

**AmResearch****Company report****Hoy Ken Mak**

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# BENALEC HOLDINGS

(BHB.MK, BENAL.KL)

*Crystallising more value in Malacca***BUY**

(Maintained)

*Rationale for report: Company Update*

Price	RM1.45
Fair Value	RM1.90
52-week High/Low	RM1.56/RM1.00

**Key Changes**

Fair value	unchanged
EPS	unchanged

YE to Jun	FY10	FY11F	FY12F	FY13F
Revenue (RMmil)	116.5	250.6	345.7	406.1
Core net profit (RMmil)	50.6	92.6	118.8	141.1
EPS (Sen)	8.0	12.7	16.3	19.3
EPS growth (%)	238.1	36.9	28.3	18.7
Consensus EPS (Sen)		n/a	n/a	n/a
DPS (Sen)	12.4	10.2	10.2	10.2
PE (x)	15.6	11.4	8.9	7.5
EV/EBITDA (x)	13.2	8.2	6.4	5.3
Div yield (%)	8.6	7.0	7.0	7.0
ROE (%)	52.7	37.6	30.4	28.6
Net Gearing (%)	59.9	11.5	6.6	0.7

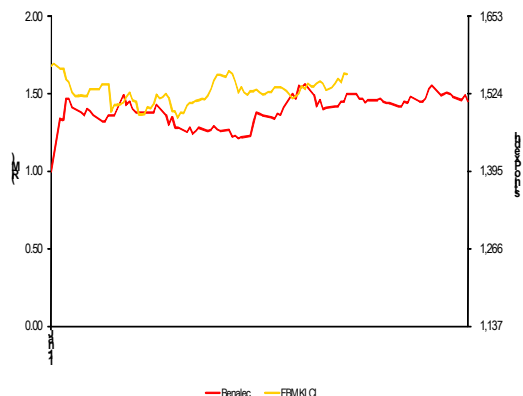
**Stock and Financial Data**

Shares Outstanding (million)	630.0
Market Cap (RMmil)	913.5
Book value (RM/share)	0.24
P/BV (x)	6.0
ROE (%)	52.7
Net Gearing (%)	33.3

Major Shareholders  
 Leow family (68.5%)  
 KWAP (5.1%)

Free Float (%)	26.4
Avg Daily Value (RMmil)	n/a

Price performance	3mth	6mth	12mth
Absolute (%)	13.3		
Relative (%)	9.7		

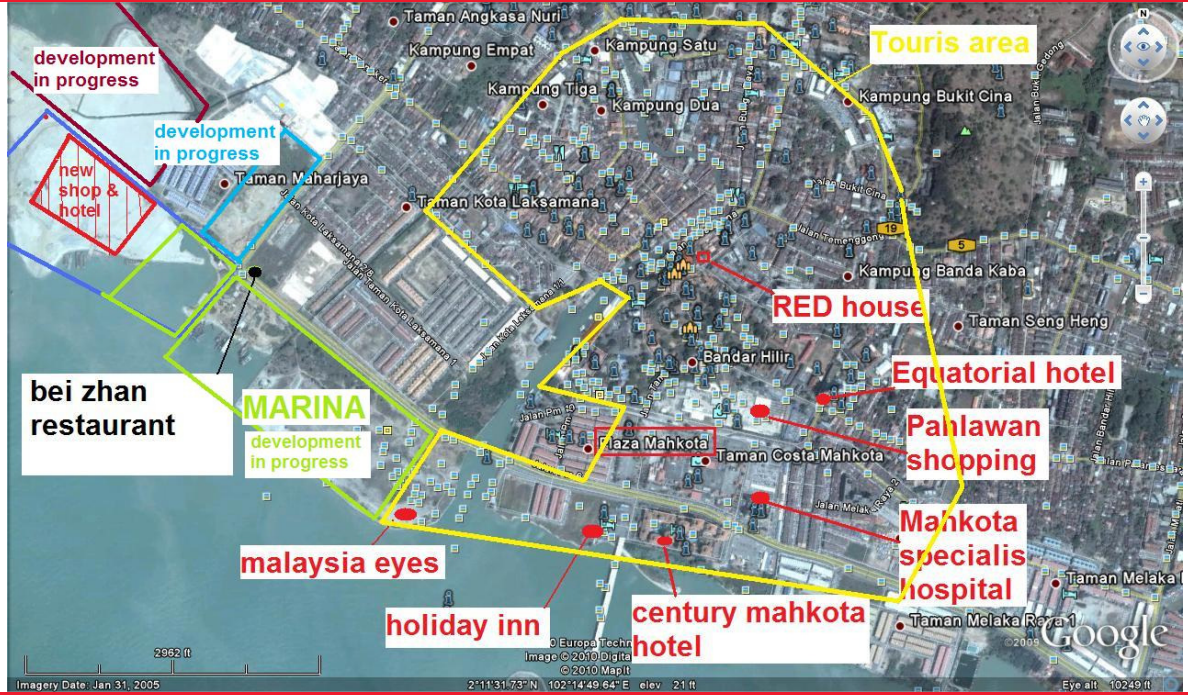


PP 12247/06/2011(029701)

