



**AmResearch**

**Company report**

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CONSTRUCTION

# BENALEC HOLDINGS

(BHB.MK, BENL.KL)

15 March 2011

*Secures prime seafront land in Malacca*

**BUY**

Price: RM1.27

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)	15.7	10.0	7.8	6.6

Source : AmResearch

Quick Take

- Benalec Holdings Bhd announced that its wholly-owned subsidiary Jayamas Cekap Sdn Bhd has signed an agreement with state-owned Yayasan DMDI. Under the deal, Yayasan DMDI had entered into a deed of assignment with Jayamas Cekap on 14 March 2011 to transfer its rights as well as liabilities and obligations of the concession land to the latter. This would include the funding and associated reclamation works for the project.
- The entire land concession measures approximately 250 acres in Kota Laksamana, Malacca. After excluding portions accruing to the Malacca state government and Yayasan DMDI, Jayamas Cekap's net share of the land entitlement is estimated at 177 acres.
- We believe this deal is significant, as the land concession holds immediate development potential for Benalec once reclamation works are completed.
- Most importantly, the Kota Laksamana project sits on prime seafront land within Malacca city centre itself that can be further developed for mixed residential/commercial purposes. It is also strategically located close to landmarks within the historical city (e.g. Makhota Parade and Holiday Inn).
- Having received about RM28/psf for an adjoining piece of land back in 2009, we believe the group can fetch over RM30/psf for this piece of prime Kota Laksamana land that is expected to draw lots of attention from property developers.
- We also do not preclude the possibility of seeing Benalec entering into strategic partnerships with reputable developers to monetise the deep-embedded value of this land.
- Based on our initial estimates, Benalec stands to chalk up a net gain of ~RM116mil from land disposals alone over a reclamation period of three years. By extension, this could potentially bump up FY12F-13F earnings by 27%-32%. Funding is not an issue – with projected net gearing of only 11% in FY11F. In addition, the group had managed to raise up to RM100mil from its IPO in January this year.
- We maintain our BUY recommendation on Benalec with a fair value of RM1.90/share – based on the sum-of-parts methodology. The latest development solidifies 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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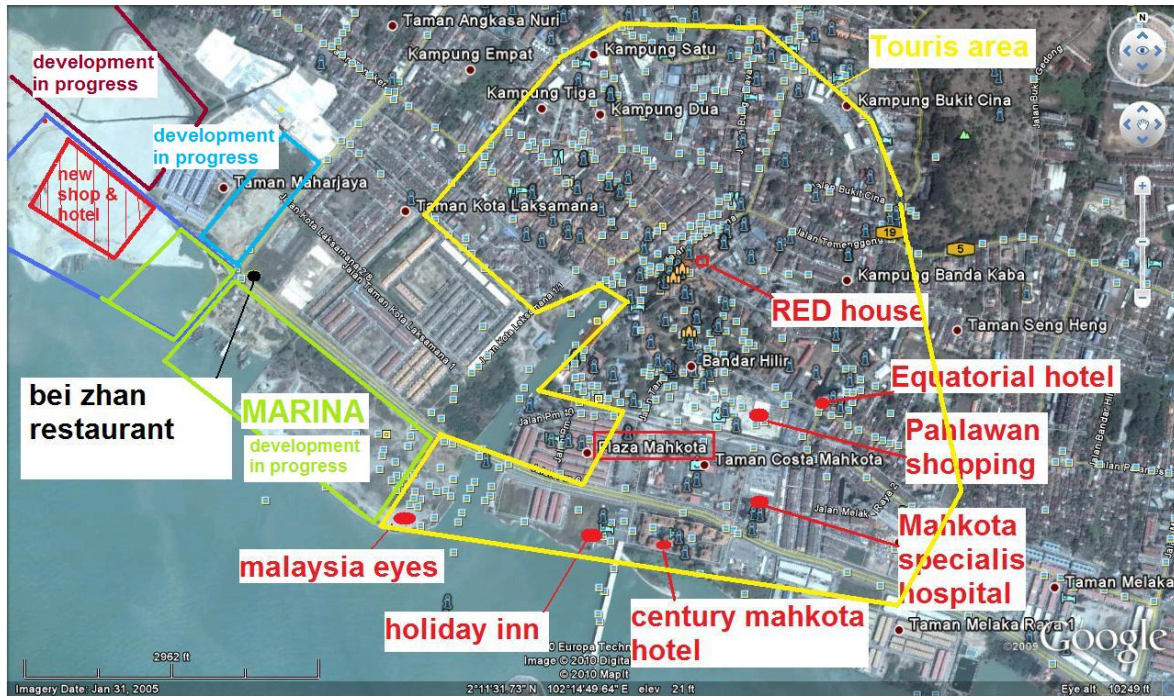
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For AmResearch Sdn Bhd

**Benny Chew**  
Managing Director

CHART 1: MAP OF PROPOSED KOTA LAKSAMANA RECLAMATION PROJECT



Source: www.postimage.org, AmResearch

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)	66.5	15.7	10.0	7.8	6.6
EV/EBITDA (x)	1.6	11.8	7.4	5.7	4.7
Div yield (%)	0.0	0.0	2.0	5.1	6.3
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