

## Benalec Holdings Bhd

### Company Update

#### BUY

**Current Price RM 1.25**

**Target Price RM 2.66**

**Consensus Price RM 2.28**

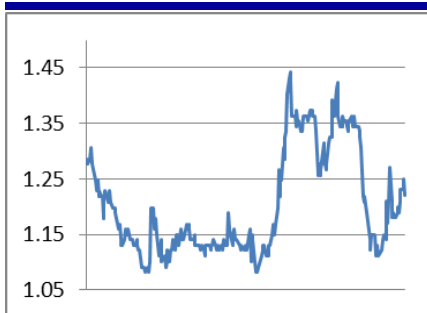
#### Key Statistics

Bloomberg Ticker	BHB MK
Bursa Ticker/Stock Code	BENALEC/ 5190
Shares Issued (m)	803.0
Market Capitalisation (RM'm)	981.1
52 Week Hi/Lo Price (RM)	1.49/1.09
YTD Returns (%)	-12.23%
3-mth Average trading Vol.	3.67m
Est free float (m)	309.3m
Beta (x)	1.37

#### Major Shareholders (%)

Oceancove	53.07
KWAP	6.77

#### 1-Year Share Price Performance



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## Emerati Splendor

### Highlights:

- ◆ **Recap-** In Nov 2011, UPENJ (Unit Perancang Ekonomi Negeri Johor) approved in principle Benalec's 70%-owned units – Spektrum Kukuh Sdn Bhd (SKSB) undertaking reclamation works involving land to be reclaimed along the shorelines of Tanjung Piai covering a gross area of about 3,485 acres and thereafter to develop the Project Land into the Integrated Petroleum & Petrochemical Hub Logistic and Maritime Industrial Park of Tanjung Piai, Johor. Subsequently, Benalec signed the Development Agreements (DA) with the Johor Government and State Secretary Inc (SSI) in September 2012.
- ◆ Tanjung Piai located strategically at southwestern tip of Johor - 17km from Petroleum and Petrochemical (P&P) Hub of Jurong Island. It has potential to be developed into another P&P Hub akin to those in Rotterdam or Houston. Tg Piai has more than 7km of seafront, offering an excellent anchorage area with a natural water depth of >20m, which allows even VLCCs to comfortably navigate.
- ◆ **Here comes the Emirates Crown Prince** - Benalec announced on 12<sup>th</sup> March that Spektrum Kukuh Sdn. Bhd a 70% owned-subsiidiary, entered into a binding term sheet with the State Secretary, Johor (Incorporated) SSI and 1MY Strategic Oil Terminal Sdn. Bhd. to undertake the reclamation works and sale of approximately 1,000 acres of land off the coast of Tanjung Piai for the purpose of constructing and operating a crude oil and petroleum storage facility together with a private jetty. The Purchaser, 1MY Strategic Oil Terminal Sdn. Bhd. is a strategic partnership between Abu Dhabi and Malaysian Government.
- ◆ 1MY Strategic Oil Terminal Sdn. Bhd intends to acquire the land for the purpose of the construction, commissioning, operation and maintenance of an oil and petroleum storage facility with an estimated project cost of USD6.76b (RM21b).

**Investment Highlights**

FYE 30 <sup>th</sup> June (RM m)	2010	2011	2012	2013F	2014F
Revenue (m)	308.64	210.96	155.28	259.89	304.45
Pretax Profit (m)	121.53	126.09	100.33	123.42	141.07
Net Profit (m)	105.82	96.08	82.76	98.00	114.19
EPS (sen)	13.16	11.95	10.29	12.19	14.20
Pretax margin (%)	39.38	59.77	64.61	47.49	46.34
Net Profit margin (%)	34.29	45.54	53.29	37.71	37.51
PER (x)	9.42	10.38	12.05	10.18	8.73
DPS (sen)	0.00	2.00	3.00	3.00	3.00
Dividend Yield (%)	0.00%	1.61%	2.42%	2.42%	2.42%
ROE (%)	69.00%	27.71%	16.02%	17.57%	18.93%
ROA (%)	32.84%	15.05%	10.72%	11.49%	12.75%
Net Gearing Ratio	0.0238	net cash	net cash	net cash	net cash
BV/Share (sen)	19.071	43.119	64.222	69.370	74.997
Price/Book Ratio (x)	6.502	2.876	1.931	1.788	1.653
NTA/share (sen)	19.071	43.119	64.222	69.370	74.997

- ◆ **Price Tag to be determined** – The value of the transaction was not revealed in the announcement. The closest comparison is with Jurong Oil and Gas Industrial Estate, where land is selling at about RM10m/acre. It was also reported that the strategic storage facility worth RM21b, known as the Abu Dhabi Strategic Petroleum Reserve, will be designed, constructed, operated and maintained for the exclusive use of Abu Dhabi, involving a crude oil and petroleum reserve facility off the coast of Tanjung Piai, Johor, with a storage capacity of 60m barrels of oil. Assuming conservatively that 10% of the project value is to be allocated for the cost of the 1,000 acre land plot, Benalec is on course to land a very lucrative land sale deal worth up to RM2b, which will certainly involve a large positive impact to its future earnings.
- ◆ Benalec and 1MY Strategic Oil Terminal agreed to negotiate in good faith with a view to eventually finalizing the execution of a legally binding sale and purchase agreement in respect of the land within 3 months from the date of the Term Sheet. We are optimistic that the 1,000 acre land deal will be finalized as there are compelling reasons for Abu Dhabi to set-up an Oil Storage Terminal in this region to facilitate its regional O&G activities.
- ◆ **BUY-** We reiterate our **BUY** call on Benalec Holdings Bhd with our target price based on a Sum-of-Parts valuation set at RM2.66. Our target price also implies a P/E of 11.5x for FY13, which we believe is a reasonable valuation multiple for construction stocks of Benalec's stature.



Prime Minister Datuk Seri Najib Abdul Razak and the Crown Prince of Abu Dhabi, General Sheikh Mohammed Zayed Al Nahyan at the signing ceremony between 1MDB and UAE at Bangunan Perdana Putra

## Ratings System

### Ratings:

### Description:

BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

## Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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