

# Benalec Holdings

## Broadly Within Expectations

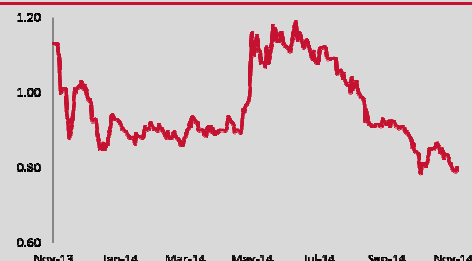
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# OUTPERFORM ↔

**Price: RM0.80**  
**Target Price: RM1.25** ↔

<b>Period</b>	▪ 1Q15
<b>Actual vs. Expectations</b>	▪ Broadly within expectations. Benalec's 1Q15 core net profit of RM12.0m accounts for 18% and 21% of our, and consensus', full-year core net profit forecasts, respectively. We consider the results to be broadly in line as we expect Benalec to report most of the FY15 earnings in 4Q15, which includes 2 pocket land sales in Malacca, which span c.158.1 acres (RM286.6m).
<b>Dividends</b>	▪ None as expected.
<b>Key Results Highlights</b>	<ul style="list-style-type: none"> <li>▪ <b>YoY</b>, Benalec's 1Q15 core net profit recovered to RM12.0m from net loss of RM4.7m in 1Q14. This was owing to better recognition rate of land sales in 1Q15. To recap, Benalec sold about RM500m worth of lands in Malacca in FY14, of which RM212.3m was in 1H14 and the remaining RM283.2m in 2H14.</li> <li>▪ <b>QoQ</b>, Benalec's revenue rose 52% to RM47.9m thanks to the above-mentioned reasons. Meanwhile, Benalec's 1Q15 was relatively flat at RM12.0m due to higher effective tax rate.</li> </ul>
<b>Outlook</b>	<ul style="list-style-type: none"> <li>▪ So far, in FY14, Benalec has sold 284.5 acres of land in Malacca amounting close to RM500m. All in, Benalec pocketed net gain of RM106m from the land sales which will be progressively recognized from FY15 onwards. It has also had secured RM204m of reclamation jobs in FY14, which boosted its orderbook to about RM450m currently. We expect Benalec to replenish another RM150m worth of orderbook in FY15 and FY16.</li> <li>▪ We understand Benalec has about approximately 400 acres of land in Malacca (340 acres) and Pulau Indah (60 acres) which is "held for sale". Based on RM40psf (which has imputed in our estimates), these lands could be worth about RM784m.</li> <li>▪ Above all, further key re-rating catalysts for Benalec lies in its Johor project and the signing of the SPA with 1MY Strategic Terminal Oil for 1,000 acres of land in Tanjung Piai.</li> </ul>
<b>Change to Forecasts</b>	▪ No changes to earnings.
<b>Rating</b>	<p><b>Maintain OUTPERFORM</b></p> <ul style="list-style-type: none"> <li>▪ While waiting for the ultimate catalyst to materialize (Tg Piai), which appears to be a longer term story, we believe Benalec's near-term catalyst will be driven by land sales in Malacca and Pulau Indah as it still has about 400 acres of ready land held for sale.</li> </ul>
<b>Valuation</b>	▪ We are maintaining our SoP-based Target Price of RM1.25, implying PER on 12.2x FY15 EPS, in line with mid-cap construction industry PER average of 12-15x.
<b>Risks to Our Call</b>	<ul style="list-style-type: none"> <li>▪ Higher-than-expected input costs</li> <li>▪ Failure to get approvals for the DEIA and hydraulic study and final survey for its Johor project</li> <li>▪ Slower-than-expected land sales</li> </ul>

### Share Price Performance



KLCI	1,818.38
YTD KLCI chg	-2.6%
YTD stock price chg	-5.9%

### Stock Information

Bloomberg Ticker	BHB MK Equity
Market Cap (RM m)	639.2
Issued shares	798.9
52-week range (H)	1.22
52-week range (L)	0.78
3-mth avg daily vol:	2,233,286
Free Float	45%
Beta	1.3

### Major Shareholders

OCEANCOVE	47.8%
KUMPULAN WANG PERSAR	5.9%
DIMENSIONAL FUND ADV	1.8%

### Summary Earnings Table

FY June (RM'm)	2014A	2015E	2016E
Turnover	211.0	247.5	274.6
EBIT	21.2	96.1	104.6
PBT	18.3	87.9	95.0
<b>Net Profit (NP)</b>	<b>7.2</b>	<b>65.0</b>	<b>71.2</b>
<b>Core Net Profit</b>	<b>35.3</b>	<b>65.0</b>	<b>71.2</b>
Consensus (NP)	n.a.	56.1	65.0
Earnings Revision	n.a.	n.a.	n.a.
EPS(sen)	4.4	8.0	8.8
DPS (sen)	0.0	2.0	2.0
NTA/Share (RM)	0.69	0.70	0.72
PER	18.3	9.9	9.1
Price/NTA (x)	1.3	1.4	1.4
Gearing (x)	-	-	-
Dividend Yield (%)	0%	2%	2%

