

Benalec Holdings

BHB MK / BENAL.KL

Market Cap
US\$195.3m
RM703.1m

Avg Daily Turnover
US\$0.96m
RM3.40m

Free Float
38.5%
803.0 m shares

Current **RM0.88**
Target **RM1.03**
Prev. Target **RM0.90**
Up/Downside **17.0%**

2QFY15 RESULTS NOTE

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



Sharizan ROSELY

T (60) 3 2261 9077

E sharizan.rosely@cimb.com

Share price info

Share price perf. (%)	1M	3M	12M
Relative	37.0	9.4	-3.0
Absolute	40.8	8.0	-4.4
Major shareholders	% held		
Oceancove Sdn bhd	53.2		
KWAP	6.9		
Dato' Leaw Seng Hai	1.4		

Anchored by land sale gains

Although Benalec's annualised 1H15 core net profit made up only 58% of our and consensus' full-year forecasts, we consider the results as broadly in line as we expect outstanding land sale gains in Melaka to drive 2H15's earnings. The slow progress of land reclamation contracts was not unexpected. It was also mitigated somewhat by the RM29m in land sale profits YTD. We maintain our FY15-17 EPS forecasts but raise our target price (still pegged to a 30% RNAV discount) as we update for balance sheet items. We continue to like Benalec as it rides on the potential recovery of land reclamation works in South Johor. Maintain Add. Key catalysts are securing new ventures in Tanjung Piai.

1H15 broadly in line

Annualised 1H15 core net profit made up 58% of our and consensus full-year numbers. There were no major surprises in operational numbers, which were mainly driven by land sale gains in Melaka, with RM29m in pretax profit YTD. The losses in other segments i.e. land reclamation and vessel chartering were largely expected given the guided slow progress from earlier in the year. We expect subsequent quarters to reflect a surge in land sale profits from Melaka given the delayed land titles from 1Q15. Benalec should be realising over RM30m worth of land sale profits in 2H. The absence of dividends is also not a surprise.

EIA for Tanjung Piai remains a positive milestone

The group recently secured the environmental impact assessment (EIA) approval for the 1,000-acre land reclamation work in Tanjung Piai. This remains a big milestone as it could translate to a lucrative longer-term profit stream outside of Melaka. Working on a RM52 psf average reclamation cost (relatively higher than the benchmark reclamation cost for the group's project in Melaka) and a fair RM65 psf selling price (RM13 psf surplus value), Benalec could gain RM396m in net profit (or c.RM80m p.a. at 70% stake) over the next five years, assuming that reclamation works with a signed SPA begin in FY16.

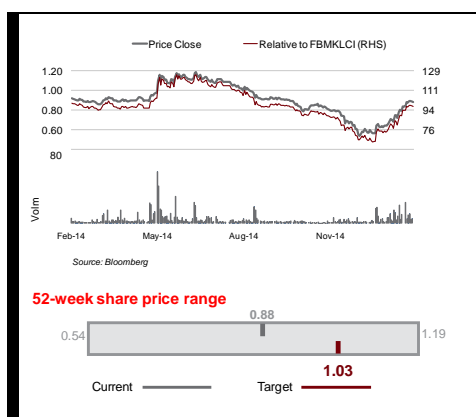
Rerating from more clarity in strategy in Tanjung Piai

The stock has done well so far this year. Further rerating could mainly be event-driven, underpinned by its recovery story, and management's better engagement with investors regarding its new strategies in Tanjung Piai ie. securing the long-delayed 1,000-acre contract by mid-year, or other offtakers.

