

Benalec Hldgs

Sector: Construction & Infra

BHB MK
RM0.91

TR BUY (maintain)

Price Target: RM1.98 (↔)

Selling 128.5 acres of land in Melaka for RM235m

Proposed disposal of 128.5 acres of land for RM235m or RM42 psf

Benalec Holdings announced that Jayamas Cekap, a wholly-owned subsidiary of Benalec Sdn Bhd (BSB) which in turn is its wholly-owned subsidiary, had on 20 March 2014 entered into a conditional sale and purchase agreement (SPA) to dispose of 22 pieces of commercial land which have been or will be reclaimed in Kawasan Bandar VI, Daerah Melaka Tengah measuring in total 128.5 acres to Ultra Harmony Development (UHDSB) for a total cash consideration of RM235.1m upon completion of the reclamation works and issuance of land titles. The lands are located 3 km from Melaka town and 6 km from Klebang town, are situated within a locality that is predominantly commercial in nature, and are within the vicinity of other commercial developments, including Dataran Pahlawan Megamall, Hatten Square and Mahkota Parade. The cash consideration works out to RM42 psf.

Land to be reclaimed, delivered and paid for in four stages

Reclamation works on the lands will be carried out by BSB and delivered to the purchaser in four stages: 32.6 acres, 31.9 acres, 33.8 acres and 30.3 acres. The purchaser has paid RM23.5m upon signing of the SPA and the balance of the consideration amounting to RM211.6m are payable in four stages within 90 days from the date of the purchaser's solicitors receiving the notification of issuance of land titles. The balance payable under each stage is as follows: RM53.7m, RM52.4m, RM55.6m and RM49.9m. Barring unforeseen circumstances, the proposed land disposal is expected to be completed by the end of 1Q2016, i.e. 3QFY16 of Benalec Holdings.

Net profit of RM58.5m; TRADING BUY call still hinge on Johor land sale

Based on the estimated reclamation cost of RM157.2m, the proposed disposal is expected to result in an after-tax gain of RM58.5m, which is equivalent to RM0.07 per share and which will be booked in FY15 and 9MFY16. This proposed land disposal follows the proposed disposal last week of the four pieces of land restored to the group measuring a total of 23.0 acres also in Melaka for a total cash consideration of RM48.1m (or RM48 psf) and a PAT of RM24.0m. We maintain our FY14-16 forecasts. Our **TRADING BUY** call still hinge on a positive outcome in the signing of a definitive Sale and Purchase Agreement with 1MY Strategic Oil Terminal and commencement of land reclamation works for the Tanjung Piai (3,485 acres) and Pengerang (1,760 acres) concessions in Johor.

Earnings & Valuation Summary

FYE 30 June	2012	2013	2014E	2015E	2016E
Revenue (RMm)	289.0	265.8	200.0	220.0	250.0
EBITDA (RMm)	130.6	97.4	90.2	138.2	156.4
Pretax profit (RMm)	100.2	65.6	58.2	106.2	126.4
Net profit (RMm)	82.7	56.6	44.7	81.7	97.2
EPS (sen)	10.3	7.0	5.6	10.2	12.1
PER (x)	8.9	12.9	16.4	9.0	7.5
Core net profit (RMm)	82.7	56.6	44.7	81.7	97.2
Core EPS (sen)	10.3	7.0	5.6	10.2	12.1
Core EPS growth (%)	(21.9)	(31.6)	(20.9)	82.5	19.0
Core PER (x)	8.9	12.9	16.4	9.0	7.5
Net DPS (sen)	3.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	3.3	3.3	3.3	3.3	3.3
EV/EBITDA (x)	5.3	9.0	8.7	5.1	4.2
Consensus profit (RMm)			41.3	69.0	97.4
Affin/Consensus (x)			1.1	1.2	1.0

Source: Company data, Affin estimates, Bloomberg

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Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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This report is printed and published by:

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