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## Result Highlight

Y/E : June(RM mn)	1Q15	4Q14	QoQ Chg	1Q14	YoY Chg	1Q15	1Q14	YoY Chg
<b>Turnover</b>	<b>47.9</b>	<b>31.5</b>	<b>52%</b>	<b>14.4</b>	<b>233%</b>	<b>47.9</b>	<b>14.4</b>	<b>233%</b>
<b>EBIT</b>	<b>19.2</b>	<b>(13.9)</b>	<b>&gt;100%</b>	<b>(4.2)</b>	<b>&gt;100%</b>	<b>19.2</b>	<b>(4.2)</b>	<b>&gt;100%</b>
Interest expense	(0.5)	(1.2)	-58%	(0.7)	-30%	(0.5)	(0.7)	-30%
Other income	0.6	5.1	-88%	0.5	24%	0.6	0.5	24%
Exceptional items	0.0	(28.1)	n.m	0.0	-	0.0	0.0	n.m
<b>Pretax profit</b>	<b>18.7</b>	<b>(15.1)</b>	<b>&gt;100%</b>	<b>(4.9)</b>	<b>&gt;100%</b>	<b>18.7</b>	<b>(4.9)</b>	<b>&gt;100%</b>
Taxation	(6.7)	(0.6)	1069%	0.3	n.m	(6.7)	0.3	-2569%
<b>Profit after tax</b>	<b>12.0</b>	<b>(15.6)</b>	<b>&gt;100%</b>	<b>(4.7)</b>	<b>158%</b>	<b>12.0</b>	<b>(4.7)</b>	<b>&gt;100%</b>
Minority interest	(0.0)	(0.0)	n.m	(0.0)	n.m	(0.0)	(0.0)	n.m
<b>Net profit</b>	<b>12.0</b>	<b>(15.6)</b>	<b>&gt;100%</b>	<b>(4.7)</b>	<b>&gt;100%</b>	<b>12.0</b>	<b>(4.7)</b>	<b>&gt;100%</b>
<b>Core net profit</b>	<b>12.0</b>	<b>12.5</b>	<b>-4%</b>	<b>(4.7)</b>	<b>&gt;100%</b>	<b>12.0</b>	<b>(4.7)</b>	<b>&gt;100%</b>
EPS (sen)	1.5	(1.9)	>100%	(0.6)	158%	1.5	(0.6)	>100%
EBIT margin	40%	-44%		-29%		40%	-29%	
Pretax margin	39%	-48%		-34%		39%	-34%	
Effective tax rate	36%	-4%		5%		36%	5%	
Net Margin	25%	40%		-32%		25%	-32%	

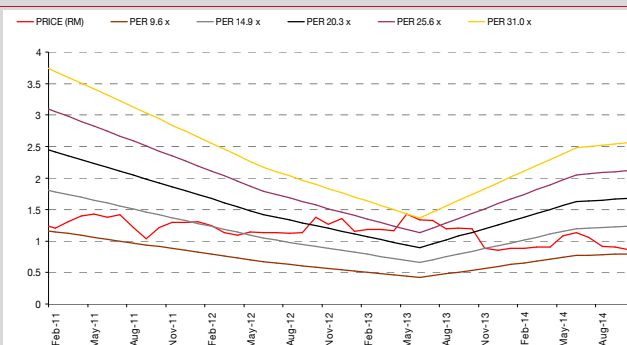
Source: Company, Kenanga Research

## Sum-of-parts valuation

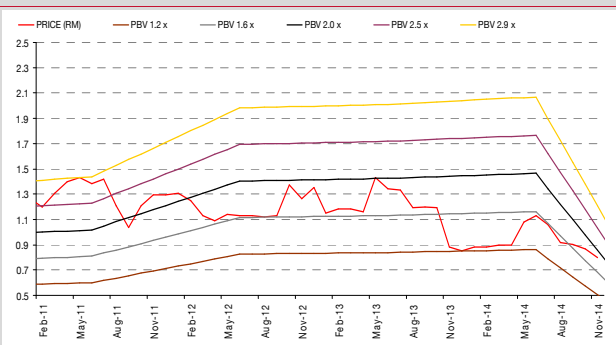
Segment	RMm	WACC	PE(x)	RM/share
Construction	148.5		9	0.18
Vessel chatering	117.0		9	0.14
Remaining landbank in Malacca and P.Klang (average selling price at RM40 per sqf)	278.8			0.35
Johor land development (70% stake)	574.6	10%		0.71
<b>Target price (after 10% discount)</b>				<b>1.25</b>