**Investment Highlights**

- **Maintain BUY** on Benalec Holdings Bhd with an unchanged fair value of RM1.90/share – based on the sum-of-parts method. Benalec announced on Bursa Malaysia last evening that the group has entered into an agreement with Vista Selesa Development Sdn Bhd for the proposed disposal of land in Klebang, Malacca.
- The land measures 2,977,736 sq ft, with a 99-year leasehold period. It is strategically located within 7km west of Bandar Malacca and 15km south west of Ayer Keroh Town. In the future, it would also have direct access from the proposed Coastal Highway which links Duyong, Mahkota Parade, Kota Laksamana and Klebang.
- Benalec will receive a total cash consideration of RM46mil for the first portion of the land measuring 1,627,405 sq ft (~37 acres).
- For the remaining portion, Benalec has entered into a JV with Vista Selesa to develop 1,350,331 sq ft (31 acres) of land into a mixed development project. Under the deal, Benalec would either receive a cash consideration of RM38mil or 25% of the project's estimated gross development value – whichever is higher – when it is completed in 2013.
- In addition, Benalec also announced that it has proposed to undertake a private placement and a share buy-back exercise of up to 10% each of its share capital.
- Taken together with Benalec's net entitlement to the land sale on the first portion and estimated proceeds from any proposed private placement based on the five-day volume weighted average price (VWAP) at current values – we estimate that Benalec could potentially raise estimated proceeds of ~RM144mil.
- We believe the latest move is part of Benalec's strategic positioning to raise capital ahead of more value-accretive deals in the future. To be sure, we gather that it intends to use part of any new monies raised to fund its upcoming Kota Laksamana project in Malacca.
- We believe the 250-acre Kota Laksamana land holds immediate development potential - as it sits on prime seafront land within Malacca city centre itself. We gather that Benalec is in the midst of obtaining approvals from the relevant authorities – where the project could kick off by 4Q11. The group is also open to forging strategic partnerships with reputable developers to realise the deeply-embedded value of the land.
- Based on land sales alone, we estimate that Benalec could reap a net gain of RM80mil or ~RM27mil p.a. over a three-year period – based on a conservative value of RM28/psf.

