AFFIN INVESTMENT BANK
INVESTMENT BANKING • INVESTMENT MANAGEMENT • MARKET TRADING & RESEARCH
A member of the Affin Banking Group

RESULTS NOTE

26 August 2014

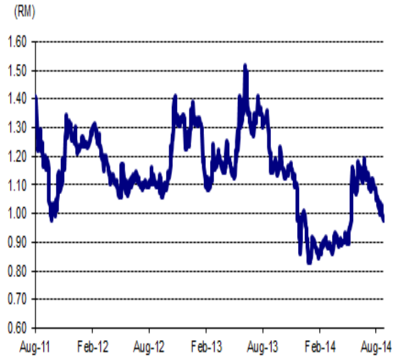
Benalec Hldgs

Sector: Construction & Infra

BHB MK
RM0.98 @ 25 August 2014

TR BUY (maintain)

Price Target: RM1.98 (↔)



Price Performance

	1M	3M	12M
Absolute	-10.1%	-9.3%	-21.0%
Rel to KLCI	-9.4%	-8.9%	-27.0%

Stock Data

Issued shares (m)	808.1
Mkt cap (RMm/US$m)	784 / 245
Avg daily vol - 6mth (m)	5.59
52-wk range (RM)	0.85 – 1.28
Est free float	48%
NA per share (RM)	0.67
P/NA (x)	1.5
Net cash/(debt) (RMm)	26.7
ROE (FY15E)	9.9%
Derivatives	No
Shariah Compliant	Yes

Key Shareholders

Oceancove Sdn Bhd	47.3%

Earnings & Valuation Revisions

	14E	15E	16E
Prev EPS (sen)	6.8	8.2	-
Curr EPS (sen)	6.8	8.2	8.6
Chg (%)	-	-	-
Prev target price (RM)			1.98
Curr target price (RM)			1.98

Source: Affin estimates, Bloomberg

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Below expectations as some profits shift to FY15

4QFY14 pretax loss suppressed FY14 net profit

BHB posted a pretax loss of RM15.1m in 4QFY14 (versus PBT of RM4.3m in 3QFY14 and RM5.4m in 4QFY13) due to lesser progress of work recognition, reversal of profit on a rescinded land sale as well as impairment losses on vessel and receivables. Also, profits from selected land sale (including the disposal of 22 parcels of land for RM235m) will only be booked in FY15. Following the 4QFY14 pretax loss, partially mitigated by deposit received from forfeited land disposal and discount received from subcontractors in previous quarters, FY14 PBT fell 72% YoY to only RM18.3m. No dividend has been declared with the results but as before, we expect a later announcement (FY13: 3.0 sen).

FY14 results below expectations; FY15-16 forecasts maintained

Adjusted for one-off items, FY14 core net profit amounted to RM20.9m, which is 5.4% below our forecast of RM22.1m and 39.1% below consensus average of RM34.3m. We maintain our FY15-16 core net profit forecasts and introduced our forecasts for FY17. Net DPS forecasts are maintained at 3.0 sen.

Maintain price target and TRADING BUY rating on Johor land concessions

Our **TRADING BUY** rating with a target price of RM1.98 (20% discount to RNAV) continues to hinge on its massive land reclamation concessions in Tanjung Piai (3,485 acres) and Pengerang (1,760 acres), which are expected to boost its order book by ~RM15bn and net profit by RM1.2bn over the next 10-15 year. Detailed EIA study has yet to be submitted but we understand discussion on the sale of land to 1MYSOT is still on-going. Meanwhile, outstanding order book stands at RM450m while the group is able to maintain land stock available for sale at approximately 400 acres. Downside risks to our rating include: (i) a negative outcome from the EIA study on its Johor concessions; (ii) further delays in the sale of 1,000 acres of reclaimed land in Tanjung Piai to 1MYSOT; (iii) global economic slowdown and weak petroleum demand affecting demand for reclaimed land; and (iv) shortage and/or spike in prices of raw materials, especially sand.

Earnings & Valuation Summary

FYE 30 June	2013	2014	2015E	2016E	2017E
Revenue (RMm)	265.8	211.0	250.0	250.0	251.0
EBITDA (RMm)	80.3	31.6	87.2	101.9	102.4
Pretax profit (RMm)	65.6	18.3	71.2	85.9	88.4
Net profit (RMm)	56.6	7.2	54.7	66.1	67.9
EPS (sen)	7.0	0.9	6.8	8.2	8.4
PER (x)	13.9	109.4	14.4	11.9	11.6
Core net profit (RMm)	56.6	26.4	54.7	66.1	68.9
Core EPS (sen)	7.0	3.3	6.8	8.2	8.6
Core EPS growth (%)	(31.6)	(53.4)	107.5	20.7	4.4
Core PER (x)	13.9	29.9	14.4	11.9	11.4
Net DPS (sen)	3.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	3.1	3.1	3.1	3.1	3.1
EV/EBITDA (x)	11.6	27.9	9.5	8.0	7.8
Consensus profit (RMm)			65.8	87.0	n.a
Affin Core/Consensus (x)			0.8	0.8	n.a

