MERCURY SECURITIES SDN BHD
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Results Note
Friday, June 20, 2025
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Binastra Corporation Bhd

Main Market
Construction Sector
BUY (↔)
TP: RM 2.54 (↑)
Last Closing Price: RM 1.80

Solid Start to FY26; Results Within Expectation

Binastra started off its new financial year (FY26) on stable note, with core net profit rising 39.0% YoY to RM25.1m (from RM18.1m in 1QFY25). The performance accounted for 19.3% and 18.8% of our and the consensus' full-year forecast respectively. We deemed the result to be in-line, as we anticipate stronger earnings delivery in the coming quarters, supported by higher progress billings from the existing orderbook and the commencement of newly secured projects YTD. Earnings growth was driven by a strong 43.0% YoY growth in 1QFY25 revenue, supported by accelerated construction activities and stronger progress billings, though the revenue softened 4.9% on QoQ due to tapering billings from projects nearing completion. Profit margins saw modest compression, with PBT margin easing to 12.8% (from 13.3%), in line with our expectations. The margin compression reflects Binastra's expansion into higher volume but lower-margin EPCC contracts like data centre construction. Looking ahead, we expect margins to normalise to the 10 - 12% range as the group continues to expand its EPCC portfolio into renewable energy and energy efficiency solutions space through Binastra Green Energy and LF Lansen. As at end-April 2025, Binastra's outstanding orderbook remained at RM4.1bn, translating into a healthy 2.8x cover of our forecasted FY26 revenue. This thanks to the company's RM708.9m in new wins secured during the quarter. Despite the orderbook replenishment pace remain gradual, we remain confident in Binastra's ability to meet our full-year FY26E of RM3.0bn replenishment target. This is backed by a strong pipeline of upcoming projects from its key clients (EXSIM, MAXIM and PV) and its effort to expand its presence into EPCC construction segment. That said, we keep our earnings forecasts unchanged for now but roll forward our valuation base year to FY27 and lower our target PE multiple from 18.4x to 16.5x, factoring in the potential impact on construction sector from the expanded scope of SST and macroeconomic headwinds. Post-adjustment and rolling-over, our TP are revised upwards to RM2.54 (from RM2.20).

Core earnings within expectations. Binastra kicked off FY26 on a firm footing, delivering core net profit of RM25.1m (+39.0% YoY). The core earnings represented both our and streets' full-year forecasts expectations at 19.3% and 18.8% respectively. We deemed the result as within expectation, as we anticipate stronger earnings delivery in the coming quarters, supported by higher progress billings from the existing orderbook and the commencement of newly secured projects YTD. Top-line growth was solid, with revenue rising 43.0% YoY, driven by accelerated construction activities and improved billing momentum. On a QoQ basis, revenue declined by 4.9% underpinned by tapering progress billings from projects nearing completion.

Lower margins, but no surprises. Binastra's 1QFY26 PBT margin declined to 12.8% from 13.3% a year ago, reflecting a 50-basis point compression. This was within our expectations and is largely attributed to the group's ongoing diversification efforts, which include expanding beyond its core client base and taking on a greater volume of EPCC contracts particularly in data centre construction which inherently carry lower margins (due to subcontracting nature). Going forward, we expect margins to moderate further to the range of 10-12%, in line with Binastra's intention to grow its EPCC portfolio. This includes its recent move into renewable energy-related infrastructure, such as solar energy (via incorporation of Binastra Green Energy Sdn Bhd) and green energy efficiency engineering solutions (via strategic investment in LF Lansen). While these new verticals may exert pressure on margins, they offer long-term

Share Price Performance

Business Overview

Binastra Corporation Bhd (Binastra) specializes in providing turnkey engineering and construction services for both the residential and non-residential buildings.

Return Information			
KLCI (pts)			1,501.4
YTD KLCI chg.			(8.6)
YTD Stock Price chg.			1.1
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	3.4	2.3	44.0
Relative to KLCI (%)	1.7	2.1	35.4

Stock Information	
Market Cap (RM m)	1,963.6
Issued Shares (m)	1,090.9
52-week High (RM)	1.85
52-week Low (RM)	1.06
Est. Free Float (%)	20.7
Beta vs FBM KLCI	0.96
3-month Avg Vol. (m)	1.0
Shariah Compliant	Yes
Bloomberg Ticker	BNASTRA MK

Top 3 Shareholders	%
JL Conglomerate Sdn Bhd	41.2
Lee Yong Seng	12.9
Datuk Tan Kak Seng	11.1

FY DEC (RM m)	FY25A	FY26E	FY27E
Revenue	946.6	1,460.0	1,940.0
EBITDA	133.6	200.2	272.2
PBT	124.5	171.0	221.2
Net Profit	90.3	130.0	168.1
Core Net Profit	90.3	129.8	168.1
Core EPS (sen)	8.3	11.9	15.4
Core EPS Growth (%)	(9.9)	43.8	29.5
Net DPS (sen)	3.0	3.6	4.6
BV Per Share (sen)	25.9	34.2	45.0
Net Div. Yield (%)	1.7	2.0	2.6
P/E (x)	21.6	15.0	11.6
ROE (%)	32.0	34.8	34.2

earnings visibility and broaden the group's exposure to high-growth sectors.

