

Outthink. Outperform.

Results still uneven but future is bright

No land disposal in 2QFY15 contributed to 16% yoy decline in 1HFY15 core net profit. We are maintaining FY15E-17E forecasts as there are locked-in land sale, land reclamation contracts secured and available land stocks for sale. Outlook for BHB is significantly boosted after securing DEIA approval for Tanjung Piai concession. TP is raised on higher PE target and CY16 EPS. Upgrade to BUY.

1HFY15 core net profit declined by 16% yoy

BHB's 1HFY15 core net profit declined 16.1% yoy to RM18.1m due to: (i) no land disposal recognition in 2QFY15; (ii) deposits from a forfeited land disposal and discount received from sub-contractors in 1HFY14; and (iii) a higher effective tax rate following losses incurred by certain subsidiaries.

Locked in land sale will enhance profits in 2015E-17E

1HFY15 core net profit accounted for just 33% of our full year FY15E forecast and 34% of consensus average. We are however maintaining our FY15E-17E forecasts as the group has locked in land sale of approximately RM394m. The group has also secured a land reclamation contract covering 415 acres for a contract sum of RM203m. There are also land stocks available for sale in Malacca as well as Pulau Indah.

Massive Tanjung Piai land reclamation will significantly boost profits

The major game changer for BHB however will be the execution of the massive and 70%-owned Tanjung Piai land reclamation concession, which covers 3,485 acres and has received DEIA approval. The sale of 1,000 acres of reclaimed land to 1MY Strategic Oil Terminal (1MYSOT) is still pending. We estimate that the Tanjung Piai and Pengerang concessions could boost its order book by ~RM15bn over the next 10-15 years.

Raising TP on higher PE and CY16 EPS valuation; Upgrade to BUY

We are rolling forward our valuation of BHB to CY16 EPS (8.1 sen) on a higher target PE of 12x (as applied to **Eversendai (RM0.63, BUY TP RM0.98)**) versus 10x previously. We believe the higher target PE will be able to capture the excellent prospects of the group following the commencement of land reclamation works in Tanjung Piai. We raised our TP for BHB to RM0.98 and upgrade the stock rating to **BUY** from HOLD. Downside risks to our rating include: (i) delays in the land sales in Tanjung Piai; (ii) global economic slowdown and weak petroleum demand; and (iii) shortage and/or spike in prices of raw materials, especially sand.

Earnings & Valuation Summary

FYE 30 Jun	2013	2014	2015E	2016E	2017E
Revenue (RMm)	265.8	211.0	250.0	250.0	250.0
EBITDA (RMm)	80.3	31.5	87.2	101.9	102.9
Pretax profit (RMm)	65.6	18.2	71.2	84.9	85.9
Net profit (RMm)	56.6	7.1	54.7	65.3	66.1
EPS (sen)	7.0	0.9	6.8	8.1	8.2
PER (x)	12.5	99.4	13.0	10.9	10.8
Core net profit (RMm)	56.6	20.9	54.7	65.3	66.1
Core EPS (sen)	7.0	2.6	6.8	8.1	8.2
Core EPS growth (%)	(31.6)	(63.0)	160.2	19.3	1.2
Core PER (x)	12.5	33.8	13.0	10.9	10.8
Net DPS (sen)	3.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	3.4	3.4	3.4	3.4	3.4
EV/EBITDA (x)	10.6	28.1	9.1	7.7	7.7
Chg in EPS (%)			0.0	0.0	0.0
Affin/Consensus (x)			1.0	1.0	0.9

Source: Company, Affin Hwang estimates, Bloomberg

Affin Hwang Investment Bank Bhd (14389-U)
(Formerly known as HwangDBS Investment Bank Bhd)

Results Note

Benalec Hldgs

BHB MK
Sector: Construction & Infra

RM0.88 @ 11 February 2015

BUY (upgrade)