Results comparison

FYE Jun (RM m)	2QFY15	2QFY14	yoy %	qoq %	2QFY15	2QFY14	yoy %	Prev.	
			chg	chg	Cum	Cum	chg	FY15F	Comments
Revenue	60.2	95.1	(36.6)	25.7	108.2	109.5	(1.2)	215.5	Slow land reclamation progress
Operating costs	(50.2)	(67.8)	(26.0)	79.6	(78.8)	(84.2)	(6.4)	(177.7)	In line
EBITDA	10.1	27.2	(63.1)	(49.7)	29.3	25.2	16.3	37.7	Timing of land sale gains
EBITDA margin (%)	16.7	28.7	(41.7)	(60.0)	27.1	23.0	17.7	17.5	Should normalise to c.18%
Depn & amort.	(2.9)	(2.6)	13.4	10.9	(5.6)	(5.2)	6.2	(8.6)	Above
EBIT	7.1	24.7	(71.1)	(58.9)	23.8	20.0	19.0	20.1	Driven by land sale gains
Interest expense	(0.2)	(0.5)	(57.1)	(57.6)	(0.7)	(1.2)	(41.4)	(4.3)	Borrowings stood at RM13.1m
Interest & invt inc	0.6	9.9	(93.8)	(76.2)	3.2	10.3	(69.3)	2.6	Cash stood at RM30.2m
Pretax profit	7.5	34.0	(77.9)	(59.7)	26.2	29.1	(9.9)	74.2	Mainly made up of land sale profits
Tax	(4.1)	(8.7)	(53.2)	(39.1)	(10.7)	(8.4)	27.7	(19.4)	Above
Tax rate (%)	53.9	25.5	111.3	51.1	40.9	28.9	41.6	25.2	Distorted by losses in subsidiaries
Minority interests	-	0.0	(100.0)	(100.0)	0.0	0.0	(71.4)	(0.2)	Below
Net profit	3.5	25.3	(86.3)	(71.1)	15.5	20.7	(25.1)	54.6	Annualised 1H15 core net profit made
Core net profit	3.5	25.3	(86.3)	(72.8)	15.5	20.7	(25.1)	54.6	up 58% of ours and consensus full-year
EPS (sen)	0.4	3.1	(87.1)	(73.3)	1.9	2.6	(26.9)	7.0	forecasts

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Jun-13A	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Revenue (RMm)	265.8	211.0	215.5	247.8	270.1
Operating EBITDA (RMm)	64.37	15.52	37.71	55.06	60.01
Net Profit (RMm)	56.00	7.20	54.58	66.57	71.09
Core EPS (RM)	0.070	0.009	0.068	0.083	0.089
Core EPS Growth	(34%)	(87%)	658%	22%	7%
FD Core P/E (x)	12.62	98.11	12.94	10.61	9.94
DPS (RM)	-	-	0.017	0.019	0.020
Dividend Yield	0.00%	0.00%	1.94%	2.15%	2.33%
EV/EBITDA (x)	11.43	44.59	17.60	11.60	9.92
P/FCFE (x)	NA	NA	NA	NA	103.0
Net Gearing	5.1%	(2.0%)	(5.2%)	(7.7%)	(11.7%)
P/BV (x)	1.24	0.97	0.86	0.80	0.74
ROE	10.3%	1.1%	7.0%	7.8%	7.7%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.06	0.94

SOURCE: CIMB, COMPANY REPORTS

Figure 1: RNAV

	CY16			
	net profit	Stake	P/E	Value
	(RM m)	(%)	(x)	(RM m)
Business components				
Marine construction (excluding land sale gains)	39.1	100%	15.0	586.8
NBV of shipyard land (FY12)				12.6
NBV of 93 fleet of vessels (as at FY10)				194.9
	Land	Stake	Surplus	
	available	(%)	value	
	for sale		RM psf	
Melaka land (c.500 acres balance unreclaimed)	500.0	100%	25.0	544.5
Tanjung Piai land phase 1 (20% of total 1,000 acres over 5 years from FY16)	200.0	70%	20.0	122.0
Debt (2QFY15)				(13.1)
Cash (2Q15)				31.0
RNAV				1,478.7
FD no. of shares including CB				1,004.1
RNAV/share				1.47
RNAV discount				30%
Target price (RM)				1.03

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Total Net Revenues	211.0	215.5	247.8	270.1
Gross Profit	56.7	61.4	82.3	89.7
Operating EBITDA	15.5	37.7	55.1	60.0
Depreciation And Amortisation	(10.4)	(8.6)	(9.9)	(10.8)
Operating EBIT	5.1	29.1	45.1	49.2
Financial Income/(Expense)	(1.1)	(1.7)	(2.0)	(2.2)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	14.3	46.8	45.1	51.8
Profit Before Tax (pre-EI)	18.3	74.2	88.3	98.8
Exceptional Items				
Pre-tax Profit	18.3	74.2	88.3	98.8
Taxation	(11.1)	(19.4)	(21.5)	(27.5)
Exceptional Income - post-tax				
Profit After Tax	7.2	54.8	66.8	71.3
Minority Interests	0.0	(0.2)	(0.2)	(0.2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	7.2	54.6	66.6	71.1
Recurring Net Profit	7.2	54.6	66.6	71.1
Fully Diluted Recurring Net Profit	7.2	54.6	66.6	71.1