Source: Company data, Affin estimates, Bloomberg

Fig 1: Quarterly Results Comparison

FYE 30 June (RMm)	4QFY13	3QFY14	4QFY14	QoQ % chg	YoY % chg	Comment
Revenue	66.8	70.0	31.5	*(55.0)*	*(52.8)*	Lower YoY and QoQ due to lesser progress of work recognition and reversal of revenue recognised in prior year arising from the rescission of land disposal agreement
Op costs	(60.4)	(63.2)	(48.1)	*(23.9)*	*(20.3)*	
EBITDA	6.5	6.8	(16.6)	*(344.0)*	*(355.6)*	
EBITDA margin (%)	*9.7*	*9.7*	*(52.6)*	*n.m*	*n.m*	
Depn and amort	(2.8)	(2.7)	(2.4)	*(9.0)*	*(13.1)*	
Forex gain (losses)	(0.5)	(2.9)	2.9	*201.0*	*683.6*	
EBIT	3.7	4.1	(19.0)	*(560.3)*	*(614.8)*	
Int expense	(0.7)	(0.5)	(1.2)	*161.2*	*83.6*	
Int and other inc	2.4	0.6	5.1	*762.9*	*114.5*	Higher due to reversal of impairment losses on receivable and fair value gain
Associates	0.0	0.0	0.0	*n.m*	*n.m*	
Exceptional items	(6.4)	0.1	(17.4)	*n.m*	*n.m*	
Pretax profit	**5.4**	**4.3**	**(15.1)**	***(453.3)***	***(377.3)***	Loss mainly due to lesser progress of work recognition and increase in expenses (impairment losses on vessel RM16.2m and impairment losses on receivable RM3.0m)
Tax	(2.1)	(2.1)	(0.6)	*(73.1)*	*(73.3)*	
Tax rate (%)	*39.3*	*49.7*	*(3.8)*	*n.m*	*n.m*	
MI	0.0	0.0	0.0	*n.m*	*n.m*	
Net profit	**3.3**	**2.1**	**(15.6)**	***(828.4)***	***(572.7)***	
EPS (sen) *	0.4	0.3	(1.9)	***(733.3)***	***(575.0)***	
Core net profit	**10.2**	**4.9**	**(1.1)**	***(122.2)***	***(110.8)***	After adjusting for forex and other minor one-off gains/losses

Source: Company data, Affin estimates

Fig 2: Cumulative Results Comparison

FYE 30 June (RMm)	12MFY13	12MFY14	YTD % chg	Comment
Revenue	265.8	211.0	*(20.6)*	Lower YoY due to completion of certain projects located in Melaka and lesser progress of work recognition as well as reversal of revenue recognised in prior year arising from rescission of land disposal agreement and significant land reclamation works not billed
Op costs	(189.4)	(194.6)	*2.8*	
EBITDA	76.5	16.4	*(78.6)*	
EBITDA margin (%)	*28.8*	*7.8*	*n.m*	Lower mainly due to fewer number of land sale transactions, which command significantly higher margins, impairment losses on vessel and share-based payment granted to staff
Depn and amort	(10.9)	(10.4)	*(4.5)*	
Forex gain (losses)	(1.2)	(0.9)	*0.0*	
EBIT	64.4	5.1	*(92.1)*	
Int expense	(3.9)	(2.9)	*(25.4)*	
Int and other inc	4.4	16.1	*262.3*	Higher due to deposit received from forfeited land disposal transaction, discount received from subcontractors and fair value gain
Associates	0.0	0.0	*n.m*	
Exceptional items	(6.4)	(12.9)	***102.4***	
Pretax profit	**64.9**	**18.3**	***(71.8)***	
Tax	(9.0)	(11.1)	*(23.1)*	
Tax rate (%)	*13.9*	*60.7*	*n.m*	Higher than the statutory rate mainly due to certain subsidiaries making losses and expenses not tax deductible
MI	0.1	0.0	*(100.0)*	
Net profit	**56.0**	**7.2**	***(87.2)***	Lower also due to higher income tax
EPS (sen) *	7.0	0.9	*(87.1)*	
Core net profit	**63.6**	**20.9**	***(67.1)***	After adjusting for forex and other minor one-off gains/losses

Source: Company data, Affin estimates

Fig 3: Segmental PBT Breakdown

FYE 30 June (RMm)	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	12MFY13	12MFY14
Marine construction	15.6	(0.7)	5.7	(7.4)	(10.6)	94.4	(12.9)
Land disposal	n.a	0.2	31.8	15.4	10.7	0.0	58.1
Vessel chartering	(6.6)	(3.4)	(2.9)	(1.4)	(17.5)	(18.0)	(25.2)
Ship building	(2.5)	(0.9)	(0.4)	(0.3)	(1.8)	(7.6)	(3.4)
Others	(0.8)	(0.2)	(0.3)	(0.9)	1.9	(1.8)	0.5
Total	**5.7**	**(4.9)**	**34.0**	**5.4**	**(17.3)**	**66.9**	**17.2**

Source: Company data, Affin estimates

Fig 4: Segmental PBT Margin

FYE 30 June (%)	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	12MFY13	12MFY14
Marine construction	19.2	(9.0)	38.2	(444.2)	(46.1)	38.3	(27.5)
Land disposal	n.a	6.5	37.7	25.4	39.9	n.a	33.1
Vessel chartering	(498.9)	(76.4)	(32.9)	(26.9)	(355.6)	n.a	(107.8)
Total	**6.9**	**(34.6)**	**35.7**	**7.7**	**(54.9)**	**25.1**	**8.1**

Source: Company data, Affin estimates

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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