

30 May 2013

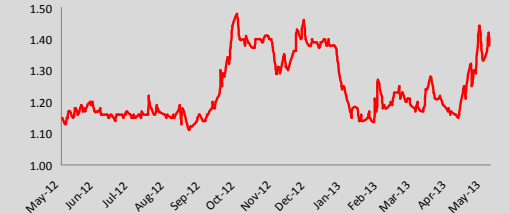
# Benalec Holdings

## Results below expectations

**OUTPERFORM** ↔

**Price: RM1.38**  
**Target Price: RM2.08** ↔

- Period**                      ■ 3QFY13 / 9MFY13
- Actual vs. Expectations**    ■ Benalec's 9MFY13 net profit of RM54.4m came in below expectations, making up only 49% and 55% of ours and streets full year estimates, respectively. This is due to fewer than expected number of land sale transactions recognised in the year.
- Dividends**                    ■ No dividend declared as expected.
- Key Results Highlights**    ■ **For 9MFY13**, Benalec's net profit decreased by 24% to RM54.4m despite the 41% jump in revenue. The improvement in revenue was mainly due to the progress billing from two new projects namely Pulau Indah and Swiss Horizon. The main drag for its net profit was due to the lesser number of land sales. Hence, its other income was down by 83% from RM47.1m to RM8.1m.
- **QoQ**, its net profit decrease by 50% to RM10.5m on the back of lower revenue (-10%) and higher operating costs. The lower revenue was due to slower progress on its Sentosacove project, while the increase in operating cost was due to a higher administration cost.
- **YoY**, although revenue increased by 107% to RM59.8m, its net profit is still down 26% from RM14.2m to RM10.5m. The drop in net profit was due to slower land sales. This was reflected by lower other income, which dropped 45% from RM11.8m to RM6.5m. Moving forward, we would only expect more land sale to be recognised in FY14.
- Outlook**                      ■ The execution on the SPA on 12<sup>th</sup> June 2013 for its recently signed MOU with its 1MY Strategic Oil Terminal Sdn. Bhd on the Johor land deal would be an immediate catalyst for Benalec. Once the agreement has been finalised, we would expect that EIA Study to be approved before they could kick-start with the reclamation works in Tanjung Piai.
- Change to Forecasts**        ■ Reduced our FY13 earnings estimates by 39% to RM68m as we reduced our land sale assumption for FY13 (-80%). No changes for FY14 as we expect land sale activities to be more exciting as compared to FY13.
- Rating**                        **Maintain OUTPERFORM**
- We are maintaining our OUTPERFORM call on Benalec given they would benefit from the development of its Johor land, from the sharp increase in land prices in the area..
- Valuation**                    ■ We keep our TP unchanged at RM2.08 based on SoP valuation since we have rolled over our valuation to FY14 earlier.
- Risks**                         ■ Delays in executions and higher than expected building material prices.

Share Price Performance			
			
KLCI			1783.47
YTD KLCI chg			5.6%
YTD stock price chg			-0.7%
Stock Information			
Bloomberg Ticker			BHB MK Equity
Market Cap (RM m)			1,109.7
Issued shares			804.2
52-week range (H)			1.49
52-week range (L)			1.10
3-mth avg daily vol:			6,955,002
Free Float			39%
Beta			1.3
Major Shareholders			
OCEANCOVE			53.1%
KUMPULAN WANG PERSAR			6.6%
SENG HAI LEAW			1.4%
Summary Earnings Table			
FYE Dec (RM'm)	2012A	2013E	2014E
Turnover	155.3	271.5	356.5
EBITDA	61.8	116.3	175.1
PBT	100.3	91.9	177.4
<b>Net Profit (NP)</b>	<b>82.7</b>	<b>68.0</b>	<b>131.3</b>
Consensus (NP)	-	99.4	113.6
Earnings Revision	-	-39%	0%
EPS(sen)	11.3	9.3	18.0
NDPS (sen)	3.1	4.6	5.4
NTA/Share (RM)	0.54	0.67	0.84
PER	11.0	14.8	7.7
Price/NTA (x)	2.3	2.1	1.6
Gearing (x)	0.1	0.1	0.1
Dividend Yield (%)	2%	3%	4%
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## Result Highlight

