17 February 2025

Construction & Engineering | Construction & Engineering

Binastra Corporation (BNASTRA MK)

Buy

Builder With a Solid Track Record; Initiate BUY

Target Price (Return):	MYR2.21 (+20%)
Price (Market Cap):	MYR1.85 (USD474m)
ESG score:	3 (out of 4)
Avg Daily Turnover (MYR/USD)	2.33m/0.52m

- **Initiate coverage with BUY, MYR2.21 TP based on 18x FY26F P/E, 20% upside with 2% FY26F (Jan) yield.** This valuation is at a slight premium to that ascribed to Binastra Corporation's closest peer, Kerjaya Prospek (KPG MK, BUY, TP: MYR2.67) at 17x P/E. This is justified by BNASTRA's long-term relationships with key clients that have robust project pipelines, coupled with its diversification beyond non-residential property projects. This counter is trading at an undemanding 15x FY26F P/E, which is at a discount to the Bursa Malaysia Construction Index's forward P/E of 16x.
- **Orderbook.** BNASTRA has clinched MYR3.1bn worth of new jobs in FY25 (Jan) – a record high compared to its job replenishment levels in FY22-24, which never exceeded MYR1bn. The substantial increase in new job wins in FY25 is mainly backed by key clients that have project pipelines of MYR6-8bn worth of cumulative GDV; these projects are expected to be launched annually over the next three years. Also, we note that the group has been gradually securing non-residential jobs such as data centres (DCs) and sewage treatment plants in FY25 worth a total of c.MYR1.1bn. As of early Dec 2024, its outstanding orderbook of MYR3.7bn provides an orderbook-to-revenue cover ratio of 8.7x, vs the industry average of 3-4x.
- **Job replenishment prospects.** BNASTRA's key clients such as EXSIM Development (EXSIM) and Maxim Global (MAXIM MK, NR) are expanding into Johor Bahru, with upcoming projects (located in the vicinity of the Bukit Chagar Rapid Transit System (RTS) station) potentially having a GDV of more than MYR5bn – translating into contracts worth at least MYR2.5bn that BNASTRA can eye for.
- **Earnings estimates.** We project a 3-year (FY24-27) earnings CAGR of 161% for BNASTRA, largely in tandem with its anticipated orderbook growth. This is backed by the expansion of its key clients beyond the Klang Valley and its diversification into non-residential projects. BNASTRA's involvement in mixed development projects with multiple phases – which could translate to a higher likelihood of securing participation in the later phases – is estimated at c.MYR4bn, based on the group's current five mixed development projects (Figure 6). As such, we pencil in a job replenishment target of MYR4bn and MYR3.5bn for FY26 and FY27. The group plans to pay out at least 30% of its earnings as dividends from FY26F onwards.
- **ESG efforts.** BNASTRA prioritises the reuse and recycling of valuable building materials such as steel bars, timber, concrete, aluminium and plastic, on top of deploying advanced formwork systems that reduce material wastage but maintain construction efficiency. Our MYR2.21 TP incorporates a 0% ESG premium, as its ESG score of 3 is on par with the country median.
- **Downside risks:** Failure to secure new contracts, higher-than-estimated cost of raw materials.

Forecasts and Valuation	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Total turnover (MYRm)	185	425	968	1,610	2,027
Recurring net profit (MYRm)	17	41	90	134	169
Recurring net profit growth (%)	(4.8)	146.8	121.0	48.4	26.4
Recurring P/E (x)	121.86	49.38	22.34	15.06	11.91
P/B (x)	47.4	24.2	7.3	5.4	4.1
P/CF (x)	na	152.98	17.51	18.17	15.64
Dividend Yield (%)	na	na	na	2.0	2.5
EV/EBITDA (x)	83.02	35.01	14.98	9.60	7.43
Return on average equity (%)	74.6	64.9	50.1	41.3	39.4
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Analyst

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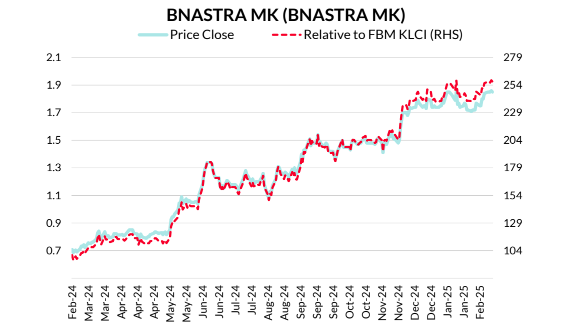
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	5.7	0.0	25.0	41.2	172.1
Relative	8.8	(1.0)	25.6	42.5	168.0
52-wk Price low/high (MYR)					0.69 – 1.86



Source: Bloomberg

Overall ESG Score: 3 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.0 (GOOD)
G Score: 3.0 (GOOD)
Please refer to the ESG analysis on the next page

Note:
Small cap stocks are defined as companies with a market capitalization of less than USD0.5bn.

Emissions And ESG

Trend analysis
Not available

Emissions (tCO2e)	Jan-22	Jan-23	Jan-24	Jan-25
Scope 1	-	-	-	na
Scope 2	-	-	-	na
Scope 3	-	-	-	na
Total emissions	na	na	na	na

Source: Company data, RHB

Latest ESG-Related Developments

BNASTRA has developed a 4-tiered structure comprising the Board, the Sustainability Committee (SC), Sustainability Coordinator and the Sustainability Working Group (SWG).

The direct oversight provided by the Board allows for the monitoring of the group's sustainability strategy and its progress, as well as potential risks and opportunities.

The SC is chaired by a Independent Non-Executive Director and the SC chairperson reports the progress on its sustainability initiatives to the Board half yearly. It is supported by the Sustainability Co-ordinator and SWG from various departments, to help drive the group's sustainability initiatives.

ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

Last Updated: 9 February 2025

E Score: 3.0 (GOOD)
BNASTRA utilises the aluminium formwork system and prioritises recycling valuable building materials to reduce material wastage. The group also collaborates with developers and consultants to evaluate the potential impact of its activities on biodiversity and ecosystems.

S Score: 3.0 (GOOD)
BNASTRA ensures that all employees work in an environment that prioritises safety, fair treatment, and equal opportunities. Regular engagement sessions with employees are conducted to gather feedback and foster a supportive workplace culture.

G Score: 3.0 (GOOD)
BNASTRA conducts annual anti-corruption training, achieving a 49% completion rate in 2024. The target is 100% completion in the coming years. Zero corruption incidents were recorded as of 31 Jan 2024. Aside from that, it has set up a dedicated whistleblowing channel in accordance with the Whistleblowing Policy.

Financial Exhibits

Asia
Malaysia
Industrials
Binastra
BNASTRA MK
Buy

Valuation basis

FY26F P/E of 18x

Key drivers

Orderbook expansion from its key clients

Key risks

i. Sluggish job replenishment rate;
ii. Higher-than-estimated cost of raw materials.

Company Profile

Binastra Corporation is an investment holding company. Its wholly owned subsidiary, Binastra Builders, assumes a role as a general contractor holding a G7 license under the Construction Industry Development Board, and is involved mainly in high-rise property building projects.

