

07 September 2012

Benalec

Green lights from Johor State Govt

News

- Benalec announced that its 70% subsidiaries i.e. Spektrum Kukuh Sdn Bhd ("SKSB") and Spektrum Budi Sdn Bhd ("SBSB") had entered into a Development Agreement ("DA") with Johor State Government and the state authority to develop and reclaimed the land at Tanjung Piai and Pengerang respectively.

Comments

- This piece of news is positive to Benalec, as we believe this could be a prelude for further positive news in the near-term, especially for its Johor land reclamation project i.e. the approval of environmental impact study (EIA) and the off-taker agreement.
- The DA has been signed with two conditions precedent ("CPs") i.e. (1) the completion of the hydraulic study and final survey of the project land and (2) getting the EIA approval.
- The reclaimed land is "leased" to Benalec's subsidiaries for 99 years. In return, Benalec will reserve 3% out of the gross proceeds of the land sale for the State government.
- The management is expected to finalise the CPs by 1Q13. We opine that the contribution from the Johor land reclamation project will only materially contribute to its earnings in FY14 and we expect the development to take place in CY13.

Outlook

- The long-awaited progress on its Johor land project is bearing fruits and is expected to progress positively in the near-term (3 to 6 months).
- Its Melaka land will provide further upside to the earnings as it rides on the appreciation in the land value.

Forecast

- No changes to our forecasts.

Rating

MAINTAIN OUTPERFORM

- No changes to our OUTPERFORM recommendation due to the huge potential upside to our Target Price.

Valuation

- Maintain our Target Price at RM1.81 based on SoP valuation.

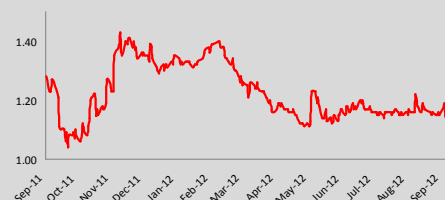
Risks

- (1) An unsuccessful EIA and (2) an escalation in the material price.

OUTPERFORM ↔

Price: RM1.18
Target Price: RM1.81 ↔

Share Price Performance



KLCI	1617.99
YTD KLCI chg	5.7%
YTD stock price chg	-12.6%

Stock Information

Bloomberg Ticker	BHB MK Equity
Market Cap (RM m)	947.5
Issued shares	803.0
52-week range (H)	1.47
52-week range (L)	1.00
3-mth avg daily vol:	1,289,977
Free Float	38%
Beta	N.A.

Major Shareholders

OCEANCOVE	52.8%
KUMPULAN WANG PERSAR	7.4%
FOO POLIN	1.4%

Summary Earnings Table

FYE Dec (RM m)	2011	2012E	2013E
Turnover	155.3	261.5	292.5
EBITDA	61.8	146.3	167.4
PBT	100.3	150.9	175.2
Net Profit (NP)	82.7	111.7	131.4
Consensus (NP)		88.5	111.5
Earnings Revision		0%	0%
GDPS (sen)	3.1	4.6	5.4
NTA/Share (RM)	0.54	0.67	0.84
PER	11	8	7
Price/NTA (x)	2.2	1.8	1.4
Gearing (x)	0.1	0.1	0.1
Dividend Yield (%)	3%	4%	5%

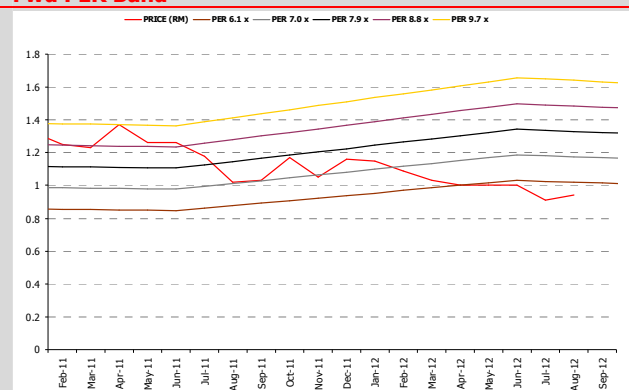
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Earnings Estimates

FYE 30 June (RMm)	2010	2011	2012	2013E	2014E
Revenue	116.5	214.5	155.3	261.5	292.5
Pretax profit	68.6	129.5	100.3	150.9	175.2
Net profit	58.3	95.7	82.7	111.7	131.4
EPS (sen)	8.0	13.1	10.3	13.9	16.4
EPS growth (%)	237.8%	64.1%	-21.4%	35.1%	17.7%
DPS (sen)	-	3.9	3.1	4.6	5.4
NTA/ share (RM)	0.2	0.5	0.5	0.7	0.8
Net gearing (x)	0.3	Net cash	Net cash	Net cash	Net cash
PER (x)	15	9	11	8	7
P/NTA (x)	5.7	2.5	2.2	1.8	1.4
Gross div. yield (%)	n.m	3%	3%	4%	5%
EV/ EBITDA (x)	15.3	7.4	14.7	5.6	4.4
ROE (%)	38.8%	27.6%	19.2%	20.6%	19.5%

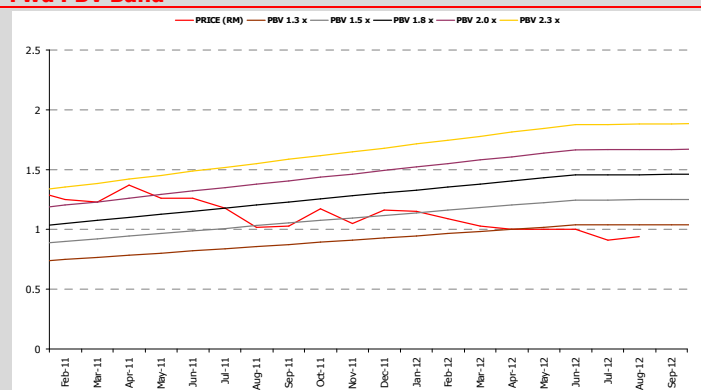
Source: Company, Kenanga Research

Fwd PER Band



Source: Bloomberg, Kenanga Research

Fwd PBV Band



Sum-of-parts valuation

Segment	RMm	WACC	PE(x)	RM/share
A Construction	83.8		10	1.04
B Vessel chartering	5.2		7	0.05
C Sale of reclaimed land in Melaka (average selling price at RM30 per sqf)	84.9	10%		0.11
D Johor land development (70% stake)	474.1	10%		0.59
E Net cash	9.7			0.02
Target price				1.81

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : 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%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : 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).

Sector Recommendations***

- OVERWEIGHT : 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%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : 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).

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

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