



Benalec Berhad

Buy ◀ ▶

Below Affected by slower recognition

Price: RM1.16
Target Price: (31.9% upside) RM1.53

Stock Data

Bloomberg Ticker	BHB MK	Altman Z-score	n.a.
Market Cap	931.4	YTD price chg	-14.1%
Issued shares	803.0	YTD KLCI chg	7.5%
52-week range (H)	1.47	Beta	n.a.
52-week range (L)	1.00	Major Shareholders	
3-mth avg daily volume	1,192,21	Oceancove	52.6%
Free Float	38.4%	KWAP	7.7%
Shariah Compliant	Y	Foo Polin	1.4%

Share Performance (%)

	1mth	3mth	12mth
Absolute	0.9	0.9	(6.5)
vs. KLCI	(19.0)	(4.1)	(19.0)

Financial Highlights

FYE June (RM'm)	2010	2011	2012	2013E	2014E
Turnover	308.6	211.0	155.3	288.0	348.8
EBIT	125.8	130.0	106.1	108.0	101.7
Pretax profit	121.5	126.1	100.3	103.0	96.7
Net Profit	86.1	96.1	82.8	128.7	120.9
EPS (sen)	14.0	14.4	12.4	19.2	18.1
EPS growth (%)	412.0%	2.4%	-13.9%	29.2%	-6.0%
PER (x)	8.3	8.1	9.4	6.0	6.4
DPS (sen)	0.0	1.8	0.0	1.9	1.8
Div. Yield (%)	0.0%	1.6%	0.0%	1.7%	1.6%
NTA/share (RM)	0.19	0.43	0.64	0.88	1.05
EBIT margin	40.7%	61.6%	68.3%	37.5%	29.2%
Pretax margin	39.4%	59.8%	64.6%	35.7%	27.7%
Effective tax rate	-12.9%	-23.8%	25.0%	25.0%	25.0%
ROE	56.1%	27.7%	23.9%	21.8%	17.3%
ROA	26.7%	15.1%	13.0%	9.6%	6.9%
Net Gearing (x)	0.1	Ncash	Ncash	Ncash	Ncash
Growth ratios					
Turnover	155.2%	-31.6%	-26.4%	31.4%	21.1%
EBIT	359.3%	3.4%	-18.4%	27.5%	-5.8%
Pretax profit	408.9%	3.8%	-20.4%	29.2%	-6.0%
Net profit	398.5%	11.6%	-13.9%	29.2%	-6.0%

Share Price Chart



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Benalec's full year results only met 85% of our forecast. YTD revenue and earnings dropped 26.4% and 13.9% respectively. The lower performance in FY12 was mainly due to less contribution from its marine construction activities as revenue from the division declined 30.7% YTD. Nonetheless, we foresee prospects for Benalec is still bright being an established marine contractor in Malaysia. Maintain BUY with an unchanged target price of RM1.53.

The results. Revenue fell 13.8% QoQ and 62% YoY to RM24.9m. Meanwhile, net profit declined 24.3% QoQ and 52.8% YoY to only RM10.8m. Though there was a significant jump in FY12 margins (54%) from FY11 (48.7%), QoQ margin actually declined attributed to lower revenue contribution for the current quarter due to slower than expected construction progress plus the completion of some projects.

The reasons. The reasons for the less than impressive revenue and earnings are due to i) completion of some project in Melaka; ii) unrealised profit eliminated from a significant land reclamation project at Bandar Melaka as works are now being undertaken by its subsidiaries.; iii) higher start-up cost for the Tanjung Piai and Pengerang project; and iv) the Pulau Indah project still at initial stage.

A stronger FY13? Despite of lower than expected FY12, we believe Benalec's earnings for FY13 to come in stronger following higher recognition of its projects going forward. Benalec's outstanding orderbook stands at RM986.8 including its major project in Melaka valued at RM468m which should provide earnings visibility until 2016. In addition, there are several projects in the pipeline such as SCORE and Iskandar development and more in Penang, Melaka and Port Klang.

Dividend. No dividend has been proposed for the current financial year.

View & Valuation. No change to our earnings forecast. We maintain our BUY call with a target price of RM1.53 derived from sum-of-the-part valuation.

Quarterly figures

FY 30 June (RMm)	4QFY11	2QFY12	3QFY12	4QFY12	QoQ Chg	YoYChg	12MFY12	12MFY11	YTD Chg
Revenue	66.0	26.9	28.9	24.9	-13.9%	-62.3%	155.3	214.5	-27.6%
EBIT	32.1	35.9	20.0	13.4	-32.9%	-58.1%	106.1	133.8	-20.7%
Pretax profit	30.8	34.4	19.4	11.5	-40.9%	-62.8%	100.3	129.9	-22.8%
Taxation	(8.0)	(5.5)	(5.2)	(0.7)	-86.3%	-91.1%	-17.6	-33.9	-48.1%
Net Profit	22.8	28.8	14.2	10.8	-24.3%	-52.8%	82.8	96.1	-13.9%
EPS (sen)	3.4	4.6	2.1	1.4	-34.1%	-58.9%	12.7	14.4	-11.6%
Net gearing (x)	0.12	Ncash	Ncash	Ncash	n.a.	n.a.	Ncash	0.1	n.a
EBIT margin (%)	48.7%	133.4%	69.3%	54.0%	-22.1%	11.0%	3.06	0.62	390.4%
PBT margin (%)	46.8%	127.8%	67.2%	46.1%	-31.4%	-1.4%	2.88	0.61	375.6%
Net profit margin (%)	34.6%	107.2%	49.2%	43.2%	-12.1%	25.0%	2.38	0.45	432.4%
Effective tax rate (%)	-26.1%	-16.1%	-26.8%	-6.2%	-76.8%	-76.1%	-0.67	-0.26	155.5%

Source: BIMB Securities

Income Statement

FY 30 June (RMm)	2010	2011	2012	2013E	2014E
Turnover	308.6	211.0	155.3	288.0	348.8
EBIT	125.8	130.0	106.1	108.0	101.7
Pretax profit	121.5	126.1	100.3	103.0	96.7
Tax	-15.71	-30.01	-17.57	25.74	24.18
Net Profit	86.1	96.1	82.8	128.7	120.9
EPS (sen)	14.0	14.4	12.4	19.2	18.1
EPS growth (%)	412.0%	2.4%	-11.8%	29.2%	-6.0%
PER (x)	8.3	8.1	9.4	6.0	6.4
DPS (sen)	0.0	1.8	1.2	1.9	1.8
Div. Yield (%)	0.0%	1.6%	1.1%	1.7%	1.6%
NTA/share (RM)	0.19	0.43	0.64	0.88	1.05
Net Gearing (x)	0.1	Ncash	Ncash	Ncash	Ncash
ROE	56.1%	27.7%	23.9%	21.8%	17.3%
ROA	26.71%	15.05%	12.97%	9.60%	6.94%

Source: BIMB Securities

Balance Sheet

FY 30 June (RMm)	2010	2011	2012	2013E	2014E
Non-Current Assets	89.1	241.8	380.4	475.5	594.4
Current Assets	233.1	396.4	576.9	864.8	1148.0
Total Assets	322.2	638.2	957.3	1,340.3	1,742.3
Current Liabilities	124.7	208.8	349.5	501.5	684.8
Non-Current Liabilities	44.2	82.7	134.0	249.1	358.4
Shareholders' Fund	153.4	346.8	473.8	589.6	699.1
Equity & Liabilities	322.2	638.2	957.3	1,340.3	1,742.3

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

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

SECTOR RECOMMENDATION

OVERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months

NEUTRAL 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

UNDERWEIGHT 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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