Financial summary (MYR)	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Recurring EPS	0.02	0.04	0.08	0.12	0.16
DPS	-	-	-	0.04	0.05
BVPS	0.04	0.08	0.25	0.34	0.45
Return on average equity (%)	74.6	64.9	50.1	41.3	39.4

Valuation metrics	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Recurring P/E (x)	121.86	49.38	22.34	15.06	11.91
P/B (x)	47.4	24.2	7.3	5.4	4.1
FCF Yield (%)	(0.6)	0.2	4.7	4.5	5.4
Dividend Yield (%)	-	-	-	2.0	2.5
EV/EBITDA (x)	83.02	35.01	14.98	9.60	7.43
EV/EBIT (x)	84.70	36.14	15.21	9.71	7.52

Income statement (MYRm)	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Total turnover	185	425	968	1,610	2,027
Gross profit	26	61	131	214	263
EBITDA	24	57	122	187	236
Depreciation and amortisation	(0)	(2)	(2)	(2)	(3)
Operating profit	24	55	120	184	233
Net interest	(0)	(0)	(1)	(1)	(2)
Pre-tax profit	24	55	119	183	232
Taxation	(6)	(14)	(28)	(49)	(63)
Reported net profit	17	41	90	134	169
Recurring net profit	17	41	90	134	169

Cash flow (MYRm)	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Change in working capital	(31.3)	(31.1)	21.9	(26.4)	(44.9)
Cash flow from operations	(12.1)	13.2	115.0	110.8	128.7
Capex	(0.1)	(10.1)	(20.0)	(20.0)	(20.0)
Cash flow from investing activities	(0.3)	(24.5)	(20.0)	(20.0)	(20.0)
Dividends paid	0.0	0.0	0.0	(40.1)	(50.7)
Cash flow from financing activities	23.6	21.3	92.2	(51.4)	(62.3)
Cash at beginning of period	5.0	16.4	40.7	227.8	267.3
Net change in cash	11.2	10.0	187.2	39.4	46.4
Ending balance cash	16.2	26.4	227.8	267.3	313.7

Balance sheet (MYRm)	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Total cash and equivalents	16	41	228	267	314
Tangible fixed assets	1	9	23	30	38
Total assets	138	296	582	849	1,073
Short-term debt	0	25	35	45	55
Total long-term debt	0	0	0	0	0
Total liabilities	95	213	305	479	584
Total equity	42	83	277	370	489
Total liabilities & equity	138	296	582	849	1,073

Key metrics	Jan-23	Jan-24	Jan-25F	Jan-26F	Jan-27F
Revenue growth (%)	379.5	130.0	127.7	66.3	25.9
Recurrent EPS growth (%)	(4.8)	146.8	121.0	48.4	26.4
Gross margin (%)	14.1	14.2	13.5	13.3	13.0
Operating EBITDA margin (%)	13.0	13.4	12.6	11.6	11.7
Net profit margin (%)	8.9	9.6	9.3	8.3	8.3
Dividend payout ratio (%)	0.0	0.0	0.0	30.0	30.0
Capex/sales (%)	0.1	2.4	2.1	1.2	1.0
Interest cover (x)	454	170	76	103	104

Source: Company data, RHB

Valuation And Recommendation

Initiate coverage with BUY, MYR2.21 TP based on 18x FY26F P/E. Recall that the range of target P/Es ascribed to the small- and mid-cap contractors under our coverage is between 12x and 17x. We believe our target FY26F P/E of 18x for BNASTRA is warranted, due to the higher value of expected job wins, with FY25 seeing MYR3.1bn in new contracts, while we project FY26F job replenishment to hit MYR4bn – driven by key clients (EXSIM, MAXIM and Platinum Victory (PV)) with launches likely averaging MYR6-8bn in GDV cumulatively per year, over the next three years. We also do not discount the possibility of BNASTRA securing new DC jobs (particularly ones with smaller capacity), in view of its track record of securing three DC contracts.

Sensitivity analysis. We conducted our sensitivity analysis for FY26F earnings and TP. Taking into account the aforementioned points, we pencilled in a MYR4bn job replenishment target for FY26F as a base case. Our bearish scenario, meanwhile, assumes a MYR1bn job replenishment target for FY26F if risks from a deceleration in the launches of property projects from its clients arise. The bullish scenario sees the award of contracts valued higher at MYR8bn. Note that our TP also includes a 0% ESG premium/discount imputed, to account for the company's ESG score of 3.0.

Figure 1: Sensitivity analysis of new job replenishments for FY26F

Scenario	Yearly Job Replenishment Assumption (MYRm)	FY26F Earnings (MYRm)	Intrinsic Value (MYR)	ESG Premium/Discount of 0% (MYR)	Implied TP (MYR)
Bearish	1,000	115.7	1.91	0.00	1.91
Base	4,000	133.7	2.21	0.00	2.21
Bullish	8,000	157.8	2.61	0.00	2.61

Source: Company data, RHB

Valuation. Our TP of MYR2.21 is based on a target 18x FY26F P/E. For peer comparison purposes, we include construction players involved in building residential properties such as Kerjaya Prospek (KPG MK, BUY, TP: MYR2.67), MGB (MLG MK, BUY, TP: MYR1.20), Inta Bina (INTA MK, NR) and Vestland (VLB MK, NR). We also selected peers with DC exposure ie Sunway Construction (SCGB MK, BUY, TP: MYR5.50), Gamuda (GAM MK, BUY, TP: 5.83) and IJM Corp (IJM MK, BUY, TP: MYR3.97).

We believe that BNASTRA should trade at a discount to the major contractors (GAM, SCGB and IJM) not just based solely on market cap size, but also due to BNASTRA's involvement in smaller-scale DC jobs, at c.15MW per DC. In comparison, SCGB and GAM usually clinch DC jobs exceeding 20MW, based on our calculations. Our target valuation range for the said big-cap players are between 20x P/E and 27x P/E.

Meanwhile, we believe that BNASTRA should trade higher than its peers involved in residential property construction (KPG, MLG, INTA and VLB) due to its higher estimated annual job replenishment of MYR4bn for FY26F (other peers have annual new job wins not exceeding MYR2bn) combined with its higher ROAE. Furthermore, BNASTRA is gradually venturing into works related to sewage treatment plants – enhancing its ESG profile vs the peers in this category. Our target valuation range for the residential property builder peers under our coverage is 12-17x P/E.

Hence, we believe that our target P/E of 18x is justified, being slightly higher than the targets ascribed for the residential property peers, but at a discount to major contractors with high DC exposure.

Our target valuation is also derived by applying a small-cap discount of c.20% to the market cap weighted average 1-year forward P/E of 21.7x of the selected peers with DC exposure, but at a c.25% premium from its peers involved in residential property construction due to the aforementioned points.

Figure 2: Peer comparison

Company	FYE	Mkt Cap (MYRm)	Price 13-Feb-25 (Local Currency)	P/E (x)			Div. Yld (%)	ROAE (%)	EV/ EBITDA	NP Growth (%)	
				Actual	1 Yr Fwd	2 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	2 Yr Fwd
Binastra	Dec	2,102	1.86	49.7	22.5	15.1	2.0	50.1	9.7	48.4	26.4
Residential Peers											
Kerjaya Prospek	Dec	2,709	2.15	21.1	16.3	13.7	6.0	14.6	9.9	29.1	19.3
MGB	Dec	414	0.70	8.8	7.0	6.1	3.0	10.7	4.3	25.2	16.0
Vestland	Dec	581	0.59	21.4	11.1	7.5	0.0	33.9	10.1	92.1	47.8
Inta Bina	Dec	285	0.52	12.7	8.9	6.6	3.9	18.9	5.3	43.0	35.3
Mkt. Cap Weighted Avg.				**19.2**	**14.1**	**11.5**	**4.7**	**17.3**	**9.0**	**38.9**	**24.2**
Simple Avg.				**16.0**	**10.8**	**8.5**	**3.2**	**19.5**	**7.4**	**47.4**	**29.6**
DC Peers											
Gamuda	Jul	25,649	4.50	29.7	21.5	17.9	2.1	10.3	18.0	37.9	20.2
IJM Corp	Mar	8,094	2.31	14.1	15.1	13.5	3.3	4.7	8.2	-6.9	12.0
Suncon	Dec	5,476	4.25	38.6	32.3	20.6	1.6	18.9	21.9	19.4	56.9
Mkt. Cap Weighted Avg.				**27.7**	**21.7**	**17.4**	**2.3**	**10.3**	**16.5**	**26.1**	**23.6**
Simple Avg.				**27.4**	**23.0**	**17.3**	**2.3**	**11.3**	**16.1**	**16.8**	**29.7**
Mkt. Cap Weighted Avg.				**26.9**	**21.0**	**16.8**	**2.5**	**11.0**	**15.8**	**27.2**	**23.7**
Simple Avg.				**20.9**	**16.0**	**12.3**	**2.8**	**16.0**	**11.1**	**34.3**	**29.6**

