

# ANALYST BRIEFING

**Quarter ended 31 March 2019**

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# 1. MRCB Group Overview

## 2 core activities:

**Property Development & Investment**  
**Engineering, Construction & Environment**

## Other activities:

**Facilities Management & Parking**

**Pioneered Transport Oriented Development (“TOD”) in Malaysia**

**Property investment is conducted through 27.94% owned MRCB-Quill REIT**



## 2. Business Model – Property Development & Investment

### Bespoke Buildings Pre-let on Long Term Leases



- Purpose built buildings
- Carries more value due to customisation
- Profits from lease income and possible disposal in the future

### Bespoke Buildings for Sale



- Pre-sell to owner occupiers or other purchaser
- Purpose built buildings
- Profits recognised progressively based on percentage completion of construction

### Build Residential and Retail Commercial Developments



- Mostly within MRCB TODs
- Entire development is self-sustaining and integrated with easy transport access
- Profits recognised progressively based on percentage completion of construction

### Income from Land Sales



- Extract maximum value from urban land bank
- Free up capital that can then be deployed elsewhere

### Income from Investment Properties via MQREIT



- Dispose investment properties to MQREIT, in return of cash and units in the REIT
- Cash is recycled in future property transactions
- MRCB earns long term stream of income from dividend

## 2. Business Model – Engineering, Construction & Environment



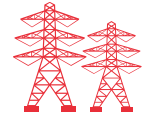
**Infrastructure**



**Commercial  
and Residential**



**Environment**



**Transmission  
Lines**

- Largest Bumiputera construction company
- Full service and autonomous construction company
- Strong track record and extensive engineering skillsets which allow us to focus on projects with high mechanical and engineering content and infrastructure
- Target higher margin and complex projects, with high barriers to entry
- Grow Fee Based segment
- Profits from external construction clients (whilst our internal construction works are eliminated upon group consolidation)

# 3. MRCB Financial Summary

## MRCB 1Q FY2019 Overview

Revenue

RM **234** mil.

▼ 45% y-o-y

PBT

RM **8** mil.

▼ 72% y-o-y

PAT

RM **2** mil.

▼ 94% y-o-y

Net Gearing

**0.23** x

Total Assets

RM **8,259** mil.

Total Equity

RM **4,904** mil.

EPS

**0.09** sen

▼ 82% y-o-y

Market Cap

RM **3,894** mil.

## MRCB Segment Overview

	Property Development	Engineering & Construction	Others
Revenue RM mil.	85	133	16
Revenue Contribution	36%	57%	7%
Operating Profit RM mil. <i>Margin %</i>	3 3.5%	17 12.6%	1 6.1%

