

21 March 2014

Benalec Holdings

On a Roll

- News**
- Hot on the heels of an earlier land sale (see our report dated 14th March 2014), Benalec announced that it is selling 22 pieces of commercial land measuring 128.5 acres that have been or will be reclaimed in Melaka for RM235.1m to Ultra Harmony Development Sdn Bhd (UHDSB).
 - The sale consideration will be satisfied entirely in cash upon completion of the reclamation works and issuance of land title. A ten percent deposit had already been paid by UHDSB upon signing of the SPA, while the remaining balance of the disposal will be paid progressively in four stages for the next two years throughout the completion of the reclamation works.

- Comments**
- We are POSITIVE on the news. The land sale will provide earnings visibility for Benalec at least for the next two years. The reclamation works had already started which will take two years to complete. The first tranche of the land disposal, i.e. 32.6 acres, is expected to be completed in end-FY14- or early-FY15, hence still within our land sale assumption.
 - The disposal price tag of RM235.1m for the 128.5 acres translates to RM42 psf. Meanwhile, Benalec estimated that the cost to reclaim the land (i.e. NBV) is RM28 psf. This is slightly higher than that of our land reclamation cost assumption of RM25 psf which we believe due to higher operating costs particularly energy and labor costs. In total, net profit of the land sale is estimated at RM58.5m.
 - Who's UHDSB?** UHDSB is principally involved in the business of housing developers, acquisition of lands, houses and the business as general traders. We noticed that UHDSB is a repeated buyer of Benalec's reclaimed land. The buyer bought 30 acres of Benalec's reclaimed land in Klebang Melaka in September last year.

- Outlook**
- This huge land sale deal reinforces our POSITIVE view on Benalec. Although its performance may be dampened in the short-term due to some changes on its land sale method and slower progress on its marine construction, its long-term outlook remains intact due to its active land sale coupled with attractive sea-fronting land concession in Johor (which is expected to start contributions from FY15 onwards, albeit in a gradual manner).

- Forecast**
- No change to our earnings estimates.

Rating **Maintain OUTPERFORM**

- Valuation**
- Maintaining our SoP-based TP at RM1.25, at this juncture.

- Risks to Our Call**
- Sharp increase in raw material prices.
 - Failure in obtaining Environmental Impact Assessment for its Johor project.

OUTPERFORM ↔

Price: RM0.91
Target Price: RM1.25 ↔

Share Price Performance



KLCI 1818.17
 YTD KLCI chg -2.6%
 YTD stock price chg 7.1%

Stock Information

Bloomberg Ticker	BHB MK Equity
Market Cap (RM m)	733.9
Issued shares	806.5
52-week range (H)	1.59
52-week range (L)	0.85
3-mth avg daily vol:	4,843,187
Free Float	41%
Beta	1.2

Major Shareholders

OCEANCOVE	52.9%
KUMPULAN WANG PERSAR	5.9%
PRUDENTIAL UNIT TRUS	0.4%

Summary Earnings Table

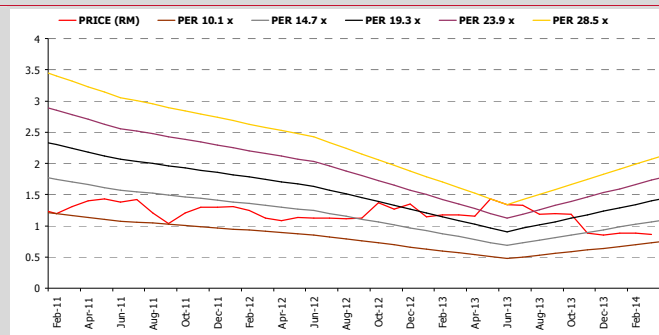
FYE June (RM m)	2013E	2014E	2015E
Turnover	250.7	200.5	247.5
EBITDA	68.5	48.6	96.1
PBT	66.6	51.2	87.9
Net Profit (NP)	57.7	37.9	65.0
Core Net Profit	62.4	37.9	65.0
Consensus (NP)		41.3	69.0
Earnings Revision		-	-
EPS(sen)	7.2	4.7	8.1
NDPS (sen)	4.6	1.4	2.4
NTA/Share (RM)	0.67	0.84	0.84
PER	14.1	21.4	12.5
Price/NTA (x)	1.5	1.2	1.2
Gearing (x)	(0.0)	0.2	0.0
Dividend Yield (%)	5%	1%	2%