Note: Data as at 13 Feb 2025
Source: Bloomberg, RHB

Investment Thesis

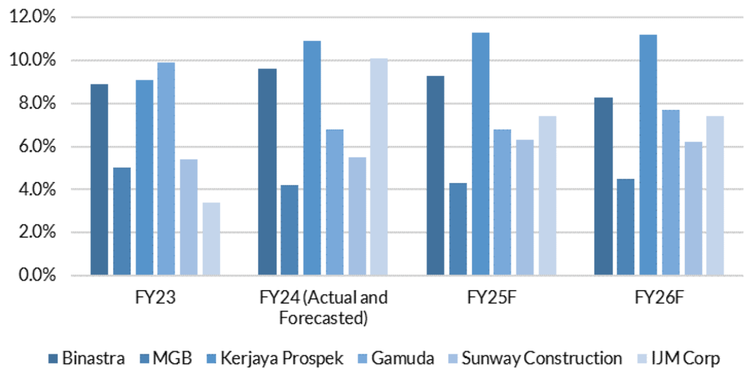
Contractor with a solid track record

BNASTRA's brand name goes back to 1980 during its inception as a private limited company initially managed by Binastra Construction (M). With more than 40 years of experience under the group's belt, over MYR12bn worth of contracts has been delivered via the completion of 189 projects since. BNASTRA came into investors' radars when its group managing director Datuk Jackson Tan Kak Seng spearheaded the regularisation of Comintel Corp (Comintel, PN 17-classified), which was completed in Dec 2022, followed by the upliftment of the latter's PN17 status in Sep 2023. Currently, construction contracts are undertaken by BNASTRA's wholly-owned subsidiary, Binastra Builders.

Long-term relationships with three major clients to support orderbook growth

BNASTRA's key clientele comprises PV, EXSIM and MAXIM, with relationships spanning 20, 13 and six years – enabling it to have a higher chance of securing projects. These clients are mostly involved in high-rise, mixed development projects that are predominantly in the Klang Valley. Over 2004-2024, we gathered that BNASTRA has clinched a total of MYR9.3bn worth of jobs from these three clients – MYR5.6bn from EXSIM, MYR1.9bn from PV and MYR1.8bn from Maxim. Such long-term relationships will facilitate BNASTRA in potentially securing new jobs with better bargaining power, which has enabled the group to record commendable net margins of close to 10%, ie better than most peers.

Figure 3: Core net margins of BNASTRA vs its peers (%)



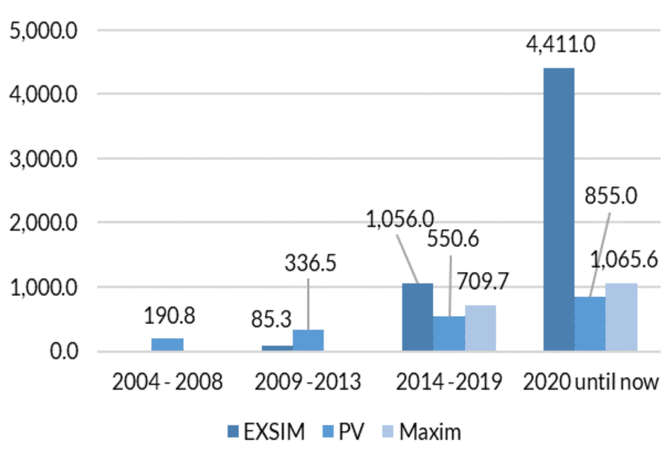
Source: Company data, RHB

It also important to bear in mind that its key clients such as EXSIM also appoint other contractors for their projects, such as Nestcon (NESTCON MK, NR) – with new job wins from EXSIM making up 34% of NESTCON's new job wins in CY24. Taghill (TAGHILL MK, NR) is also another contractor that secured contracts from EXSIM, namely that related to Ceylonz Suites, Nidoz Residences and Expressionz Suites, among others. This implies that BNASTRA is not the only contractor for EXSIM and shall always maintain its building workmanship to remain as one of the key preferred contractors for EXSIM.

We also note that there are certain projects which are related party transactions (RPT) – where BNASTRA's Managing Director and major shareholder, Datuk Jackson Tan, has a substantial indirect interest in the project's developer – Pembinaan Serta Hebat for the SA1 Bandar Tasik Selatan project. Such RPTs encourage both parties (the project developer and BNASTRA as a builder) to work hand in hand to ensure works are delivered well, according to the timeline and other specifications.

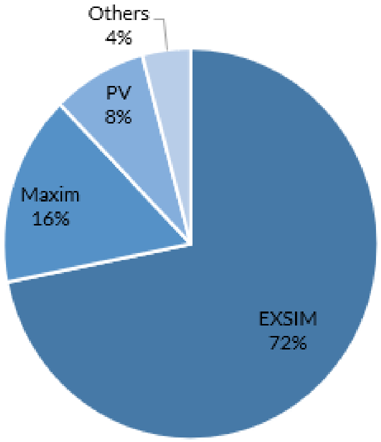
Nonetheless, BNASTRA has also completed some projects aside from the three mentioned clients. These jobs are worth MYR1.1bn, across 17 projects from clients such as IOI Properties (IOIP MK, NEUTRAL, TP: MYR2.15), Boustead Group, Berjaya, Titijaya Land (TTJ MK, NR), and JL99 Group. While BNASTRA tends to rely on the three major clients, the group's track record with other key clients could still open up potential opportunities in the future.

Figure 4: Contract value awarded by three major clients (MYRbn)



Source: Company data

Figure 5: Estimated breakdown of BNASTRA's orderbook



Source: RHB, Company data

Involved in mixed development projects with multiple phases

BNASTRA is involved in five mixed development projects awarded by its three key clients (EXSIM, MAXIM, PV) with a total estimated GDV of c.MYR16bn. The five mixed development projects include Central Park Damansara, EXSIM's mixed development in Bukit Jalil, KL Wellness City, One Military Personnel One House (SASaR) and The Atas @ Taman Desa.

Assuming construction costs are between 50% and 55% of the total GDV – total construction value of these five mixed development projects could amount to c.MYR8-8.8bn. So far, about MYR4bn worth of contracts (excluding DCs) have been dished out for these five mixed development projects. This may mean that there are at least MYR4bn of projects in the pipeline that are likely to be awarded to BNASTRA.

Aside from possibly securing batches of contracts in a mixed development project with various phases based on its track record, BNASTRA may also be able to reduce mobilisation costs when executing more than one job in an area. To illustrate this, it was awarded contracts to build D'Tessera and D'Terra which are a part of Central Park Damansara, with both projects being constructed on the same podium – this resulted in well-managed mobilisation costs.

Figure 6: Details of BNASTRA's five mixed development projects

Client	Project	Estimated GDV (MYRbn)	Estimated total construction value (assume 50% of GDV) (MYRbn)	Value of construction jobs awarded so far (MYRbn)	Potential value of construction jobs left to be awarded (MYRbn)
EXSIM	Central Park Damansara	9.0	4.5	2.0	2.5
EXSIM	Bukit Jalil	1.6	0.8	0.4*	0.4
EXSIM	KL Wellness City	2.2	1.1	0.5	0.6
PV	SASaR	2.0	1.0	0.9	0.1
Maxim	The Atas @ Taman Desa	1.1	0.6	0.3	0.4
	Total	**15.9**	**8.0**	**4.0**	**4.0**

*Note: *Excludes DC jobs*
Source: Company data, RHB

Figure 7: Central Park Damansara

Source: Company

Figure 8: KL Wellness City (future developments on plot 2 and plot 7)

Source: Company

Figure 9: The Atas @ Taman Desa (two blocks for future development)

Source: Company

Figure 10: EXSIM's Bukit Jalil mixed development (future development on Parcel 1)

Source: Company

Figure 11: SASaR mixed development (SA2, SA3 and Medan Selera for future development)

Source: Company

Beyond the Klang Valley

BNASTRA's maiden venture outside of Klang Valley was secured after it clinched a MYR314m job for external, piling and main building works for two residential apartments in Sabah for EXSIM's Bayu Damai Residences in Kota Kinabalu. Such jobs are a testament of EXSIM's trust in the company to execute projects outside of the Klang Valley. EXSIM, in Feb 2024, also entered into a JV with Suria Capital (SURIA MK, NR) to develop two parcels of prime land in the Kota Kinabalu Port area, with a collective net development value of MYR4.2bn. We do not rule out the possibility of BNASTRA also being appointed as the contractor for the said project.