## Key Numbers

**RM75 mil.**

Property Sales  
in YTD'19

**RM1.6 bil.**

Property  
Unbilled Sales

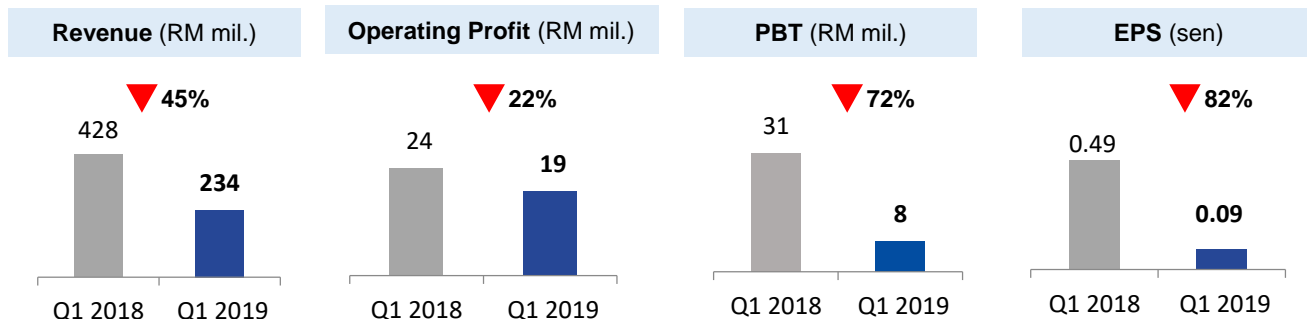
**RM22.6 bil.**

External  
Construction  
Order Book

**RM21.4 bil.**

Construction  
Unbilled Order  
Book

## 4. YTD 2019 Highlights



### Key Highlights

- Lower revenue recognised in 1QFY2019 mainly due to (i) newer property development projects still being at the early stage of construction, and (ii) completion of several large property projects in 2018, leading to income on sales of completed units being deferred until SPA completions.
- PBT was impacted by lower revenue and re-timing of income recognition for the LRT3 project.
- Property recorded lower revenue and operating profits due to the construction completion of VIVO (9 Seputeh) and Kalista Park Homes (Bukit Rahman Putra), which resulted in revenue from sales in these two key projects no longer being progressively recognised.
- LRT3 contributed much lower PAT of RM0.5 mil. in 1QFY2019 vs RM9.0 mil. in 1QFY2018 (booked under Share of Results of JV).
- MQREIT and MRCB Quill Management contributed PAT of RM5.7 mil.
- Net gearing at 0.23 times vs. 0.58 times as at March 2018.

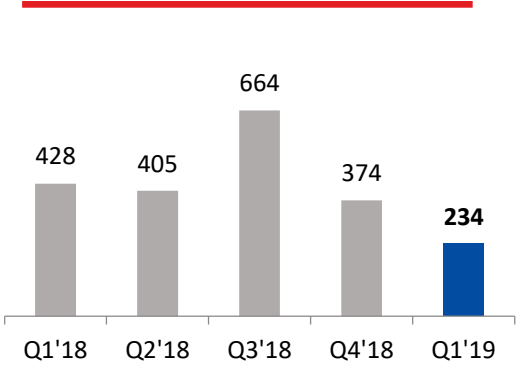
## 5. Financial Performance – Profit & Loss

RM' Million	1QFY19	1QFY18	Y-o-Y Growth %	3M 2019	3M 2018	Y-o-Y Growth %
Revenue	234	428	(45.3)%	234	428	(45.3)%
Other Operating Income	12	16	(27.4)%	12	16	(27.4)%
Total Revenue	246	443	(44.6)%	246	443	(44.6)%
Operating Expenses	(227)	(419)	(45.9)%	(227)	(419)	(45.9)%
<b>Operating Profit</b>	<b>19</b>	<b>24</b>	<b>(21.8)%</b>	<b>19</b>	<b>24</b>	<b>(21.8)%</b>
<i>Operating Profit Margin (%)</i>	8.1%	5.7%		8.1%	5.7%	
Finance costs	(12)	(4)	190.4%	(12)	(4)	190.4%
Share of results of associates	3	3	5.4%	3	3	5.4%
Share of results of joint ventures	(1)	8	(113.0)%	(1)	8	(113.0)%
Profit before taxation	8	31	(72.5)%	8	31	(72.5)%
Taxation	(7)	(5)	39.1%	(7)	(5)	39.1%
<b>Profit for the period</b>	<b>2</b>	<b>26</b>	<b>(93.9)%</b>	<b>2</b>	<b>26</b>	<b>(93.9)%</b>
<i>PAT Margins (%)</i>	0.7%	6.0%		0.7%	6.0%	
<b>EPS</b>	<b>0.09</b>	<b>0.49</b>	<b>(81.6)%</b>	<b>0.09</b>	<b>0.49</b>	<b>(81.6)%</b>

