

**Benalec Holdings Bhd****Result 3Q2013****Result Note****BUY**

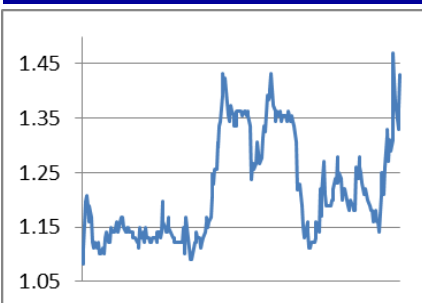
**Current Price** RM 1.38  
**Target Price** RM 2.66  
**Consensus Price** RM 2.00

**Key Statistics**

Bloomberg Ticker	BHB MK
Masa Ticker / Stock Code	BENALEC/ 5190
Shares Issued (m)	804.2
Market Capitalisation (RM'm)	1109.7
52 Week Hi/Lo Price (RM)	1.49/1.10
YTD Returns (%)	-0.72%
3-mth Average trading Vol.	2.29m
Est free float (m)	311.0m
Beta (x)	1.32

**Major Shareholders (%)**

Oceancove	53.07
KWAP	6.32

**1-Year Share Price Performance**

**Analyst:** Yee Yen Tang  
**Email:** yeeyt@interpac.com.my

**Highlights:**

- ◆ **Below Expectations** - 9MFY13 net profit of RM54.3m came in 55.4% of our previous full-year FY13 forecast. 3QFY13 net profit slid -26.1%YoY to RM10.5m from RM14.2m, also being a decline of 50.2% QoQ. However, revenue registered a growth of 106.7% YoY from RM28.9m to RM59.8m though still a decline of 10% QoQ.
- ◆ **Key Drivers**- 9MFY13 revenues had shown increase of by 41.0% against last year's corresponding period, with total revenue clocking in at RM183.9m. The increase in revenue was mainly due to the kick-off of 2 new projects during the current year, namely the Pulau Indah and Swiss Horizon projects, which contributed RM26.0m and RM6.4m respectively to the current quarter's revenue even as the 9MFY13 revenue was mainly contributed by the Sentosacove project at 79% of revenues.
- ◆ Benalec's profit decline of -26.1% YoY, was as we highlighted in our previous report, due to the fact a large portion of Benalec's profit is contributed by land sales categorized under "Other Income", which can be erratic and can differ sharply from one quarter to another. The decline in profit for 3QFY13 is attributable to a decrease in "Other Income" mainly due to was mainly due to lower gains on disposal of land recognised during the 3Q13 quarter, at RM6.0m against 3QFY12 of RM12.55m. Additionally, there was also a one-off loss on disposal of vessels of RM1.65m included in selling and administrative expenses. We tweaked our FY13F/14F earnings lower by 15%/7.5% respectively after adjusting for lower land sales in our forecast.
- ◆ **We remain optimistic** - Benalec announced on 12th March that Spektrum Kukuh Sdn. Bhd a 70% owned-subsiary, entered into a binding term sheet with the State Secretary of Johor (Incorporated) SSI and 1MY Strategic Oil Terminal Sdn. Bhd. to undertake the reclamation works and sale of approximately 1,000 acres of land off the coast of Tanjung Piai for the purpose of constructing and operating a crude oil and petroleum storage facility together with a private jetty. The Purchaser, 1MY Strategic Oil Terminal Sdn. Bhd. is a strategic partnership between Abu Dhabi and Malaysian Government. Closing the deal will certainly mark a milestone for Benalec, as we remain optimistic of the outcome.