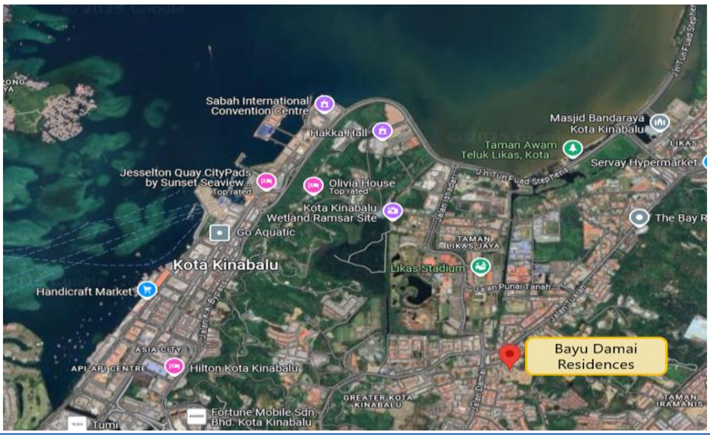
Additionally, EXSIM and MAXIM have been acquiring plots of land in Johor Bahru over the past year. These plots of lands are located within a 5km radius from the Customs, Immigration and Quarantine (CIQ) complex and the Bukit Chagar Rapid Transit System (RTS) station. The land acquisition by EXSIM and MAXIM in Johor Bahru is very timely, as the Johor Bahru-Singapore RTS Link project is expected to commence operations in 2027 coupled with the Johor-Singapore Special Economic Zone. Residential property transactions in Johor have grown commendably – expanding 15% YoY to MYR9bn in 1H24, according to the National Property Information Centre (NAPIC).

We gather that the potential GDV of projects slated for these plots of land could be more than MYR5bn – translating into a contract worth at least MYR2.5bn for BNASTRA to bid for, in our view. We continue to be optimistic on BNASTRA being the preferred contractor by its key clients (EXSIM and MAXIM), possibly boosted the group's job replenishment track record.

Figure 12: Bayu Damai Residences in Sabah

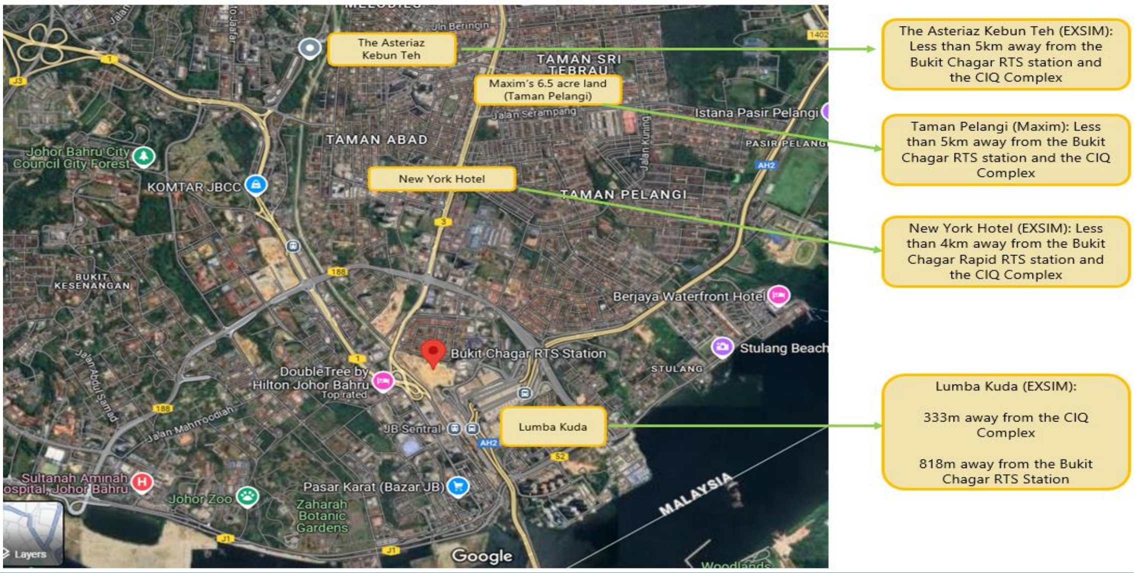
Source: EXSIM

Figure 13: Location of Bayu Damai Residences



Source: Google Maps

Figure 14: EXSIM's and Maxim's upcoming projects in Johor have a potential GDV of >MYR5bn



Source: EXSIM, Maxim Global,Company, Google Maps

Venturing beyond residential property construction

Aside from regular high-rise mixed development projects, BNASTRA has been securing jobs related to DCs and sewage treatment plants in the Klang Valley. For DC jobs, BNASTRA has clinched a total of MYR1.2bn of contracts (which includes M&E fit-out works) covering two DCs (adjacent to each other) awarded by EXSIM in Bukit Jalil (Figure 10) and the latest one in Cyberjaya. Each DC has approximately 15MW of capacity. The first DC, which is close to being completed, has around 10.5MW already taken up.

We acknowledge the uncertain DC landscape following the latest round of artificial intelligence (AI) chip restrictions, combined with claims of a more efficient and cheaper cost of AI from China-based DeepSeek. Nevertheless, we understand that BNASTRA's current focus is for DCs with relatively smaller capacity, which mainly targets financial institutions and government bodies as offtakers (20MW and below) vs the hyperscalers (at least 30MW) which may have a mix of AI and normal cloud operations.

Furthermore, BNASTRA has clinched two contracts related to sewage treatment plants in Mont Kiara and Cheras for MYR155m and MYR68m. This indirectly improves BNASTRA's ESG credentials, and is in line with the national agenda related to the Water Sector Transformation 2040 roadmap to develop a sustainable and high-quality sewage system.

Given BNASTRA's net cash position of MYR53m as of end-Oct 2024 (which we also project to remain as such, in FY25-27) – this should enable the group to gear up as it aims for more upcoming projects and potentially expands its business via M&As.

Figure 15: Sewage treatment plant at Mont Kiara

Source: Company

Financial Analysis And Overview

Continuous growth. BNASTRA's 3QFY25 (Jan) core earnings of MYR24m (+115% YoY) brought 9MFY25 (Jan) core profit to MYR65m (157% YoY). This was on the back on a higher revenue of MYR676m (+147% YoY) in 9MFY25, led by higher progress recognition of ongoing jobs in addition to five new jobs that commenced in 3QFY25 (with a cumulative value of MYR1.4bn). On a QoQ basis, revenue growth of 15.2% YoY in 3QFY25 outpaced the 6.2% YoY earnings expansion – reflecting the lower margins typically associated with projects in Sabah and the DC-related one vs bulk of other jobs on hand focused in the Klang Valley.

Earnings visibility looks healthy. The group's outstanding orderbook as at early Dec 2024 stood at c.MYR3.7bn, which provides c.8.7 years of earnings visibility based on FY24 revenue. Outstanding orders mainly stem from the group's major three clients – EXSIM, MAXIM and PV, with EXSIM estimated to account for approximately 72% of the total outstanding orderbook (as of end-Dec 2024), followed by MAXIM at 16% and PV at 8% based on our estimates.