Iqbal Zainal
mdiqbal@kenanga.com.my
 +603 2079 1378

Income Statement						Financial Data & Ratios					
FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E	FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E
Revenue	214.5	217.8	271.5	200.5	247.5	Growth					
EBITDA	127.1	104.9	126.3	58.7	118.0	Turnover (%)	2.6	1.5	24.6	-26.2	23.4
Other Income	27.1	39.6	7.8	41.8	36.6	EBITDA (%)	-8.6	-17.5	20.5	-53.5	101.0
Exceptional Items	0.0	0.0	0.0	0.0	0.0	PBT (%)	-3.5	-11.4	-19.9	-44.3	71.7
PBT	129.5	114.7	91.9	51.2	87.9	Net Profit (%)	-1.4	-11.2	-19.9	-44.3	71.7
Taxation	-33.8	-29.8	-23.9	-13.3	-22.8	Profitability (%)					
Minority Interest	0.0	0.0	0.0	0.0	0.0	EBITDA Margin	59.3	48.1	46.5	29.3	47.7
Net Profit	95.7	84.9	68.0	37.9	65.0	PBT Margin	60.4	52.7	33.9	25.5	35.5
Balance Sheet						Net Margin	44.6	39.0	25.1	18.9	26.3
FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E	Effective Tax Rate	26.1	26.0	26.0	26.0	26.0
Fixed Assets	241.7	241.6	241.6	242.5	243.3	ROA	15.0	11.8	9.5	5.4	13.7
Other FA	0.0	0.0	0.0	0.0	0.0	ROE	27.6	19.7	13.6	7.0	10.8
Inventories	11.0	18.5	23.4	22.9	22.8	DuPont Analysis					
Receivables	207.0	209.0	187.9	138.7	171.3	Net Margin (%)	44.6	39.0	25.1	18.9	26.3
Other CA	107.4	179.6	177.4	312.3	312.3	Assets Turnover (x)	0.3	0.3	0.4	0.3	0.5
Cash	70.0	70.4	86.2	-22.2	36.1	Leverage Factor (x)	1.8	1.7	1.4	1.3	0.8
Total Assets	638.5	720.4	717.7	695.5	474.8	ROE (%)	27.6	19.7	13.6	7.0	10.8
Payables	169.9	202.2	147.8	144.6	144.1	Leverage					
ST Borrowings	19.2	19.2	19.2	19.2	19.2	Debt/Asset (x)	0.1	0.1	0.1	0.1	0.1
Other ST Liability	19.6	9.0	9.0	10.0	10.0	Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1
LT Borrowings	43.7	43.7	43.7	43.7	43.7	(Net Cash)/Debt	-0.1	-0.1	-0.4	1.4	0.4
Other LT Liability	10.2	10.2	10.2	10.2	10.2	Net Debt/Equity (x)	0.0	0.0	0.0	0.2	0.0
Minorities Int.	0.0	0.0	0.0	0.0	0.0	Valuations					
Net Assets	347.0	431.9	499.9	537.8	602.8	EPS (sen)	13.1	10.6	8.5	4.7	8.1
Share Capital	182.5	182.5	182.5	182.5	182.5	NDPS (sen)	3.9	3.2	4.6	1.4	2.4
Reserves	244.0	328.9	396.9	434.8	499.8	NTA (RM)	0.5	0.5	0.6	0.7	0.8
Equity	347.0	431.9	499.9	537.8	602.8	PER (x)	6.6	8.1	10.2	18.2	10.6
Cashflow Statement						Div. Yield (%)	4.6	3.7	5.3	1.6	2.8
FY Jun (RM m)	2011A	2012A	2013A	2014E	2015E	P/NTA (x)	1.8	1.6	1.4	1.3	1.1
Operating CF	2.5	133.8	119.1	213.9	298.2	EV/EBITDA (x)	5.4	6.5	5.3	13.2	6.1
Investing CF	-61.2	-30.0	-100.0	-160.4	-160.4						
Financing CF	97.6	-85.5	-96.7	-71.4	-79.5						
Change In Cash	38.8	18.3	-77.6	-17.9	58.3						
Free CF	-26.9	103.8	19.1	52.5	136.8						

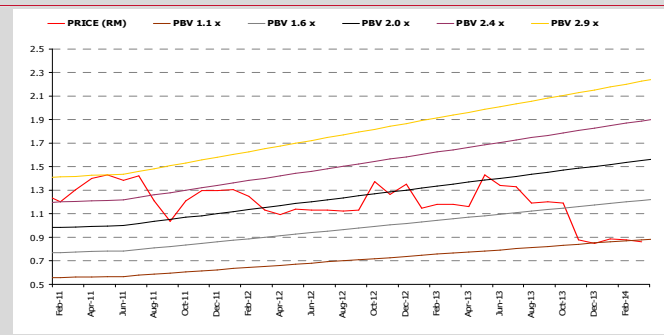
Source: Kenanga Research

Fwd PER Band



Source: Kenanga Research

Fwd PBV Band



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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my



Chan Ken Yew
Head of Research