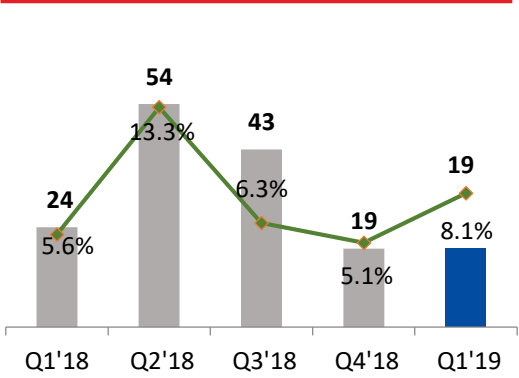


# 5. Financial Performance – Quarterly Analysis

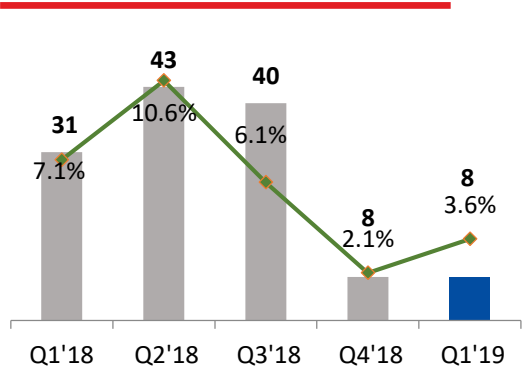
**Revenue**



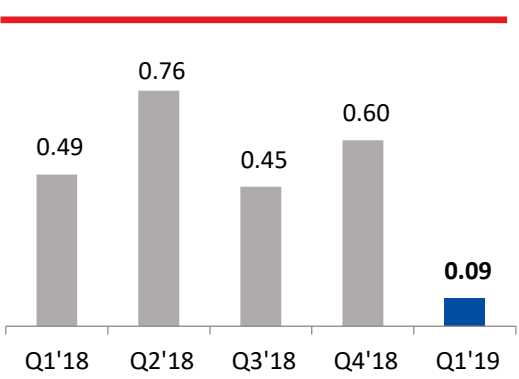
**Operating Profit and Margin**



**PBT and Margin**



**EPS (sen)**

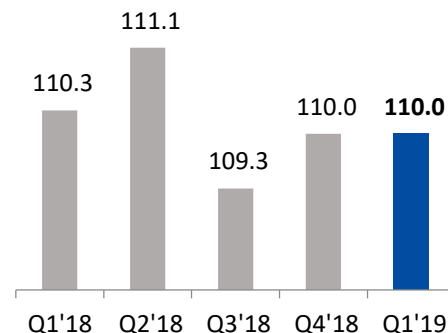


• Figures are in RM mil. and margins in %

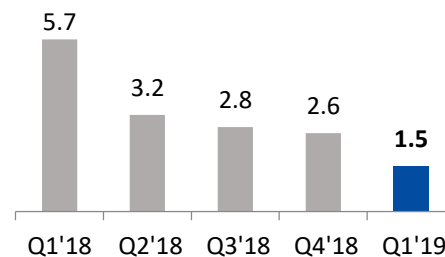
# 5. Financial Performance – Balance Sheet

RM' Million	1QFY2019	4QFY2018
<b>Total Assets</b>		
Current Assets	3,079	3,223
Non-Current Assets	5,180	5,119
<b>Total Assets</b>	<b>8,259</b>	<b>8,342</b>
<b>Total Liabilities</b>		
Current Liabilities	1,789	1,965
Non-Current Liabilities	1,566	1,477
<b>Total Liabilities</b>	<b>3,355</b>	<b>3,442</b>
<b>Total Equity</b>		
Shareholder's Equity	4,838	4,832
Non Controlling Interests	65	68
<b>Total Equity</b>	<b>4,904</b>	<b>4,900</b>
<b>Net assets per share attributable to the equity holders of the Company (sen)</b>	<b>110.0</b>	<b>110.0</b>

NAV Per Share (sen)



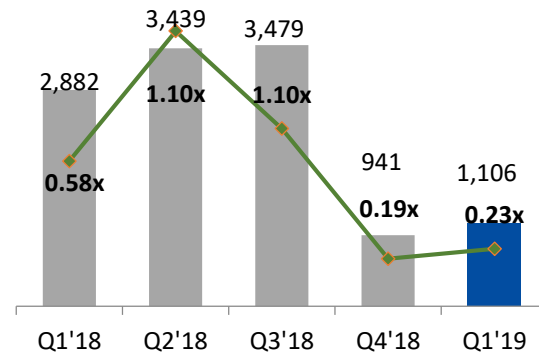
Interest Coverage\*



# 5. Financial Performance – Borrowings

Leverage Profile (RM mil.)	1QFY2019	4QFY2018
<b>Debt</b>		
Short Term Borrowings	640	726
Long Term Borrowings	780	765
HP creditors	1	2
<b>Total Debt</b>	<b>1,421</b>	<b>1,493</b>
Less: Cash and Cash Equivalents	315	552
<b>Net Debt</b>	<b>1,106</b>	<b>941</b>
Total equity	4,904	4,900
<b>Net Gearing</b>	<b>0.23x</b>	<b>0.19x</b>