Figure 16: BNASTRA's results review

FYE Dec (MYRm)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)	Comments
Revenue	**120.9**	**230.9**	**265.9**	**15.2**	>100	**269.8**	**676.4**	>100	Better progress billings from ongoing jobs
EBIT	16.7	33.9	35.9	5.7	>100	36.7	94.0	>100	
EBIT Margin (%)	13.9	14.7	13.5			13.6	13.9		Lower mobilisation costs via close proximity of projects in projects with multiple phases
Interest income	0.1	0.2	0.2	(8.7)	>100	0.1	0.4	>100	
Interest expense	(0.0)	(0.6)	(0.5)	(16.2)	>100	(0.1)	(1.4)	>100	
Pretax profit	15.3	30.5	32.9	7.8	>100	34.8	87.3	>100	
Pretax Margin (%)	12.7	13.2	12.4			12.9%	12.9%		
Tax	(3.7)	(7.7)	(8.7)	13.6	>100	(8.6)	(22.2)	(3.7)	
Effective tax rate (%)	24.5	25.1	26.4			24.7	25.4	24.5	
Net Profit	11.6	22.9	24.2	5.9	>100	25.4	65.2	>100	
Core Profit	11.6	22.8	24.2	6.2	>100	25.4	65.1	>100	Combination of the progress for ongoing and newly secured jobs enabled higher profit to be recognised
Core Net Margin (%)	9.6	9.9	9.1			9.4	9.6		

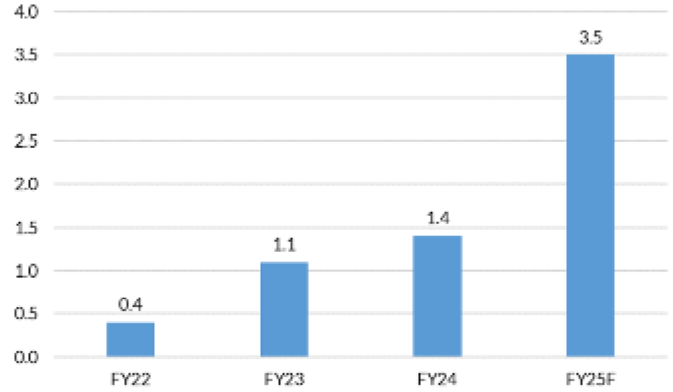
Source: Company data, RHB

Earnings projection. We project a 3-year FY24-27 earnings CAGR of 161% for BNASTRA, largely in tandem with its anticipated orderbook growth. This is backed by the expansion of its key clients beyond the Klang Valley and diversification into non-residential buildings (ie DCs and sewage treatment plants). BNASTRA has secured MYR3.1bn of new contracts in FY25 (vs just MYR0.7bn in FY24), and the group expects to clinch c.MYR5bn worth of new jobs in FY26. For our earnings estimates, we have pencilled in a slightly more conservative job replenishment target of MYR4bn for FY26, followed by MYR3.5bn in FY27.

We see the potential pipeline of projects by its key clients to continue providing job replenishment opportunities for the group, especially with the three key clients having around MYR6-8bn worth of cumulative GDV in projects to be launched annually over the next 2-3 years – from projects in the Klang Valley, as well as in other states such as Johor.

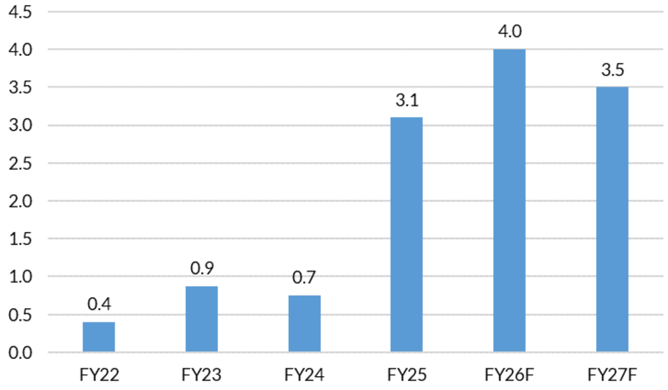
We also view the bulk of new projects secured combined with jobs secured in CY23 and early CY24 to enter the work-intensive phase, which should propel the group's revenue and earnings growth over FY25-27F. Taking into consideration the job progress and projected job replenishment trends, we are forecasting a 128%, 66% and 26% growth in revenue for FY25, FY26 and FY27. The expansion in turnover is estimated to drive sizeable earnings growth of 121%, 48% and 26% for FY25, FY26 and FY27.

Figure 17: BNASTRA's outstanding orderbook as at each FYE (MYRbn)



*Note: *FY25 is based on RHB's estimates*
Source: Company data, RHB

Figure 18: BNASTRA's annual job replenishment target (MYRbn)

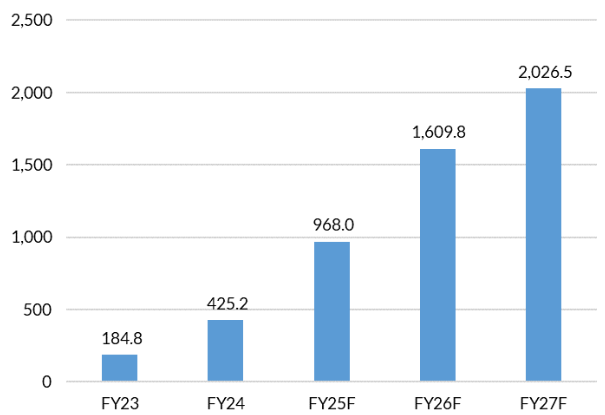


*Note: *FY22-FY24 includes a variation order and a conditional award*
Source: Company data, RHB

Notwithstanding this, we do not rule out the possibility of BNASTRA deploying more subcontractors as it wins more projects in general. DC jobs, which also rely more on subcontractors (particularly for the M&E works), are estimated to have lower net margins that range between 4% and 6%. The same may also apply to jobs in East Malaysia that may require local partners.

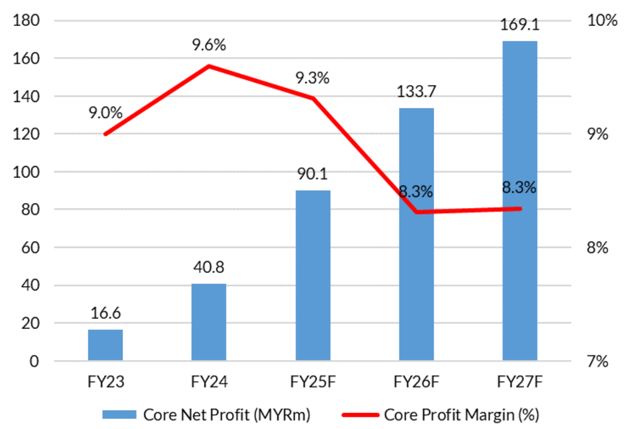
Therefore, we are forecasting core net margins of BNASTRA to dip slightly – to 8.3% in FY26F and FY27F, from 9.6% in FY24. Nonetheless, the expected net margin for FY27F is still higher than that of most construction peers.

Figure 19: BNASTRA's revenue trend (MYRm)



Source: Company data, RHB

Figure 20: BNASTRA's recurring net profit (MYRm)

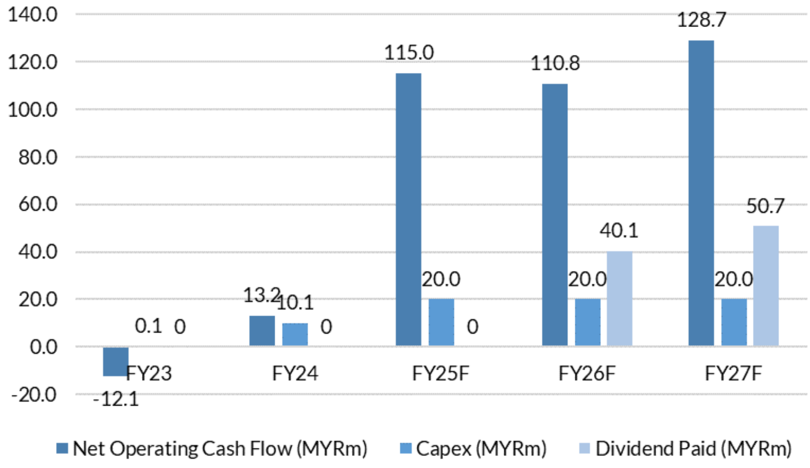


Source: Company data, RHB

ROAE. With the expected increase in earnings in FY25-27, we expect the group's ROAE to range between 39% and 50%. This is higher compared to ROAEs of its peers, which warrants a premium for its target valuation (P/E of 18x), ie steeper than that ascribed to the small- and mid-cap contractors under our coverage.

