



AmResearch

Company report

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CONSTRUCTION

BENALEC HOLDINGS

(BHB.MK, BENL.KL)

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Books RM11mil land sale gain in Malacca

BUY

Price: RM1.31
Fair Value: RM1.90

Rationale for report : Company Update

YE to Dec	FY10	FY11F	FY12F	FY13F
Core EPS (Sen)	8.0	12.7	16.3	19.3
PE (X)	16.3	10.3	8.0	6.8

Source : AmResearch

Quick Take

- **Benalec Holdings Bhd has announced on Bursa Malaysia that it had via two wholly-owned subsidiaries disposed of land in Malacca.**
- **The two parcels of leasehold land were sold to privately-held Mentari Sekitar Sdn Bhd. The land is located within Klebang Beach – approximately 7.5 km southwest of Malacca city centre.**
- **The land measures approximately 63,545 sq m or ~16 acres. The total disposal consideration sums up to RM19mil – netting Benalec a gain on disposal amounting to ~RM9mil or a pre-tax gain of RM11mil.**
- **The deal represents reclaimed land that Benalec received for its ongoing reclamation projects in Malacca that were earlier secured via payment-in-kind. This brings total gains from land sales in Malacca to RM24mil for the current financial year to-date ending 30 June 2011 – close to our full-year assumption of RM25mil. In 1QFY11, it had closed another land sale with a corresponding gain of RM13mil.**
- **We maintain our BUY recommendation on Benalec with a fair value of RM1.90/share – based on the sum-of-parts methodology. We continue to like the group for its deepening progression as an integrated marine engineering specialist.**
- **Benalec’s key value proposition is its unique business model – solidified by an ability to offer turnkey land reclamation proposals on a design & build basis.**
- **Using its early success in Malacca as a springboard for geographic expansion, Benalec could gain instant access to prime seafront land via strategic tie-ups with state governments, notably in Penang and Johor.**
- **Benalec’s highly scalable business model could also serve as a springboard to secure more value-accretive deals, including specialised industrial hubs.**
- **Benalec is scheduled to release its 2QFY11 results later this evening. For FY11F, we have projected core net profit to expand 83% YoY to RM93mil. Balance sheet remains strong with FY11F net gearing of only 11% - suggesting ample scope for more prolific deals in the pipeline.**

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For AmResearch Sdn Bhd

Benny Chew
Managing Director

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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)	69.1	16.3	10.3	8.0	6.8
EV/EBITDA (x)	1.6	12.3	7.6	5.8	4.9
Div yield (%)	0.0	0.0	1.9	5.0	6.1
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