TABLE 1: STRATEGIC LOCATION OF SEA-FRONTING KOTA LAKSAMANA LAND IN MALACCA



Source: [www.myrealestate.com.my](http://www.myrealestate.com.my), AmResearch

CHART 1 : PB BAND CHART

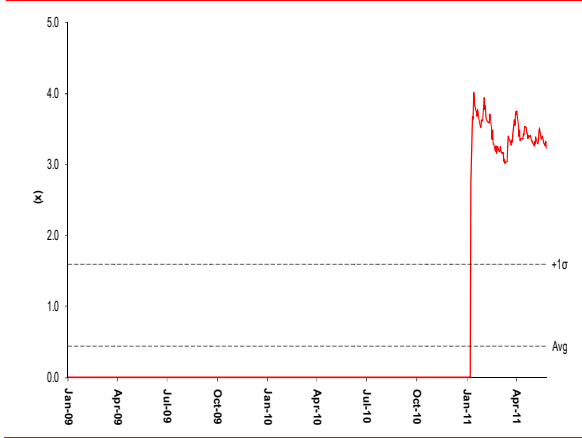


CHART 2 : PE BAND CHART

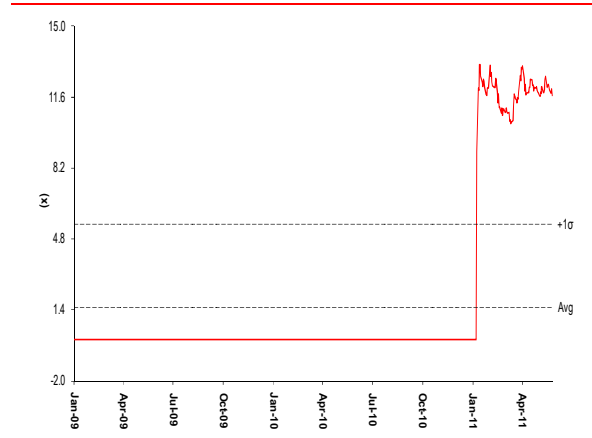


TABLE 1 : FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	2009	2010	2011F	2012F	2013F
Revenue	120.9	116.5	250.6	345.7	406.1
EBITDA	30.3	74.6	131.4	168.8	197.7
Depreciation	(8.7)	(11.1)	(13.5)	(16.2)	(17.9)
Operating income (EBIT)	21.6	63.5	117.9	153	179.8
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(3.1)	(2.6)	(5.3)	(4.8)	(4.3)
Exceptional items	5.3	7.7	0.0	0.0	0.0
<b>Pretax profit</b>	<b>23.9</b>	<b>68.6</b>	<b>112.6</b>	<b>147.8</b>	<b>175.5</b>
Taxation	(6.6)	(10.2)	(20.0)	(29.0)	(34.5)
Minorities/pref dividends	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>17.3</b>	<b>58.4</b>	<b>92.6</b>	<b>118.8</b>	<b>141.1</b>
Core net profit	11.9	50.6	92.6	118.8	141.1
<b>Balance Sheet (RMmil, YE 30 Jun)</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>
Fixed assets	104.8	222.2	213.8	242.6	239.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Other long-term assets	0.2	0.2	0.2	0.2	0.2
<b>Total non-current assets</b>	<b>105.0</b>	<b>222.4</b>	<b>213.9</b>	<b>242.7</b>	<b>239.9</b>
Cash & equivalent	20.2	31.5	92.9	117.8	133.1
Stock	9.8	8.8	35.9	64.0	75.3
Trade debtors	249.5	164.5	329.5	454.6	545.1
Other current assets	53.1	27.3	61.1	90.6	106.7
<b>Total current assets</b>	<b>332.5</b>	<b>232.1</b>	<b>519.4</b>	<b>727.0</b>	<b>860.3</b>
Trade creditors	259.4	172.5	251.5	373.2	408.1
Short-term borrowings	7.6	36.2	23.4	26.4	24.4
Other current liabilities	1.1	9.0	9.0	9.0	9.0
<b>Total current liabilities</b>	<b>268.1</b>	<b>217.7</b>	<b>283.8</b>	<b>408.6</b>	<b>441.5</b>
Long-term borrowings	42.0	70.8	93.6	105.6	97.6
Other long-term liabilities	57.1	14.9	14.9	14.9	14.9
<b>Total long-term liabilities</b>	<b>99.1</b>	<b>85.7</b>	<b>108.5</b>	<b>120.5</b>	<b>112.5</b>
<b>Shareholders' funds</b>	<b>70.3</b>	<b>151.2</b>	<b>341.1</b>	<b>440.7</b>	<b>546.2</b>
Minority interests	0.0	0.0	0.0	0.0	0.0
BV/share (RM)	0.11	0.24	0.47	0.60	0.75
<b>Cash Flow (RMmil, YE 30 Jun)</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>
Pretax profit	23.9	68.6	112.6	147.8	175.5
Depreciation	(4.7)	(95.7)	(38.4)	73.4	73.6
Net change in working capital	(19.2)	24.8	(147.0)	(60.9)	(83.1)
Others	(10.8)	(100.9)	(16.1)	(26.9)	(33.5)
<b>Cash flow from operations</b>	<b>2.6</b>	<b>3.7</b>	<b>(37.0)</b>	<b>76.2</b>	<b>76.9</b>
Capital expenditure	(5.0)	(20.0)	(5.0)	(45.0)	(15.0)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	7.0	53.6	1.4	2.7	3.3
<b>Cash flow from investing</b>	<b>2.0</b>	<b>33.6</b>	<b>(3.6)</b>	<b>(42.3)</b>	<b>(11.7)</b>
Debt raised/(repaid)	27.2	57.3	10.0	15.0	(10.0)
Equity raised/(repaid)	0.0	0.0	25.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	(19.2)	(35.6)
Others	(25.0)	(84.0)	66.9	(4.8)	(4.3)
<b>Cash flow from financing</b>	<b>2.1</b>	<b>(26.7)</b>	<b>101.9</b>	<b>(8.9)</b>	<b>(49.9)</b>
<b>Net cash flow</b>	<b>6.7</b>	<b>10.6</b>	<b>61.4</b>	<b>24.9</b>	<b>15.3</b>
<b>Net cash/(debt) b/f</b>	<b>0.2</b>	<b>6.2</b>	<b>16.4</b>	<b>77.8</b>	<b>102.7</b>
Exchange rate effects	0.0	(0.4)	0.0	0.0	0.0
<b>Net cash/(debt) c/f</b>	<b>6.9</b>	<b>16.4</b>	<b>77.8</b>	<b>102.7</b>	<b>118.0</b>
<b>Key Ratios (YE 30 Jun)</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>
Revenue growth (%)	63.3	n/a	115.1	37.9	17.5
EBITDA growth (%)	31.0	146.2	76.0	28.5	17.1
Pretax margins (%)	19.7	58.9	44.9	42.8	43.2
Net profit margins (%)	14.3	50.1	37.0	34.4	34.7
Interest cover (x)	6.2	21.6	17.6	20.4	23.6
Effective tax rate (%)	27.7	14.9	17.7	19.6	19.6
Net dividend payout (%)	340.5	100.7	60.3	47.0	39.6
Debtors turnover (days)	622	649	360	414	449
Stock turnover (days)	21	29	33	53	63
Creditors turnover (days)	673	677	309	330	351

Source: Benalec AmResearch

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