Dividends and cash flow. No dividends have been paid out by BNASTRA so far, but the group intends to implement a policy to fork out at least 30% of its annual profit as dividends from FY26F onwards. Assuming a dividend payout ratio of 30% for FY26-27F, the estimated dividend yield would be 2-2.5%. Considering its healthy net operating cash flow generation of MYR111m-129m pa for FY26-27F amid better job replenishment prospects, this should support commitments in terms of capex and also dividends.

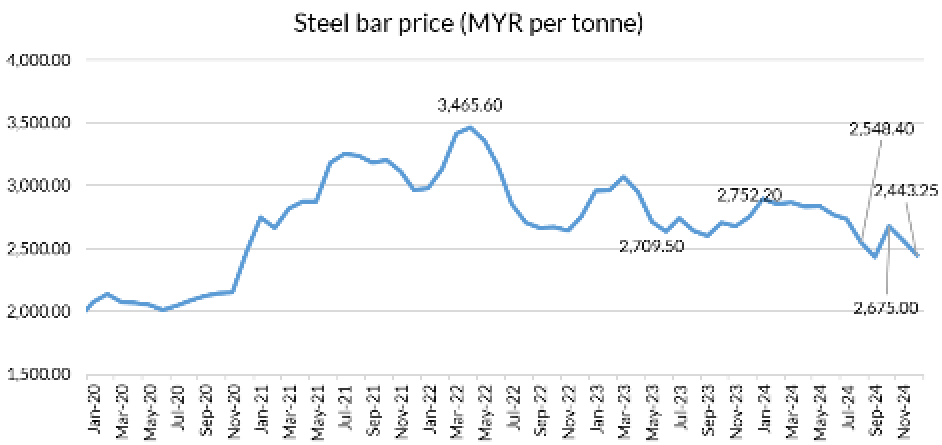
Figure 21: BNASTRA's net operating cash flow, capex and dividends



Source: Company data, RHB

Cost of sales. The main components of BNASTRA's cost of sales are raw materials and direct labour costs, which make up more than 70% cumulatively, based on our estimates. Moving forward, we envisage the price trends of building materials to be less volatile – preventing any unforeseen cost escalations that usually entail contractors to bear the extra cost. For instance, steel bar prices have been hovering within a narrow range of MYR2,433.25 per tonne and MYR2,731.25 per tonne in 2H24, compa to when steel bar prices went as high as MYR3,465.6 per tonne in Apr 2022 amid the impact of the Russia-Ukraine crisis, before sliding down to MYR2,752 per tonne in Dec 2022.

Figure 22: Steel prices



Source: Company data

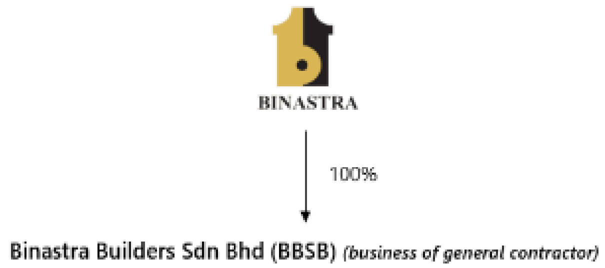
Company Overview

Background

BNASTRA is an investment holding company. Its wholly owned subsidiary, Binastra Builders (BBSB) assumes a role as a general contractor holding a G7 license under the Construction Industry Development Board or CIDB, and is involved mainly in high-rise property building projects. The history of BNASTRA can be traced back to 1980 when it was established as a private entity, Binastra Construction (M) (BCSB), with close to 200 projects completed at a total value of c.MYR12bn.

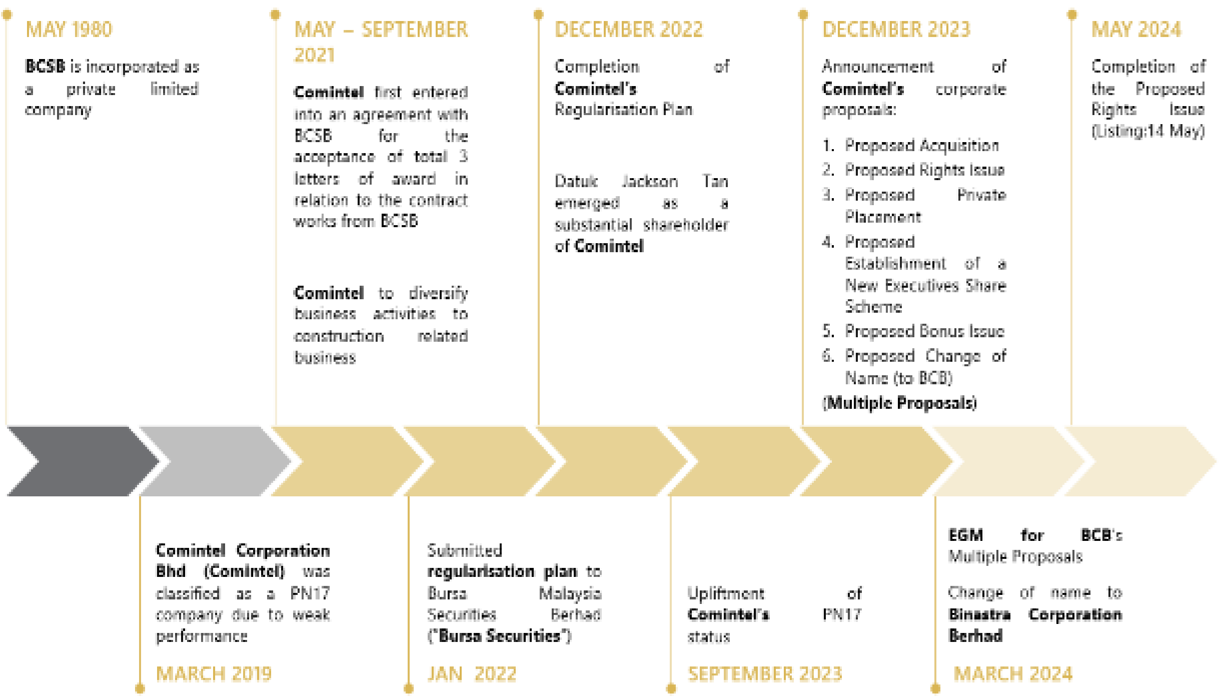
BNASTRA's listing on Bursa Malaysia took place after Managing Director Datuk Jackson Tan spearheaded a regularisation plan for Comintel (which was PN17 classified in 2019). The regularisation of Comintel was completed in Dec 2022. This was followed by the upliftment of its PN17 status in Sep 2023. Meanwhile, the change of name from Comintel to Binastra Corporation took place in Mar 2024. Currently, construction contracts are undertaken by BNASTRA's wholly owned subsidiary, Binastra Builders.

