



AmResearch

Company report

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CONSTRUCTION

BENALEC HOLDINGS

(BHB.MK, BENL.KL)

21 March 2011

Wins Glenmarie Cove contract

BUY

Price: RM1.23

Fair Value: RM1.90

Rationale for report : Company Update

YE to June	FY10	FY11F	FY12F	FY13F
Core EPS (Sen)	8.0	12.7	16.3	19.3
PE (X)	15.3	9.7	7.6	6.4

Source : AmResearch

Quick Take

- Benalec Holdings Bhd announced yesterday that the group had on 21 March 2011 accepted the letter of award for a reclamation contract in Klang. The contract was awarded to wholly-owned Benalec Sdn Bhd by COMTRAC Sdn Bhd on behalf of Glenmarie Cove Development Sdn Bhd - a unit of DRB-Hicom Bhd.
- Glenmarie Cove is a low-density riverfront residential resort development (~200 acres) that is located at Teluk Gong, Klang. The development is approximately 8km from Klang town centre (via Jalan Pelabuhan Utara), and 18km from Subang Jaya (via KESAS highway).
- The contract value is RM37mil, with a work programme of 14 months – i.e. until 17 May 2012. The project entails earthworks, river protection works as well as other associated works at Precinct 4 of the development. This, in turn, should put the group in a position to secure additional reclamation works scheduled within the area.
- More importantly, the Glenmarie Cove contract further solidifies our growing conviction that Benalec's contract momentum is on the ascendency. It represents the second contract that the group has successfully clinched in a week following the Kota Laksamana project in Malacca announced last Monday.
- This would undoubtedly put the group on a stronger footing to clinch more reclamation contracts – both at home as well as in the region.
- We make no changes to our earnings assumptions as this new contract forms part of our new orderbook assumptions of RM650mil for FY11F. For the financial-year to date (ending 30 June 2011), we estimate that the group has clinched ~RM608mil worth of new contracts against RM77mil in FY10.
- We re-iterate our BUY recommendation on Benalec with a fair value of RM1.90/share – based on the sum-of-parts methodology.
- Benalec is trading at an undemanding FY11F-13F PEs of only 6x-9x against solid earnings CAGR of 41% and FY11F net gearing of 11%.
- We believe this is unjustified, given the group's deepening progression as an integrated marine engineering specialist – with access to prime seafront land via its unique business model.

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For AmResearch Sdn Bhd

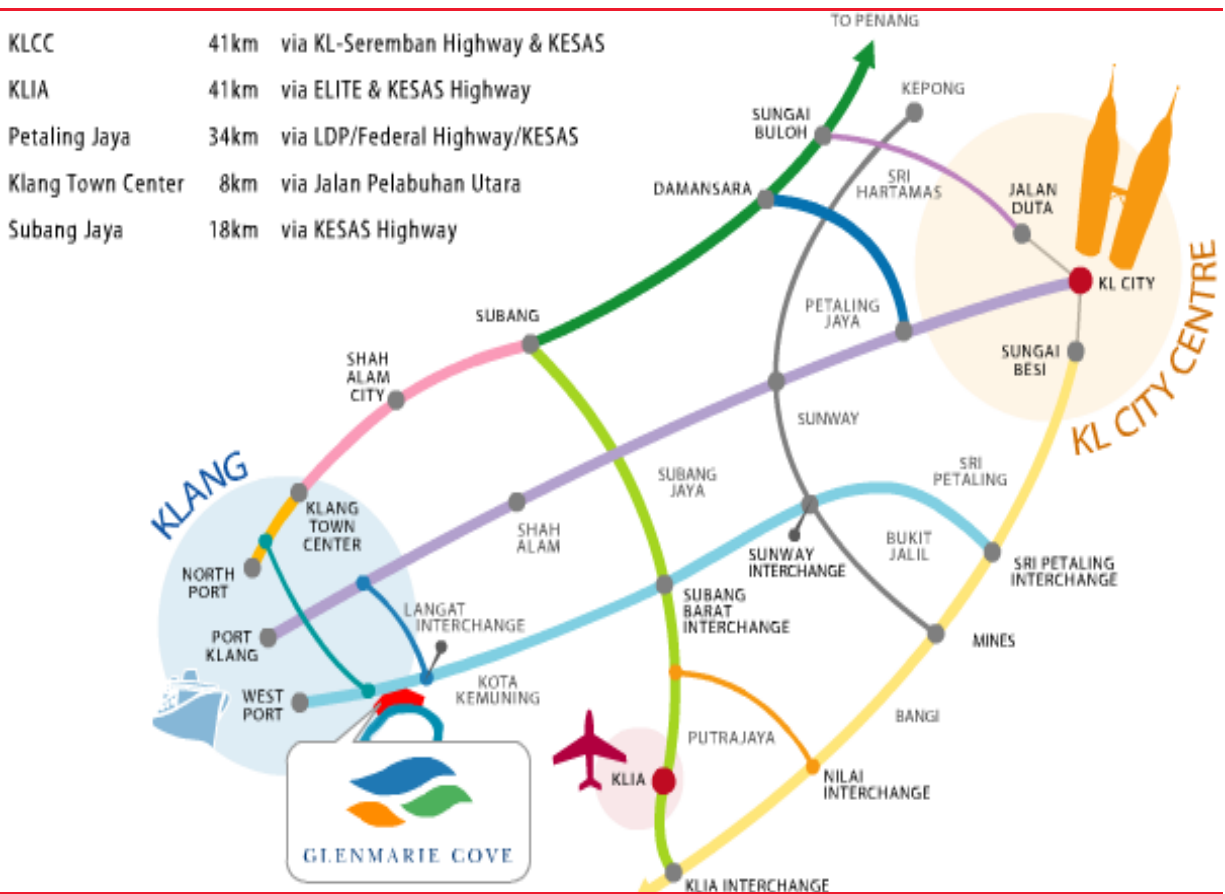
Benny Chew
Managing Director

TABLE 1 : VALUATION MATRIX

YE to Dec	FY09	FY10	FY11F	FY12F	FY13F
Revenue (RMmil)	120.9	116.5	250.6	345.7	406.1
Core net profit (RMmil)	11.9	50.6	92.6	118.8	141.1
EPS (Sen)	1.9	8.0	12.7	16.3	19.3
EPS growth (%)	0.1	n/m	57.9	28.3	18.7
Consensus EPS (Sen)			n/a	n/a	n/a
DPS (Sen)	0.0	0.0	2.5	6.5	8.0
PE (x)	64.9	15.3	9.7	7.6	6.4
EV/EBITDA (x)	1.6	11.6	7.1	5.5	4.6
Div yield (%)	0.0	0.0	2.0	5.3	6.5
ROE (%)	24.6	38.6	27.2	27.0	25.8
Net Gearing (%)	60.9	59.9	11.5	6.6	0.7

Source : Benalec, AmResearch

CHART 1: GLENMARIE COVE DEVELOPMENT



Source: Glenmarie Cove, AmResearch