	3Q			2Q		3Q			9M		9M	
Y/E : June(RM mn)	FY13	FY13	QoQ Chg	FY12	YoY Chg	FY13	FY12	YoY Chg	FY13	FY12	YoY Chg	
<b>Turnover</b>	<b>59.8</b>	<b>66.4</b>	<b>-10%</b>	<b>28.9</b>	<b>107%</b>	<b>183.9</b>	<b>130.4</b>	<b>41%</b>				
<b>EBIT</b>	<b>19.3</b>	<b>20.9</b>	<b>-7%</b>	<b>30.4</b>	<b>-36%</b>	<b>66.1</b>	<b>131.9</b>	<b>-50%</b>				
Interest expense	(0.8)	(1.1)	-21%	(1.4)	-39%	(3.2)	(4.6)	-30%				
Other income	6.5	0.4	1366%	11.8	-45%	8.1	47.1	-83%				
Exceptional items	-	-	n.m	-	-	-	-	-				
<b>Pretax profit</b>	<b>13.7</b>	<b>21.5</b>	<b>-37%</b>	<b>19.4</b>	<b>-30%</b>	<b>61.2</b>	<b>88.9</b>	<b>-31%</b>				
Taxation	(3.1)	(0.4)	657%	(5.2)	-40%	(6.9)	(16.9)	-59%				
<b>Profit after tax</b>	<b>10.5</b>	<b>21.1</b>	<b>-50%</b>	<b>14.2</b>	<b>-26%</b>	<b>54.3</b>	<b>72.0</b>	<b>-25%</b>				
Minority interest	-	(0.0)	n.m	-	n.m	(0.1)	-	n.m				
<b>Net profit</b>	<b>10.5</b>	<b>21.1</b>	<b>-50%</b>	<b>14.2</b>	<b>-26%</b>	<b>54.4</b>	<b>72.0</b>	<b>-24%</b>				
EPS (sen)	1.4	2.9	-50%	1.9	-26%	7.5	9.9	-24%				
DPS (sen)	-	-	n.m	-	n.m	-	-	n.m				
EBIT margin	32%	31%				36%	101%					
Pretax margin	23%	32%				33%	68%					
Effective tax rate	23%	2%				11%	19%					

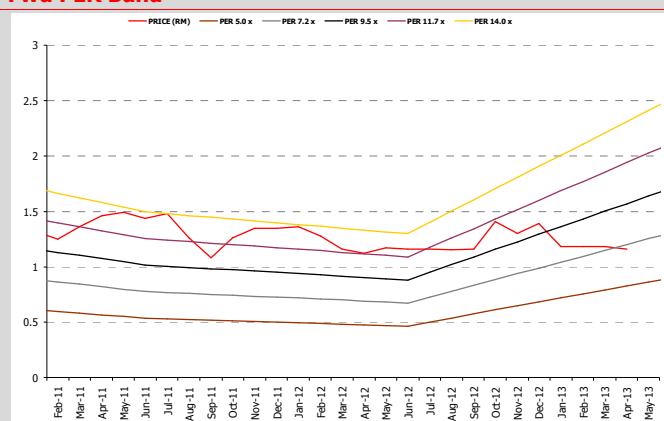
Source: Company, Kenanga Research

## Sum-of-parts valuation

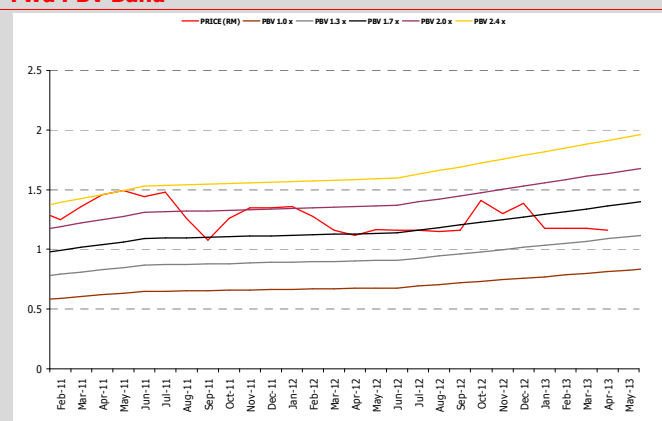
Segment	RMm	WACC	PE(x)	RM/share
A Construction	105.7		9	1.18
B Vessel chartering	23.1		7	0.20
C Sale of reclaimed land in Melaka (average selling price at RM30 per sqf)	72.6	10%		0.09
D Johor land development (70% stake)	573.7	10%		0.71
E Net cash / (Net debt)	(94.9)			(0.11)
<b>Target price</b>				<b>2.08</b>

Source: Kenanga Research

## Fwd PER Band



## Fwd PBV Band



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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