Figure 23: BNASTRA's corporate structure



Source: Company data

Figure 24: BNASTRA's key milestones



Source: Company data

Figure 25: BNASTRA's new job wins in FY25

Client	Project	Awarded in	Estimated Completion	Contract value (MYRm)
MAXIM	The Atas - Taman Desa	Mar-24	Sep-24	11.1
EXSIM	The Kingswoodz Bukit Jalil	Mar-24	Aug-27	370.0
PV	SA1 - Bandar Tasik Selatan	Jul-24	Apr-27	315.0
EXSIM	Plot 9E Damansara Perdana	Jun-24	Jun-25	20.3
EXSIM	Bayu Residences - KK, Sabah	Jun-24	Jul-27	313.7
EXSIM	Water reticulation - Damansara Perdana	Jul-24	Jul-25	26.0
EXSIM	Offices @ Damansara Perdana	Aug-24	Jul-26	160.0
Greenearth Landmark	Sewage Treatment Plant - Sri Hartamas	Aug-24	Jul-28	155.0
EXSIM	The Aldenz Damansara Perdana	Sep-24	Jan-28	235.5
MAXIM	The Atas - Taman Desa	Sep-24	May-27	283.3
EXSIM	Proposed DC2 - Bukit Jalil	Sep-24	Oct-28	574.4
EXSIM	M&E for DC1 Bukit Jalil	Nov-24	Aug-27	256.5
F3 Cheras Development	Sewage Treatment Plant @Taman Bukit Cheras	Nov-24	Nov-27	67.6
EXSIM	The Vividz @ Bukit Jalil	Dec-24	Jan-28	327.7
Total				**3,116.1**

Source: Company data, RHB

Figure 26: BNASTRA's outstanding orderbook as of early Dec 2024 (based on RHB's estimates)

Client	Project	Awarded in	Estimated Completion	Contract value (MYRm)	Balance orderbook (MYRm)
EXSIM	D'Terra Residences- Damansara Perdana	May-22	Aug-25	273.9	90
EXSIM	D'Teserra Residences- Damansara Perdana	Jul-22	Sep-25	280.4	120
MAXIM	Residensi Max - Jalan Ipoh (Butirjaya)	May-23	Apr-25	172.8	40
EXSIM	Empire Residence	Oct-22	Oct-26	183.2	140
EXSIM	Veladaz Residences - Bukit Jalil	Apr-23	Jan-26	168.3	100
MAXIM	Maxim Risen - Cheras	May-23	Feb-26	229.8	160.0
EXSIM	Data Centre 1 - Bukit Jalil	Aug-23	Feb-25	161.3	16.13
MAXIM	The Atas - Taman Desa	Mar-24	Sep-24	11.1	5.0
EXSIM	The Kingswoodz Bukit Jalil	Mar-24	Aug-27	370.0	330.0
PV	SAI - Bandar Tasik Selatan	Jul-24	Apr-27	315.0	299.3
EXSIM	Plot 9E Damansara Perdana	Jun-24	Jun-25	20.3	18.3
EXSIM	Bayu Residences - KK, Sabah	Jun-24	Jul-27	313.7	310.0
EXSIM	Water reticulation - Damansara Perdana	Jul-24	Jul-25	26.0	25.7
EXSIM	Offices @ Damansara Perdana	Aug-24	Jul-26	160.0	158.4
Greenearth Landmark	Sewage Treatment Plant - Sri Hartamas	Aug-24	Jul-28	155.0	153.5
EXSIM	The Aldenz Damansara Perdana	Sep-24	Jan-28	235.5	233.1
MAXIM	The Atas - Taman Desa	Sep-24	May-27	283.3	280.5
EXSIM	Proposed DC2 - Bukit Jalil	Sep-24	Oct-28	574.4	568.7
EXSIM	M&E for DC1 Bukit Jalil	Nov-24	Aug-27	256.5	253.9
F3 Cheras Development	Sewage Treatment Plant @Taman Bukit Cheras	Nov-24	Nov-27	67.6	66.9
EXSIM	The Vividz @ Bukit Jalil	Dec-24	Jan-28	327.7	324.4
Total				**4,585.8**	**3,693.8**

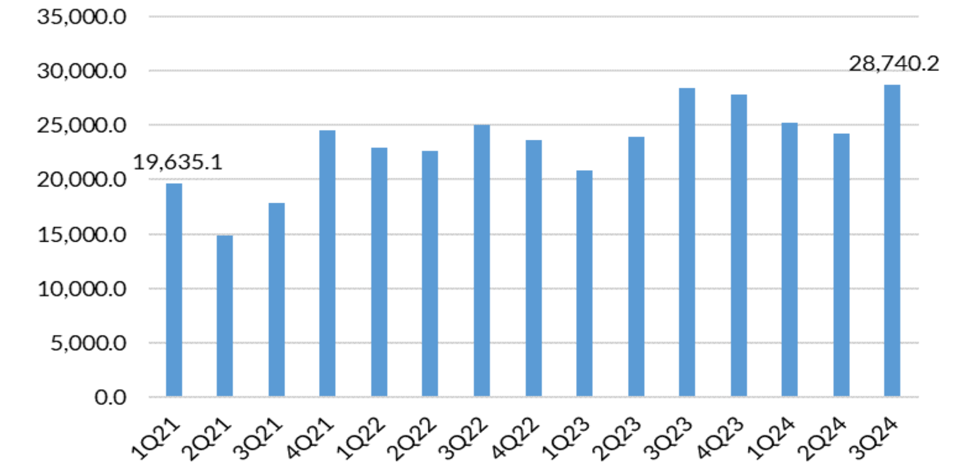
Source: Company data, RHB

Future Catalysts And Outlook

Residential property market in Malaysia

Between 1Q21 and 3Q24, the value of residential property transactions for apartments and condominiums in Malaysia reached a peak in 3Q24, at MYR28.7bn – indicating healthy overall demand for residential property in the country. This bodes well for BNASTRA, due to its robust track record in building high-rise condominiums.

Figure 27: Value of residential property transactions for apartments and condominiums in Malaysia (MYRm)

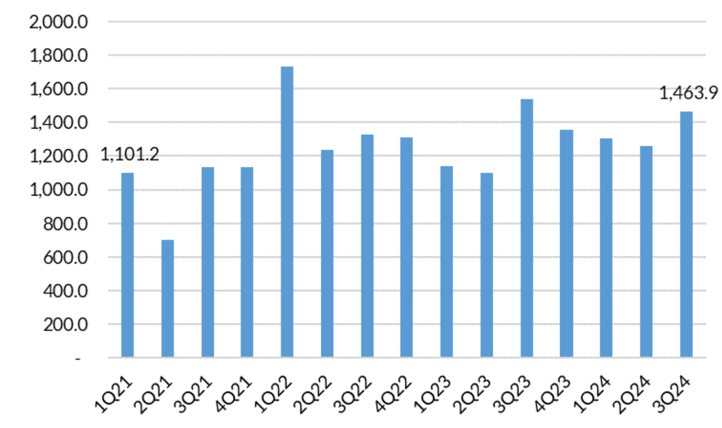


Source: NAPIC

On further scrutiny, we observed that residential property transactions for apartments and condominiums in Kuala Lumpur have remained robust – hovering above MYR1.2bn for the past five quarters. With regard to its potential foray into Johor, Johor Bahru (which is the area that its key clients are expanding into) has seen MYR364m worth of residential property transactions for apartments and condominiums in 3Q24, the highest for the period between 1Q21 and 3Q24. With the upcoming RTS Link project set to commence operations in 2027, we envisage stronger demand for properties in the Johor Bahru area.

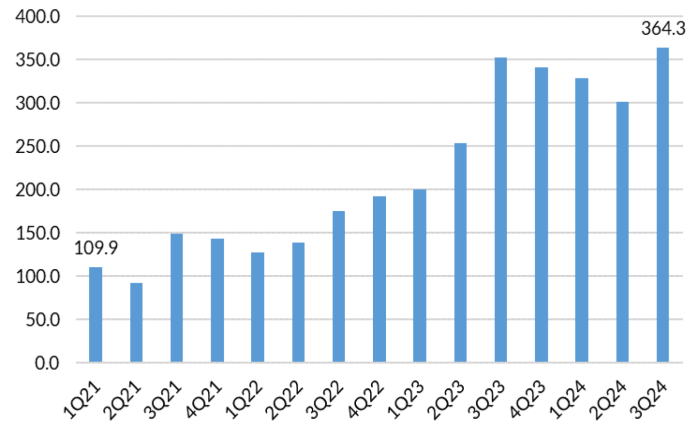
With the bulk of BNASTRA's orderbook coming from the Kuala Lumpur and potentially from Johor Bahru – we are increasingly confident in its bright future, premised on the trends related to the value of residential property transactions in the said areas.

Figure 28: Value of residential property transactions for apartments and condominiums in Kuala Lumpur (MYRm)



Source: NAPIC

Figure 29: Value of residential property transactions for apartments and condominiums in Johor Bahru (MYRm)



Source: NAPIC

DC prospects in Malaysia

Claims by DeepSeek's large language model just costing USD5.6m to train (a fraction of the billion-dollar investments that US companies have made to build their AI models) could reduce the need for DCs in the future. However, we envisage DeepSeek's achievement could catalyse the DC industry as a whole, if their claim is proven to be true.

