RM1.250

06 May 2014

Benalec Holdings

Secured RM204m Construction Contract

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- News
 Benalec secured a RM203.9m construction contract from Oriental Holdings Bhd (NOT RATED). The project involves construction, completion & maintenance of coastal reclamation and associated works in Malacca covering a total area of approximately 415 acres. The project is scheduled to start in 3Q2014 and is expected to be completed by 4Q2016.
 - The project shall be executed in 2 stages of which Stage 1 covers 275 acres while Stage 2 covers 140 acres. Nonetheless, the works for both stages will be done simultaneously.
- We view the news positively as this project will boost its orderbook significantly to roughly RM400m from RM200m. It is also well within our replenishment orderbook assumption of RM400m in FY15 (the work will start in June 2014 (FY15). Furthermore, the good news is that this contract consideration will be paid in cash (progress billings) by the client. Assuming a 20% pre-tax margin, the project will contribute about RM10.2m to Benalec's net profit every year until FY17.
 - Note that the project value of RM203.9m excludes the revetment works which may be awarded in later part.
- Although its performance may be dampened in the short-term due to some changes in its land sale method, and slower progress of its marine construction, its long-term outlook remains intact due to its active land sale coupled with attractive sea-fronting land concessions in Malacca and Johor (which is expected to start contributions from FY15 onwards, albeit in a gradual manner).
- Forecast No change to our earnings estimates.

Rating Maintain OUTPERFORM

- Valuation Maintaining our SoP-based TP at RM1.25, at this juncture.
- **Risks to** Sharp increase in raw material prices.

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Our Call • Failure in obtaining Environmental Impact
Assessment for its Johor project.
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OUTPERFORM ↔ Price: RM0.895

Target Price:

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Stock Information

Bloomberg Ticker	BHB MK Equity
Market Cap (RM m)	721.8
Issued shares	806.5
52-week range (H)	1.59
52-week range (L)	0.85
3-mth avg daily vol:	3,169,410
Free Float	41%
Beta	1.1

Major Shareholders

OCEANCOVE	52.9%
KUMPULAN WANG PERSAR	5.9%
PRUDENTIAL UNIT TRUS	0.4%

Summary Earnings Table

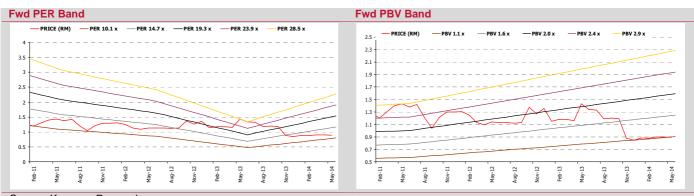
FYE June (RM m)	2013A	2014E	2015E
Turnover	250.7	200.5	247.5
EBITDA	68.5	48.6	96.1
PBT	66.6	51.2	87.9
Net Profit (NP)	57.7	37.9	65.0
Core Net Profit	62.4	37.9	65.0
Consensus (NP)		41.3	69.0
Earnings Revision		-	-
EPS(sen)	7.2	4.7	8.1
NDPS (sen)	4.6	1.4	2.4
NTA/Share (RM)	0.67	0.84	0.84
PER	14.1	21.4	12.5
Price/NTA (x)	1.5	1.2	1.2
Gearing (x)	(0.0)	0.2	0.0
Dividend Yield (%)	5%	1%	2%

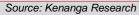


Benalec Holdings

Income Statement					Financial Data & Ratios						
FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E	FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E
Revenue	214.5	217.8	271.5	200.5	247.5	Growth					
EBITDA	127.1	104.9	126.3	58.7	118.0	Turnover (%)	2.6	1.5	24.6	-26.2	23.4
Other Income	27.1	39.6	7.8	41.8	36.6	EBITDA (%)	-8.6	-17.5	20.5	-53.5	101.0
Exceptional Items	0.0	0.0	0.0	0.0	0.0	PBT (%)	-3.5	-11.4	-19.9	-44.3	71.7
PBT	129.5	114.7	91.9	51.2	87.9	Net Profit (%)	-1.4	-11.2	-19.9	-44.3	71.7
Taxation	-33.8	-29.8	-23.9	-13.3	-22.8						
Minority Interest	0.0	0.0	0.0	0.0	0.0	Profitability (%)					
Net Profit	95.7	84.9	68.0	37.9	65.0	EBITDA Margin	59.3	48.1	46.5	29.3	47.7
						PBT Margin	60.4	52.7	33.9	25.5	35.5
Balance Sheet						Net Margin	44.6	39.0	25.1	18.9	26.3
FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E	Effective Tax Rate	26.1	26.0	26.0	26.0	26.0
Fixed Assets	241.7	241.6	241.6	242.5	243.3	ROA	15.0	11.8	9.5	5.4	13.7
Other FA	0.0	0.0	0.0	0.0	0.0	ROE	27.6	19.7	13.6	7.0	10.8
Inventories	11.0	18.5	23.4	22.9	22.8						
Receivables	207.0	209.0	187.9	138.7	171.3	DuPont Analysis					
Other CA	107.4	179.6	177.4	312.3	312.3	Net Margin (%)	44.6	39.0	25.1	18.9	26.3
Cash	70.0	70.4	86.2	-22.2	36.1	Assets Turnover (x)	0.3	0.3	0.4	0.3	0.5
Total Assets	638.5	720.4	717.7	695.5	474.8	Leverage Factor (x)	1.8	1.7	1.4	1.3	0.8
						ROE (%)	27.6	19.7	13.6	7.0	10.8
Payables	169.9	202.2	147.8	144.6	144.1						
ST Borrowings	19.2	19.2	19.2	19.2	19.2	Leverage					
Other ST Liability	19.6	9.0	9.0	10.0	10.0	Debt/Asset (x)	0.1	0.1	0.1	0.1	0.1
LT Borrowings	43.7	43.7	43.7	43.7	43.7	Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1
Other LT Liability	10.2	10.2	10.2	10.2	10.2	(Net Cash)/Debt	-0.1	-0.1	-0.4	1.4	0.4
Minorities Int.	0.0	0.0	0.0	0.0	0.0	Net Debt/Equity (x)	0.0	0.0	0.0	0.2	0.0
Net Assets	347.0	431.9	499.9	537.8	602.8						
						Valuations					
Share Capital	182.5	182.5	182.5	182.5	182.5	EPS (sen)	13.1	10.6	8.5	4.7	8.1
Reserves	244.0	328.9	396.9	434.8	499.8	NDPS (sen)	3.9	3.2	4.6	1.4	2.4
Equity	347.0	431.9	499.9	537.8	602.8	NTA (RM)	0.5	0.5	0.6	0.7	0.8
						PER (x)	6.6	8.1	10.2	18.2	10.6
Cashflow Statement						Div. Yield (%)	4.6	3.7	5.3	1.6	2.8
FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E	P/NTA (x)	1.8	1.6	1.4	1.3	1.1
Operating CF	2.5	133.8	119.1	213.9	298.2	EV/EBITDA (x)	5.4	6.5	5.3	13.2	6.1
Investing CF	-61.2	-30.0	-100.0	-160.4	-160.4						
Financing CF	97.6	-85.5	-96.7	-71.4	-79.5						
Change In Cash	38.8	18.3	-77.6	-17.9	58.3						
Free CF	-26.9	103.8	19.1	52.5	136.8						

Source: Kenanga Research







06 May 2014

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM MARKET PERFORM UNDERPERFORM	 A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%). A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
Sector Recommendation	: A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).
	-
OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).

: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.

NEUTRAL UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the

12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

***Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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