Source: Kenanga Research

## Fwd PER Band



## Fwd PBV Band



Source: Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Jun (RM m)	2012A	2013A	2014A	2015E	2016E	FY Jun (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	155.9	265.8	211.0	247.5	274.6	<b>Growth</b>					
EBITDA	106.0	68.8	21.2	96.1	104.6	Turnover (%)	-26.1	70.6	-20.6	17.3	11.0
Other Income	68.8	4.4	16.1	36.6	27.1	EBITDA (%)	-18.4	-35.1	-69.2	354.2	8.8
Exceptional Items	0.0	-4.7	-28.1	0.0	0.0	PBT (%)	-20.5	-35.2	-71.8	380.5	8.1
PBT	100.2	64.9	18.3	87.9	95.0	Net Profit (%)	-14.0	-32.2	-87.2	805.7	9.6
Taxation	-17.6	-9.0	-11.1	-22.8	-23.7	<b>Profitability (%)</b>					
Minority Interest	0.0	0.1	0.0	0.0	1.0	EBITDA Margin	68.0	25.9	10.0	38.9	38.1
Net Profit	82.7	56.0	7.2	65.0	71.2	PBT Margin	64.3	24.4	8.7	35.5	34.6
<b>Core Net Profit</b>	<b>82.7</b>	<b>60.7</b>	<b>35.3</b>	<b>65.0</b>	<b>71.2</b>	Net Margin	53.0	21.1	3.4	26.3	25.9
<b>Balance Sheet</b>						Effective Tax Rate	17.5	13.9	60.7	26.0	25.0
FY Jun (RM m)	2012A	2013A	2014A	2015E	2016E	ROA	11.5	7.8	1.0	8.3	8.5
Fixed Assets	241.6	241.6	242.5	243.3	242.5	ROE	19.1	11.2	1.3	10.8	10.6
Other FA	0.0	0.0	0.0	0.0	0.0	<b>DuPont Analysis</b>					
Inventories	18.5	23.4	22.9	22.8	23.0	Net Margin (%)	53.0	21.1	3.4	26.3	25.9
Receivables	209.0	187.9	138.7	171.3	166.0	Assets Turnover (x)	0.2	0.4	0.3	0.3	0.3
Other CA	179.6	177.4	312.3	312.3	267.3	Leverage Factor (x)	1.7	1.4	1.3	1.3	1.2
Cash	70.4	86.2	-22.2	36.1	33.4	ROE (%)	19.1	11.2	1.3	10.8	10.6
Total Assets	720.4	717.7	695.5	787.1	842.2	<b>Leverage</b>					
Payables	202.2	147.8	144.6	144.1	145.5	Debt/Asset (x)	0.1	0.1	0.1	0.1	0.1
ST Borrowings	19.2	19.2	19.2	19.2	25.0	Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1
Other ST Liability	9.0	9.0	10.0	10.0	9.6	(Net Cash)/Debt	-0.1	-0.4	1.4	0.4	0.5
LT Borrowings	43.7	43.7	43.7	43.7	43.7	Net Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
Other LT Liability	10.2	10.2	10.2	10.2	10.2	<b>Valuations</b>					
Minorities Int.	0.0	0.0	0.0	0.0	0.0	EPS (sen)	10.6	8.5	4.4	8.0	8.8
<b>Net Assets</b>	<b>431.9</b>	<b>499.9</b>	<b>537.8</b>	<b>602.8</b>	<b>675.2</b>	DPS (sen)	3.0	3.0	0.0	2.0	2.0
Share Capital	182.5	182.5	182.5	182.5	182.5	NTA (RM)	0.54	0.62	0.69	0.70	0.72
Reserves	328.9	396.9	434.8	499.8	0.0	PER (x)	8.1	10.2	18.3	9.9	9.1
<b>Equity</b>	<b>431.9</b>	<b>499.9</b>	<b>537.8</b>	<b>602.8</b>	<b>675.2</b>	Div. Yield (%)	3.7	5.3	0.0	2.0	2.0
<b>Cashflow Statement</b>						P/NTA (x)	1.6	1.4	1.3	1.4	1.4
FY Jun (RM m)	2012A	2013A	2014A	2015E	2016E	EV/EBITDA (x)	-0.1	-0.2	1.4	0.2	6.8
Operating CF	133.8	119.1	213.9	298.2	210.4						
Investing CF	-30.0	-100.0	-160.4	-160.4	-140.3						
Financing CF	-85.5	-96.7	-71.4	-79.5	-82.5						
Change In Cash	18.3	-77.6	-17.9	58.3	-12.4						
Free CF	103.8	19.1	52.5	136.8	69.5						