Balance Sheet

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Total Cash And Equivalents	104	134	161	207
Total Debtors	348	417	480	523
Inventories	3	3	3	3
Total Other Current Assets	300	328	335	341
Total Current Assets	755	883	979	1,075
Fixed Assets	238	236	234	230
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	238	236	234	230
Short-term Debt	23	25	27	30
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	163	196	225	246
Other Current Liabilities	0	0	0	0
Total Current Liabilities	186	221	253	276
Total Long-term Debt	12	12	12	11
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	54	54	54	54
Total Non-current Liabilities	66	66	66	66
Total Provisions	9	8	8	8
Total Liabilities	261	296	327	350
Shareholders' Equity	731	823	886	955
Minority Interests	0	0	0	0
Total Equity	731	823	886	955

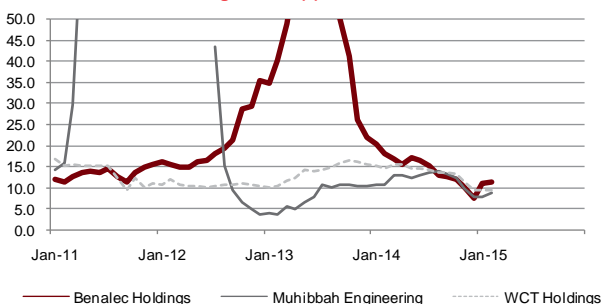
Cash Flow

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
EBITDA	15.5	37.7	55.1	60.0
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	(1.0)
Change in Working Capital	(103.0)	(65.0)	(39.5)	(29.3)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	7.2	8.6	9.9	10.8
Other Operating Cashflow	113.7	35.1	0.0	1.0
Net Interest (Paid)/Received	(1.1)	(1.7)	(2.0)	(2.2)
Tax Paid	(18.3)	(19.6)	(21.7)	(27.6)
Cashflow From Operations	14.0	(4.8)	1.8	11.7
Capex	(24.5)	(6.9)	(7.8)	(7.3)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	(24.5)	(6.9)	(7.8)	(7.3)
Debt Raised/(repaid)	1.8	2.0	2.2	2.5
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(12.2)	(13.7)	(15.2)	(16.4)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	37.2	49.8	49.3	50.3
Cash Flow From Financing	26.8	38.1	36.4	36.4
Total Cash Generated	16.3	26.4	30.4	40.7
Free Cashflow To Equity	(8.7)	(9.7)	(3.7)	6.9
Free Cashflow To Firm	(7.6)	(7.4)	(1.0)	9.8

Key Ratios

	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Revenue Growth	(20.6%)	2.1%	15.0%	9.0%
Operating EBITDA Growth	(76%)	143%	46%	9%
Operating EBITDA Margin	7.4%	17.5%	22.2%	22.2%
Net Cash Per Share (RM)	0.02	0.05	0.08	0.14
BVPS (RM)	0.91	1.03	1.10	1.19
Gross Interest Cover	1.77	6.75	9.11	9.11
Effective Tax Rate	60.7%	26.2%	24.3%	27.8%
Net Dividend Payout Ratio	NA	25.1%	22.8%	23.1%
Accounts Receivables Days	613.6	647.6	662.2	677.3
Inventory Days	7.72	7.89	7.51	7.01
Accounts Payables Days	414.9	425.8	466.2	476.8
ROIC (%)	0.63%	3.01%	4.29%	4.47%
ROCE (%)	0.92%	3.62%	5.04%	5.13%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Outstanding Orderbook	664	1,014	1,164	1,314
Order Book Depletion	150	150	150	150
Orderbook Replenishment	500	300	300	300
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% 2ndary prod./serv.)	N/A	N/A	N/A	N/A

