87)

Maintain buy with a revised target price of RM3.10: MRT Corp announced in a statement yesterday that Naim has been awarded the MRT1 station job (Package S2 — construction and completion of elevated stations and other associated works at Taman Industri Sungai Buloh, PJU 5 and Dataran Sunway) for RM204.7 million. The project will commence next year and is expected to complete in 2016. This is the second MRT1 station contract secured by Naim this year. The first one, which was awarded on July 26, 2012, was Package S4 (Section 16, Pusat Bandar Damansara) worth RM208 million. Naim has yet to receive the letter of acceptance from MRT Corp.

Naim has secured about RM730 million worth of jobs in 2012. This exceeds our order book replenishment assumption of RM400 million for this year. Its total outstanding order book currently stands at RM1.2 billion. Assuming 5% to 6% net margin, Naim could fetch an average annual net profit of RM3.4

million to RM4.1 million for the next three years. This would add another of 1.4 sen to 1.6 sen to Naim's earnings per share (EPS).

Going forward, we will not be surprised if Naim could clinch another MRT station package for the MRT2 line that is slated to be awarded next year. This is due to its competitive advantage to bid at a lower price given lower mobility costs (utilise same equipment as MRT1) and familiarity with the project.

Both MRT1 stations job are expected to start contributing next year. Hence, we have revised upwards our net profit forecast for the financial year ending Dec 31, 2013 (FY13) by 2.3% and FY14 by 2.5%. However, we are still maintaining the RM500 million assumption of new contracts for FY13 and FY14.

We reiterate our "buy" recommendation with a revised target price of RM3.10 (from RM3.04 previously) based on sum-of-parts valuation. The revised target price is after rolling over our construction and property earnings base to FY13. — *MIDF Research, Oct 4*