Upside: 11.4%

Price Target: RM0.98

Previous Target: RM0.81



Price Performance

	1M	3M	12M
Absolute	+37.5%	+8.6%	-3.8%
Rel to KLCI	+32.6%	+9.7%	-2.4%

Stock Data

Issued shares (m)	808.1
Mkt cap (RMm)/(US\$m)	703/194
Avg daily vol - 6mth (m)	3.7
52-wk range (RM)	0.53-1.22
Est free float	48%
BV per share (RM)	0.70
P/BV (x)	1.3
Net cash (RMm)(1 QFY15)	17.1
ROE (FY15E)	9.8%
Derivatives	No
Shariah Compliant	Yes

Key Shareholders

Oceancove Sdn Bhd	47.3%
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Source: Affin Hwang, Bloomberg

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Fig 1: Results comparison

FYE 30 June (RMm)	2QFY15	qoq % chg	yoy % chg	1HFY15	yoy % chg	Comment
Revenue	60.2	25.7	(36.6)	108.6	(0.8)	Marginally lower yoy in 1HFY15 as lower land disposal revenue offset higher revenues from marine construction and vessel chartering
Op costs	(50.0)	74.7	(26.2)	(76.1)	(8.7)	
EBITDA	10.2	(47.0)	(62.6)	32.5	24.3	Increase mainly due to more land disposal transactions
EBITDA margin (%)	17.0	(23.3ppt)	(11.7ppt)	30.0	6.1ppt	
Depn and amort	(3.1)	15.7	15.6	(5.8)	8.1	
Forex gain (losses)	(2.4)	(253.2)	23,730.0	(3.0)	240.4	
EBIT	7.1	(57.1)	(71.1)	23.8	19.0	
Int expense	(0.2)	(57.6)	(57.1)	(0.7)	(41.0)	
Int and other inc	0.6	(76.2)	(93.8)	3.2	(69.3)	Lower yoy in 1HFY15 mainly due to deposit from forfeited land disposal and discount received from sub-contractors in 1HFY14
Associates	0.0	n.m	n.m	0.0	n.m	
Exceptional items	0.5	n.m	n.m	0.4	(2,040.0)	
Pretax profit	7.5	(59.7)	(77.9)	26.2	(9.9)	Lower yoy in 1HFY15 also due to higher loss on unrealised forex
Core pretax	9.4	(51.5)	(73.1)	28.8	(3.8)	
Tax	(4.1)	(39.0)	(53.1)	(10.7)	27.7	
Tax rate (%)	54.0	18.3ppt	28.5ppt	40.9	10.1ppt	Higher than statutory rate mainly due to certain subsidiaries making losses
MI	0.0	n.m	n.m	0.0	n.m	
Net profit	3.5	(71.2)	(86.3)	15.5	(25.1)	
EPS (sen) *	0.4	(73.3)	(87.1)	1.9	(26.9)	
Core net profit	5.4	(58.0)	(79.7)	18.1	(16.1)	After adjusting for forex and other minor one-off gains/losses

Source: Company data, Affin Hwang estimates

Fig 2: Segmental PBT breakdown

FYE 30 June (RMm)	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	6MFY14	6MFY15
Marine construction	5.7	(8.4)	(10.5)	(7.5)	(1.1)	5.1	(8.6)
Land disposal	31.8	15.4	10.7	29.1	10.6	32.1	39.7
Vessel chartering	(2.9)	(1.6)	(15.3)	(1.7)	(0.9)	(6.3)	(2.6)
Ship building	(0.4)	(0.3)	(1.8)	(0.7)	(0.5)	(1.3)	(1.1)
Others	(0.3)	(0.8)	1.8	(0.5)	(0.5)	(0.5)	(1.0)
Total	34.0	4.3	(15.1)	18.7	7.8	29.1	26.5

Source: Company data, Affin Hwang estimates

Fig 3: Segmental PBT margin breakdown

FYE 30 June (%)	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	6MFY14	6MFY15
Marine construction	38.2	(505.8)	(45.4)	(27.3)	(1.5)	22.7	(8.6)
Land disposal	37.7	25.4	39.9	64.2	37.7	n.a	54.0
Vessel chartering	(32.9)	(30.2)	(312.4)	(26.9)	(6.1)	n.a	(12.5)
Total	35.7	6.1	(47.8)	39.0	12.9	26.6	24.5

Source: Company data, Affin Hwang estimates

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

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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