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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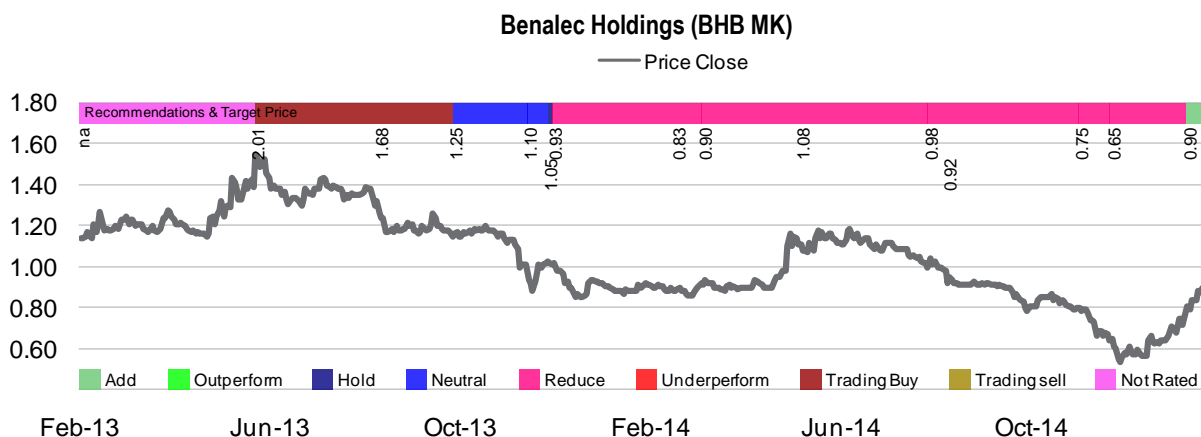
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2014		
1586 companies under coverage for quarter ended on 31 December 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	6.0%
Hold	29.4%	4.3%
Reduce	12.2%	1.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2014.

AAV – Very Good, **ADVANC** – Very Good, **AEONTS** – not available, **AMATA** - Good, **ANAN** – Very Good, **AOT** – Very Good, **AP** - Good, **ASK** – Very Good, **ASP** – Very Good, **BANPU** – Very Good, **BAY** – Very Good, **BBL** – Very Good, **BCH** – not available, **BCP** - Excellent, **BEAUTY** – Good, **BEC** - Good, **BECL** – Very Good, **BGH** - not available, **BH** - Good, **BIGC** - Very Good, **BJC** – Good, **BLA** – Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** – Good, **CENTEL** – Very Good, **CHG** – not available, **CK** – Very Good, **CPALL** – not available, **CPF** – Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DEMCO** – Good, **DTAC** – Very Good, **EA** - Good, **ECL** – not available, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** – Very Good, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** – Good, **IVL** - Excellent, **JAS** – not available, **JUBILE** – not available, **KAMART** – not available, **KBANK** - Excellent, **KCE** - Very Good, **KGI** – Good, **KKP** – Excellent, **KTB** - Excellent, **KTC** – Good, **LH** - Very Good, **LPN** – Very Good, **M** - not available, **MAJOR** - Good, **MAKRO** – Good, **MBKET** – Good, **MC** – Very Good, **MCOT** – Very Good, **MEGA** – Good, **MINT** - Excellent, **OFM** – Very Good, **OISHI** – Good, **PS** – Very Good, **PSL** - Excellent, **PTT** - Excellent, **PTTEP** - Excellent, **PTTGC** - Excellent, **QH** – Very Good, **RATCH** – Very Good, **ROBINS** – Very Good, **RS** – Very Good, **SAMART** - Excellent, **SAPPE** - not available, **SAT** – Excellent, **SAWAD** – not available, **SC** – Excellent, **SCB** - Excellent, **SCBLIF** – Good, **SCC** – Very Good, **SCCC** - Good, **SIM** - Excellent, **SIRI** - Good, **SPALI** - Excellent, **STA** – Very Good, **STEC** - Good, **SVI** – Very Good, **TASCO** – Good, **TCAP** – Very Good, **THAI** – Very Good, **THANI** – Very Good, **THCOM** – Very Good, **THRE** – not available, **THREL** – Good, **TICON** – Good, **TISCO** - Excellent, **TK** – Very Good, **TMB** - Excellent, **TOP** - Excellent, **TRUE** – Very Good, **TTW** – Very Good, **TUF** - Good, **VGI** – Very Good, **WORK** – not available.

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

**Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*