

27 February 2013

Benalec

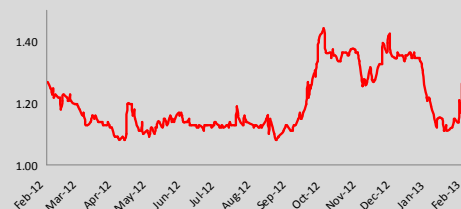
2Q13 results within expectations

- Period** ■ 2Q13/1H13
- Actual vs. Expectations** ■ 1H13 net profit of RM44m came in at 39% and 43% of our FY13 full year forecast and consensus, respectively. The results are deemed inline as there are pending land sale to be transacted in the 2HFY13.
- Dividends** As expected, no dividend declared during the quarter.
- Key Result Highlights** ■ 1H13 core net profit was down by 24% despite 22% increase in revenue. The higher revenue was attributed to the completion of a few projects in Melaka and the progress billings for the new project in Klang ie: Pulau Indah and Swiss Horizon. The lower net profit was due to the absence of land sale during the period, 1H13.
- Sequentially, the net profit the net profit reduced by 7% due to additional maintenance cost for its vessels. Meanwhile, the revenue was up by 15% as the Benalec recognised a big chunk of the billings from the Sentosacove project i.e. projet completion.
- YoY, due to the absence of land sale in 1H13, the net profit drop by 27% despite higher revenue recognised during the quarter. However, with the additional land sale coming in by 2H13, we expect the profit from the land sale to surpass the last year's level of RM27m.
- Outlook** ■ The execution of Johor land development is the next re-rating for Benalec due to the land's attractiveness as compared to its Melaka land. We understand that the Management has identified the off-taker and it is waiting on the sideline to JV with Benalec. To date, the EIA report is yet to be finalised. We expect Benalec to wrap up with the necessary approval in 2HCY13.
- Forecasts** ■ No changes in our FY13-14E earnings.
- Rating** **Maintain OUTPEFORM**
- Maintain OUTPERFORM given the ample capital upside from the current price (+45%).
- Valuation** ■ We keep our TP unchanged at RM1.71 based on SoP valuation.
- Risks** ■ Slowdown in land sales and prolonged EIA study results of its Johor land.

OUTPERFORM ↔

Price: RM1.18
Target Price: RM1.71 ↔

Share Price Performance



KLCI	1624.18
YTD KLCI chg	-3.8%
YTD stock price chg	-15.1%

Stock Information

Bloomberg Ticker	BHB MK Equity
Market Cap (RM m)	948.9
Issued shares	804.2
52-week range (H)	1.49
52-week range (L)	1.09
3-mth avg daily vol:	2,317,783
Free Float	39%
Beta	1.4

Major Shareholders

OCEANCOVE	53.1%
KUMPULAN WANG PERSAR	6.3%
SENG HAI LEAW	1.4%

Summary Earnings Table

FYE June (RM m)	2012	2013E	2014E
Turnover	155.3	291.5	356.5
EBITDA	61.8	136.3	175.1
PBT	100.3	150.9	177.6
Net Profit (NP)	82.7	111.7	131.4
Consensus (NP)	-	101.6	113.5
Earnings Revision	-	0%	0%
EPS(sen)	11.3	15.3	18.0
GDPS (sen)	3.1	4.6	5.4
NTA/Share (RM)	0.54	0.67	0.84
PER	11.6	8.6	7.3
Price/NTA (x)	2.4	2.0	1.6
Gearing (x)	0.1	0.1	0.1
Dividend Yield (%)	2%	4%	4%

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Result Highlight

Y/E : June (RM mn)	2Q13	1Q13	QoQ Chg	2Q12	YoY Chg	1H13	1H12	YoY Chg
Turnover	66.4	57.7	15%	26.9	147%	124.1	101.5	22%
EBIT	20.9	25.8	-19%	66.3	-68%	46.7	101.5	-54%
Interest expense	(1.1)	(1.3)	-19%	(1.5)	-29%	(2.4)	(3.2)	-26%
Other income	0.4	1.1	-59%	33.4	-99%	1.5	35.3	-96%
Exceptional items	-	-	n.m	-	-	-	-	-
Pre-tax profit	21.5	26.0	-17%	34.4	-37%	47.6	69.4	-32%
Taxation	(0.4)	(3.3)	-87%	(5.5)	-92%	(3.7)	(11.7)	-68%
Profit after tax	21.1	22.7	-7%	28.8	-27%	43.8	57.8	-24%
Minority interest	(0.0)	(0.1)	n.m	-	n.m	(0.1)	-	n.m
Net profit	21.1	22.8	-7%	28.8	-27%	43.9	57.8	-24%
EPS (sen)	2.9	3.1	-7%	4.0	-27%	6.0	7.9	-24%
DPS (sen)	-	-	n.m	-	n.m	-	-	n.m
EBIT margin	31%	45%				38%	100%	
Pre-tax margin	32%	45%				38%	68%	
Effective tax rate	2%	13%				8%	17%	

Source: Company, Kenanga Research

Sum-of-parts valuation

	Segment	RMm	WACC	PE(x)	RM/share
A	Construction	83.8		9	0.94
B	Vessel chartering	4.7		7	0.04
C	Sale of reclaimed land in Melaka (average selling price at RM30 per sqf)	72.5	10%		0.09
D	Johor land development (70% stake)	474.1	10%		0.59
E	Net cash	29.5			0.05
	Target price				1.71

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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