Outstanding orderbook remain solid. As at 30 April 2025, Binastra's outstanding orderbook stood at RM4.1bn, translating into a robust 2.8x cover of our FY26 forecasted revenue. This thanks to the Binastra's strong orderbook replenishment of RM708.9m during the quarter. While the pace of orderbook replenishment has been gradual, we believe Binastra remains on track to meet our full-year target of RM3.0bn in new contracts win. This is underpinned by management's continued effort on securing higher volume EPCC contracts, particularly in the data centre and renewable energy construction segments. Going forward, we expect the bulk of upcoming orderbook replenishment to be largely driven by its three key clients (EXSIM, MAXIM and PV), with an estimated RM3.0bn in potential awards from their Johor-based projects and RM1.0bn from their on-goibg development pipeline in the Klang Valley. That said, our orderbook replenishment assumption of RM3.0bn are conservative. Should targeted orderbook replenishment materialises, the company is poised for stronger earning delivery in FY26-27E.

Earnings forecast and valuation. We maintain our earnings forecasts at this juncture but take the opportunity to roll forward our valuation base year from FY26 to FY27. Concurrently, we revise our target PE multiple downward from 18.4 times to 16.5 times (about 10% discount) to reflect the potential impact of the expanded scope of the sales and services tax (SST) on mixed-use property launches, as well as broader macroeconomic uncertainties that could weigh on property demand and delay project rollouts. Incorporating the lower valuation multiple and updated base year, our new target price is revised to RM2.54 (from RM2.20). We continue to like Binastra for its robust orderbook (driven by long-standing clients with vibrant growth prospects) and superior profit margin.

Results Highlights

Y/E: Dec (RM m)	1Q26	4Q25	QoQ Chg. %	1Q25	YoY Chg. %	3M26	3M25	YoY Chg. %	Comments
Key financial highlights									
Revenue	256.8	270.2	(4.9)	179.6	43.0	256.8	179.6	43.0	Stronger progress billings
Gross profit	34.4	38.8	(11.4)	26.2	31.5	34.4	26.2	31.5	
Operating profit	33.0	36.8	(10.5)	24.1	36.7	33.0	24.1	36.7	
Pretax profit	33.0	37.2	(11.3)	23.9	38.0	33.0	23.9	38.0	Better PBT margin YoY
Net profit	25.1	25.1	0.2	18.1	39.0	25.1	18.1	39.0	Higher due to lower effective tax rate
Core net profit	25.1	25.1	0.2	18.1	39.0	25.1	18.1	39.0	
Per share data									
EPS (sen)	2.3	2.3	(16.7)	4.0	(42.3)	2.3	4.0	(42.3)	
Core EPS (sen)	2.3	2.3	(7.0)	4.0	(42.3)	2.3	4.0	(42.3)	
Net DPS (sen)	0.0	3.0	>(100.0)	0.0	0.0	0.0	0.0	0.0	
BV/share (sen)	30.0	30.0	0.0	10.0	>100.0	30.0	10.0	>100.0	
Margins									
Gross profit (%)	13.4	14.4	(1.0 pts)	14.6	(1.2 pts)	13.4	14.6	(1.2 pts)	Lower YoY due to commencement of more EPCC contracts.
Operating profit (%)	12.8	13.6	(0.8 pts)	13.4	(0.6 pts)	12.8	13.4	(0.6 pts)	
Pretax (%)	12.8	13.8	(0.9 pts)	13.3	(0.5 pts)	12.8	13.3	(0.5 pts)	
Net profit (%)	9.8	9.3	0.5 pts	10.1	(0.3 pts)	9.8	10.1	(0.3 pts)	
Other highlights									
Orderbook replenishment (RM m)	709	652	8.8	381	86.0	709	381	86.0	On track to achieve our assumption
Construction orderbook (RM m)	4,100	3,600	86.0	1,600	>100.0	4,100	1,600	>100.0	Remain robust; 2.8 cover of our FY26 forecasted revenue.

Source: Company, Mercury Securities

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