



# BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

**2QFY15**

**Benalec**

**Buy** ◀ ▶

**Below**

**Yet to recognised**

**Price:**

**RM0.88**

**Target Price:**

**(+22.7%) RM1.08**

**Stock Data**

Bloomberg Ticker	BHB MK	Altman Z-score	n.a.
Market Cap	703.1	YTD price chg	55.8%
Issued shares	798.9	YTD KLCI chg	2.1%
52-week range (H)	1.22	Beta	1.2
52-week range (L)	0.53	<b>Major Shareholders</b>	
3-mth avg daily volume	4,909,024	Oceancove	47.8%
Free Float	48.3%	Dimensional Fund	2.0%
Shariah Compliant	Y	EPF	1.9%
Financial Derivatives	n.a.		

**Share Performance (%)**

	1mth	3mth	12mth
Absolute	38.1	9.1	(1.3)
vs. KLCI	32.6	9.7	(2.4)

**Consensus**

	2015	2016
Net Profit	53.9	63.2
EPS (sen)	6.7	7.8

**Historical Price Ratio (x)**

	2012	2013	2014
Price Earnings	9.6	16.2	90.7
Price to Book	2.3	2.0	1.7

**Financial Highlights**

FYE 30 June	2012	2013	2014	2015E	2016E
Turnover	155.9	265.8	211.0	232.4	375.6
EBIT	106.0	68.8	21.2	38.3	72.8
Pre-tax profit	100.2	64.9	18.3	35.3	67.8
<b>Net Profit</b>	<b>82.7</b>	<b>56.0</b>	<b>7.2</b>	<b>29.7</b>	<b>56.9</b>
EPS (sen)	10.7	6.9	0.9	3.7	7.1
EPS growth (%)	-25.4%	-35.2%	-87.1%	311.7%	92.0%
PER (x)	7.5	11.5	89.5	21.8	11.3
DPS (sen)	3.1	2.0	0.3	0.7	1.4
Div. Yield (%)	3.9%	2.5%	0.4%	0.9%	1.8%
NTA/share (RM)	0.64	0.69	0.69	0.82	0.84

**Margins**

	2012	2013	2014	2015E	2016E
EBIT margin	68.0%	25.9%	10.0%	16.5%	19.4%
Pre-tax margin	64.3%	24.4%	8.7%	15.2%	18.0%
Effective tax rate	-17.5%	-13.9%	-60.7%	-16.0%	-16.0%
ROE	23.8%	11.8%	1.3%	5.1%	9.1%
ROA	13.0%	5.9%	0.8%	2.1%	4.3%
Net Gearing (x)	Ncash	Ncash	Ncash	Ncash	Ncash

**Growth ratios**

	2012	2013	2014	2015E	2016E
Turnover	-26.1%	70.6%	-20.6%	10.1%	61.6%
EBIT	-18.4%	-35.1%	-69.2%	80.9%	90.0%
Pre-tax profit	-20.5%	-35.2%	-71.8%	93.0%	92.0%
Core Net profit	-14.0%	-32.2%	-87.1%	311.7%	92.0%

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Benalec's 1HFY15 earnings were below our expectation and that of consensus making up only 32.9% and 28.7% of full year projection. YTD net earnings of RM15.5m fell about 25.2% from RM20.7m in 1HFY14 on the back of 1.2% dip in revenue. These were mainly due to i) lower land disposal recognition during the quarter, and ii) loss of construction income following the completion of high margin projects in Melaka and no recognition from DMDI project as yet. Following the weaker-than-expected results, we have tweaked our FY15/16 forecast lower by 36.9% and 8.6% to RM29.7m and RM56.9m respectively. We derived a new TP of RM1.08 for Benalec after the adjustments and rolling over to FY16 SOP valuation. Still a Buy.

**Below expectation.** The 2QFY15 earnings of RM3.5m declined by 71.3% QoQ and 86.4% YoY from RM12.0m in 1QFY15 and RM25.3m in 2QFY14. The weaker numbers during the quarter are mainly due to i) lower land disposal recognition during the quarter, and ii) loss of construction income following the completion of high margin projects in Melaka and no recognition from DMDI project.

**Earnings forecast.** Following the weaker-than-expected results, we tweaked our FY15/16 forecast lower by 36.9% and 8.6% to RM29.7m and RM56.9m respectively as we expect earnings recognition from land disposal and reclamation works for this year will continue to dawdle.

**Moving forward.** We expect earnings would be better in FY16 onwards based on the fact that there the 216.69 acres of land which have already been disposed of but have yet to be recognised circa.RM400m. In addition, the contract secured last year valued at RM203m will ensure the Group has a stable stream of revenue. Furthermore, with the recent approval of the Tanjung Piai DEIA which permits the commencement of the Phase 1 reclamation works will also enable the Group to capitalise on more opportunities moving forward.

**View & Valuation.** We derived a new target price of RM1.08 for Benalec after the adjustment and rolling over to FY16 SOP valuation. Buy.

**Share Price Chart**



## Quarterly figures

FY 30 June (RMm)	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	QoQ Chg	YoY Chg	1HFY14	1HFY15	YTD Chg
Revenue	95.1	70.0	31.5	47.9	60.2	25.7%	-36.6%	109.5	108.2	-1.2%
EBIT	34.5	4.7	-5.8	19.2	7.7	-59.7%	-77.6%	30.3	26.9	-11.1%
<b>Pre-tax profit</b>	<b>34.0</b>	<b>4.3</b>	<b>-7.0</b>	<b>18.7</b>	<b>7.5</b>	-59.7%	-77.9%	<b>29.1</b>	<b>26.2</b>	-9.9%
Taxation	(8.7)	(2.1)	(0.6)	(6.7)	(4.1)	-39.0%	-53.1%	(8.4)	(10.7)	27.7%
<b>Net Profit</b>	<b>25.3</b>	<b>2.1</b>	<b>-7.5</b>	<b>12.0</b>	<b>3.5</b>	-71.3%	-86.4%	<b>20.7</b>	<b>15.5</b>	-25.2%
EPS (sen)	3.2	0.3	-0.9	1.5	0.4	-71.0%	-86.4%	2.6	1.9	-25.2%
Net gearing (x)	0.0	0.0	Ncash	Ncash	Ncash	n.a.	n.a.	0.0	Ncash	n.a
EBIT margin (%)	36.3%	6.7%	-18.3%	40.1%	12.9%	-27.2	-23.5	27.7%	24.9%	-2.8
PBT margin (%)	35.8%	6.1%	-22.1%	39.0%	12.5%	-26.5	-23.3	26.6%	24.2%	-2.3
Net profit margin (%)	26.7%	3.1%	-23.9%	25.1%	5.7%	-19.4	-20.9	18.9%	14.3%	-4.6
Effective tax rate (%)	25.5%	49.7%	-8.2%	35.7%	54.0%	18.4	28.5	28.9%	40.9%	12.0

Source: Company / BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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