

Benalec Holdings

Secured RM204m Construction Contract

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OUTPERFORM ↔

Price: RM0.895
Target Price: RM1.250 ↔

News

- Benalec secured a RM203.9m construction contract from Oriental Holdings Bhd (NOT RATED). The project involves construction, completion & maintenance of coastal reclamation and associated works in Malacca covering a total area of approximately 415 acres. The project is scheduled to start in 3Q2014 and is expected to be completed by 4Q2016.
- The project shall be executed in 2 stages of which Stage 1 covers 275 acres while Stage 2 covers 140 acres. Nonetheless, the works for both stages will be done simultaneously.

Comments

- We view the news positively as this project will boost its orderbook significantly to roughly RM400m from RM200m. It is also well within our replenishment orderbook assumption of RM400m in FY15 (the work will start in June 2014 (FY15)). Furthermore, the good news is that this contract consideration will be paid in cash (progress billings) by the client. Assuming a 20% pre-tax margin, the project will contribute about RM10.2m to Benalec's net profit every year until FY17.
- Note that the project value of RM203.9m excludes the revetment works which may be awarded in later part.

Outlook

- Although its performance may be dampened in the short-term due to some changes in its land sale method, and slower progress of its marine construction, its long-term outlook remains intact due to its active land sale coupled with attractive sea-fronting land concessions in Malacca and 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.

Share Price Performance



KLCI 1860.54
YTD KLCI chg -0.3%
YTD stock price chg 5.3%

Stock Information

Bloomberg Ticker	BHB MK Equity
Market Cap (RM m)	721.8
Issued shares	806.5
52-week range (H)	1.59
52-week range (L)	0.85
3-mth avg daily vol:	3,169,410
Free Float	41%
Beta	1.1

Major Shareholders

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

Summary Earnings Table

FYE June (RM m)	2013A	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%



06 May 2014

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 sector'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 sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector'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.**

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