If DeepSeek's claims are true – AI training gains are likely to produce a c.30% increase in efficiency but does not translate into a c.30% reduction of chips or DCs. Instead, it means that the AI model gets 30% more power. Certain corporations have lamented that AI is not able to deliver targeted ROIs. As such, a more efficient AI model could enable such aimed returns to be met.

Jevon's paradox could come into play. The paradox states that when technological progress makes the use of a resource more efficient, overall consumption of that resource tends to increase. Assuming demand for AI is relatively elastic, falling prices due to efficiency improvements results in higher AI adoption. We understand that one factor which slowed AI adoption within big organisations so far has been how expensive the AI models are to run.

Malaysia remains a magnet for DC investments due to its cost competitiveness of land, labour, electricity and proximity to Singapore. As AI-enabled services may increase in the long run amid better affordability and efficiency - demand for underlying infrastructure is expected to grow in tandem. Hence, DC investments may continue, on the assumption that Jevon's paradox materialises in light of potential AI democratisation. Therefore, BNASTRA's current involvement in DC construction could also lead to upcoming opportunities in the future.

Figure 30: DC providers in Malaysia aside from Google, Microsoft and Amazon Web Services (list not exhaustive)

DC Provider	Headquartered In	Live/launched capacity	Upcoming Planned Capacity
Yondr Group	Netherlands	n.a.	300MW
AirTrunk	Australia	50MW	100MW
EdgeConneX	The US	n.a	Close to 300MW
NTT Global Data Centres	Japan	22MW	290MW
Equinix	The US	n.a.	n.a.
NextDC	Australia	0MW	65MW
Vantage DC	The US	31MW	256MW
Stack Infrastructure	The US	0MW	220MW
K2 DC	Singapore	n.a	Up to 300MW
Princeton Digital Group (PDG)	Singapore	0MW	150MW
STT GDC JV	Singapore	20MW (in JV with Basis Bay	120MW
Bridge DC (BDC)	China	16MW	135MW + 100MW (via partnership with Mah Sing)
GDS Holdings	China	69.5MW	168MW (co-developed with YTL Power)

Source: RHB, Various sources

Key Risks

Dependency on certain key clientele. As over 90% of BNASTRA's outstanding orderbook comes from three major clients (EXSIM, MAXIM and PV) as a result of long-term relationships built, this may entail a concentration risk in the event that there are slower-than-expected launches by the said clients. Nevertheless, we note that BNASTRA has also been involved in jobs with other clients (although not much) in the past such as IOI Properties and Titijaya Land.

Supply chain disruption. If another round of geopolitical risks arise such as the Russia-Ukraine conflict or another pandemic breaks out, global supply chains could be disrupted. This, in turn, could cause difficulties for some suppliers to source for materials – leading to a shortage of raw materials and impacting the progress of the group's ongoing projects.

Increase in raw material prices. The group is also exposed to fluctuations in raw material prices. The key raw materials used include cement and steel, and manufacturers of such raw materials may pass on the cost to customers such as BNASTRA.

Reliance on foreign workers. As BNASTRA depends on foreign labour to execute its jobs, any sudden shortages may pose a risk in the form of delays and cost overrun. This would dampen the group's profitability.

ESG Efforts

Environment. BNASTRA demonstrates a strong commitment to minimising construction waste by adopting advanced formwork systems that are both cost-effective and environmentally sustainable. The aluminium formwork system, made of structural-grade aluminium alloy, is particularly suited for large concrete projects due to its lightweight and long-lasting nature. While aluminium formwork is ideal for repeated use, the group also utilises green formwork systems made of steel and durable plywood. These systems are modular, customisable, and highly productive, especially for large flat-slab structures. By investing in these reusable and efficient technologies, BNASTRA significantly reduces material wastage and improves construction efficiency.

As for waste management, BNASTRA takes a holistic approach to ensure resource efficiency and environmental protection. The company prioritises the reuse and recycling of valuable building materials such as steel bars, timber, concrete, aluminium, plastic, and glass. For instance, scrap iron is collected and resold for recycling, contributing to the circular economy. Additionally, waste classification and segregation are rigorously practiced across all construction sites. Strategically placed bins facilitate the sorting of waste into recyclable and non-recyclable categories, enabling proper disposal and reducing landfill contributions. These efforts align with regulatory standards and underline BNASTRA's commitment to responsible waste handling.

Social. Community engagement and investment form a crucial part of BNASTRA's sustainability strategy. The company invests in programmes that positively impact the communities where it operates. These initiatives include contributing to local infrastructure development, supporting educational programmes, and engaging in philanthropic activities. BNASTRA actively collaborates with stakeholders, including non-governmental organisations, to identify and address community needs.

Under the framework of Human Rights, BNASTRA places significant emphasis on protecting and enhancing the well-being of its employees. The company ensures that all employees work in an environment that prioritises safety, fair treatment, and equal opportunities. Regular engagement sessions with employees are conducted to gather feedback and foster a supportive workplace culture. Additionally, training programmes are designed to enhance skills and promote personal growth, contributing to employees' career development. BNASTRA also adheres to fair labour practices by ensuring compliance with employment laws, including providing competitive remuneration and benefits to support employees' financial and mental well-being

Governance. BNASTRA conducts annual anti-corruption training, achieving a 49% completion rate in 2024. The target is 100% completion in the coming years. Zero corruption incidents were recorded as of 31 Jan 2024. Aside from that, BNASTRA has set up a dedicated whistleblowing channel in accordance with its whistleblowing policy. This channel enables both employees and external stakeholders to confidentially report improprieties via email or mail to the Audit and Risk Management Committee Chairman.

The group has made its Code of Conduct and Ethics, Anti-Corruption and Bribery Policy, and whistleblowing policy accessible on the corporate website to ensure accessibility for all stakeholders.

The Board puts emphasis on timely and equitable dissemination of information to stakeholders, on BNASTRA and the group's activities and performance. It undertakes a proactive and formal stakeholder engagement exercise to build investors' understanding of the business. This can be seen through the timely announcements made to the public on corporate proposals, financial results, material transactions and other requisite matters from time to time in accordance with the requirements provided for in the listing requirements.

All in, we ascribe an ESG score of 3.0 which is on par with the country median. We acknowledge that BNASTRA is gradually venturing into sewage treatment plant projects which is line with the Water Sector Transformation 2040 roadmap. However, there has yet to be any disclosure of emissions currently and, if such disclosures are made in the future, we may revisit BNASTRA's ESG score.

Key Senior Management Team

Datuk Jackson Tan Kak Seng was appointed as Managing Director in Jan 2023. He joined Binastra Construction (M) in 2000, where he oversaw the implementation and completion of projects undertaken by BCSB where he is director and major shareholder. Prior to that, Tan began his career in 1997 by joining HS Liao (an engineering consultancy) as a civil and structural design engineer after graduating from the University of Melbourne with a Bachelor of Engineering (Hons) degree. He is responsible for the overall day-to-day management and formulation of the group's business plans and strategies.

Lee Seng Yong was appointed as an Executive Director in Jan 2023 and as one of the members of the BNASTRA's sustainability committee in Dec 2023. He pursued his tertiary education at Curtin University, studying Business Commerce. Lee has more than 12 years of experience in developing strategies to promote mission organisation and building a strong team of leaders. He started his career in 2008 by founding Luzzone Concept, a wallpaper business, where he worked until 2011. Lee is the Executive Director of Ideal Workz, whose principal activities are as builders & contractors for building completion & finishing work. This is a position that he has held since 2012. He is also the Executive Director of Totalbuildz, which specialises in builder and contractor services for construction jobs, since 2018.

Liong Chai Pheng was appointed as the CFO in Sep 2021. She has been a member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants since 2002. She obtained a MBA from De Montfort University, the UK in 2003. She began her career in 1999 with a medium-sized audit firm as an audit officer. Subsequently, she joined one of the Big Four accounting firms as an audit associate in 2000, before assuming various finance related roles until Sep 2021.

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-16			

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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