Source: Kenanga Research

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### Peer Comparison

CORE COVERAGE																
NAME	Price	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth	2 Yr Fwd NP Growth	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd				(%)	(%)	(x)					
BENALEC HOLDINGS	0.80	639.2	18.1	9.8	9.0	2.5	11.6	1.1	35.3	65.0	71.2	84.1	9.5	1.25	Outperform	-5.9
EVERSENDI CORP	0.76	584.3	11.5	17.4	5.8	5.3	3.9	0.7	50.9	33.5	101.4	-34.2	202.7	1.11	Outperform	-27.4
GAMUDA BHD	5.10	11891.3	16.7	16.3	16.3	2.4	15.7	2.6	712.3	731.3	727.3	2.7	-0.5	5.52	Outperform	6.2
IJM CORP BHD	6.81	10142.1	18.8	14.1	11.8	2.2	9.7	1.4	539.1	717.2	860.1	33.0	19.9	7.57	Outperform	17.5
KIMLUN CORP	1.37	411.8	11.3	10.5	7.9	2.4	10.8	1.1	36.4	39.1	52.3	7.4	33.8	1.57	Underperform	-18.3
MUHIBBAH	2.25	965.5	11.2	10.8	9.3	2.2	10.5	1.1	86.4	89.5	103.8	3.6	16.0	3.63	Outperform	-1.3
HOCK SENG LEE	1.87	1027.6	12.1	10.9	8.8	2.1	15.6	1.7	85.2	94.2	116.2	10.6	23.4	2.31	Outperform	0.0
NAIM HOLDINGS	3.07	727.4	17.8	7.6	7.2	2.3	9.0	0.7	40.9	95.6	101.3	133.7	6.0	4.18	Outperform	-15.9
WCT HOLDINGS	2.03	2209.0	15.4	13.5	11.2	3.7	8.9	1.2	143.8	163.1	196.5	13.4	20.5	2.27	Market Perform	0.0
<b>Average</b>			<b>14.8</b>	<b>12.3</b>	<b>9.7</b>											
NOT RATED/ON OUR RADAR																
NAME	Price	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth	2 Yr Fwd NP Growth	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd				(%)	(%)	(x)					
MUDAJAYA	1.91	1028.3	5.9	19.3	8.7	3.0	3.6	0.7	173.7	53.3	117.6	-69.3	120.8	N.A.	Not Rated	-34.1
PROTASCO	1.64	549.8	7.5	9.5	6.9	6.1	14.4	1.4	73.0	58.1	79.7	-20.4	37.2	2.25	TRADING BUY	18.8
PINTARAS JAYA	4.38	707.2	13.0	11.6	10.7	3.4	17.9	2.1	54.2	61.0	66.1	12.4	8.4	4.78	TRADING BUY	53.1
GABUNGAN AQRS	1.65	643.5	12.6	14.3	11.7	1.9	n.a.	n.a.	51.2	44.9	55.1	-12.4	22.7	N.A.	Not Rated	55.7
GADANG HOLDINGS	1.61	348.4	17.1	5.3	3.8	4.5	21.6	1.2	20.4	65.4	92.7	221.0	41.7	2.00	TAKE PROFIT	53.3
MITRAJAYA HOLDINGS	1.03	405.9	14.2	9.4	7.4	3.3	11.7	1.1	28.7	43.2	55.0	50.6	27.3	1.13	TRADING BUY	104.0
AZRB	0.72	344.7	63.8	20.9	11.5	1.4	n.a.	n.a.	5.4	16.5	30.1	205.4	82.4	N.A.	Not Rated	-5.3
TRC SYNERGY	0.48	228.2	21.4	13.6	7.8	2.5	4.4	0.6	10.7	16.8	29.1	57.4	72.8	N.A.	Not Rated	-10.4
BINA PURI	0.60	106.7	18.3	15.9	6.5	3.3	n.a.	n.a.	5.8	6.7	16.3	15.1	143.3	N.A.	Not Rated	-16.7
<b>Average</b>			<b>19.3</b>	<b>13.3</b>	<b>8.3</b>											

Source: Kenanga Research

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**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 sector'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 sector's Expected Total Return is WITHIN the range of 3% to 10%.
- 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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