- ◆ **Hot Construction Scene Post-GE13** - Now the GE 13 overhang has dissipated, we believe significant changes in the government's key economic development programmes and the Economic Transformation Programme (ETP) development are unlikely. We anticipate property and construction sector will be under the limelight for FY13 and FY14, as major development and infrastructure projects such as Iskandar Development, MRT2 and MRT3, the LRT extension line, and the KL-SG High Speed Rail Link will come into play very shortly. These infrastructure linkages will greatly aid in spurring the creation of more property hotspots. We would like to highlight to Investors that Benalec has a big exposure to the Flagship C Iskandar Western Gate in light of its Tanjung Piai project, covering a gross area of about 3,485 acres of land demarcated for the development of an Integrated Petroleum & Petrochemical Hub Logistic and Maritime Industrial Park at Tanjung Piai, Johor.
- ◆ **BUY**- We reiterate our **BUY** call on Benalec Holdings Bhd with a target price based on a Sum-of-Parts valuation set at RM2.66. Our target price also implies a P/E of 13.3x for FY13, which is a reasonable valuation multiple across counters that boast exposure to the Iskandar Development.

Quarterly income statement FY Dec (RM 000)	3Q13	3Q12	YoY chg %	2Q13	QoQ chg %	9M13	9M12	YoY chg (%)
Revenue	59,752	28,911	106.7	66,357	-10.0	183,857	130,384	41.0
EBIT	14,496	20,805	-30.3	22,583	-35.8	64,423	93,441	-31.1
EBIT Margin (%)	24.26%	71.96%	-66.3	34.03%	-28.7	35.0	71.7	-51.1
Pre-Tax Profit	13,660	19,428	-29.7	21,520	-36.5	61,212	88,850	-31.1
Pre-Tax Margin (%)	22.86%	67.20%	-66.0	32.43%	-29.5	33.3	68.1	-51.1
Tax Expenses	-3,418	-5,206	-34.3	-416	721.6	-6,880	-16,859	-59.2
Net Profit	10,513	14,222	-26.1	21,104	-50.2	54,332	71,991	-24.5
Net Profit Margin (%)	17.59%	49.19%	-64.2	31.80%	-44.7	29.6	55.2	-46.5
EPS (cent)	1.30	1.90	-31.6	2.60	6.8	10.47	9.50	10.2

#### Investment Highlights

FYE 30 <sup>th</sup> June	2010	2011	2012	2013F	2014F
Revenue (RM m)	308.64	210.96	155.28	251.10	284.00
Pretax Profit (RM m)	121.53	126.09	100.33	92.40	118.41
Net Profit (RM m)	105.82	96.08	82.76	83.40	105.49
EPS (sen)	13.16	11.95	10.29	10.37	13.12
Pretax margin (%)	39.38	59.77	64.61	36.80	41.69
Net Profit margin (%)	34.29	45.54	53.29	33.21	37.14
PER (x)	10.49	11.55	13.41	13.31	10.52
DPS (sen)	0	2.00	3.00	3.00	3.00
Dividend Yield (%)	0.00	1.69	2.54	2.54	2.54
ROE (%)	69.00	27.71	16.02	14.95	17.49
ROA (%)	32.84	15.05	10.72	9.78	11.77
Net Gearing Ratio	0.0238	net cash	net cash	net cash	net cash
BV/Share (sen)	19.071	43.119	64.222	69.370	74.997
Price/Book Ratio (x)	6.187	2.737	1.837	1.701	1.573
NTA/share (sen)	19.071	43.119	64.222	69.370	74.997

## Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

## Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

**IMPORTANT:** This report has been prepared from sources that are believed to be reliable but we do not hold ourselves responsible for its completeness and accuracy. All opinions and estimates in this report are subject to change without notice. We do not accept any liability that may arise from the use of information in this report. **Inter-Pacific Research Sdn Bhd** and or its associates may from time to time have interest and/or underwriting commitments in the company being reported. This report is for internal circulation only and the contents or any part thereof **cannot be reproduced** in any manner whatsoever except with the prior written consent of Inter-Pacific Research Sdn Bhd.

### Published and Printed by:

**Inter-Pacific Research Sdn Bhd (449005-X)**  
West Wing, Level 13,  
Berjaya Times Square,  
No.1, Jalan Imbi,  
55100 Kuala Lumpur  
General Line : 03-2117 1888 Fax : 03-2142 7678