## Net Debt and Gearing

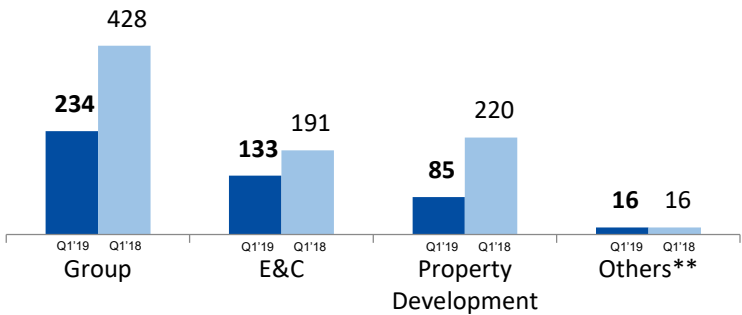


### Key Highlights

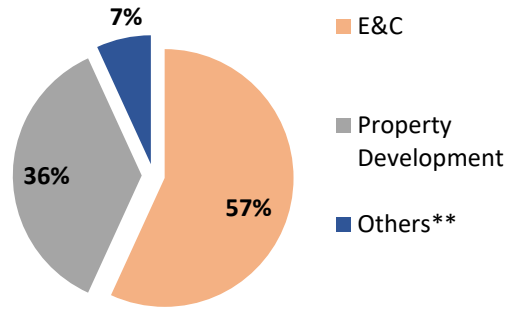
Net gearing increased from 0.19 times in 4QFY2018 to 0.23 times in 1QFY2019 due to lower cash balances in the Group.

# 6. Segmental Reporting: Overview

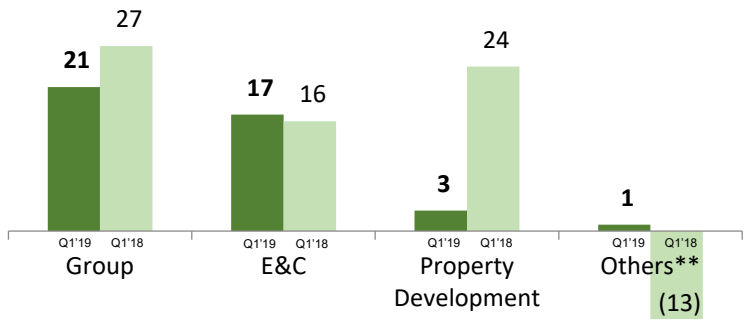
**Revenue Trend – RM234 mil.**



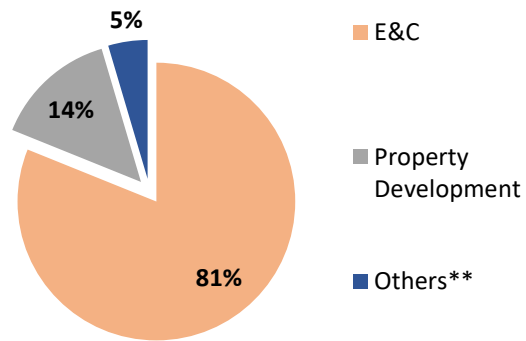
**Revenue Contribution Analysis**



**Segmental Profit Trend – RM21 mil.**



**Profit Contribution Analysis**

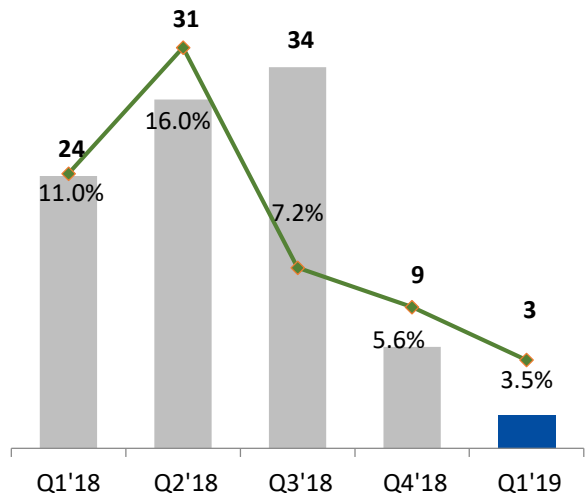


\* All figures are in RM mil. and margins in %  
 \*\* Others include Facilities Management & Parking and Others

# 7. Segmental Reporting: Property Development & Investment

RM' Million	1QFY19	1QFY18	Y-o-Y Growth %	3M 2019	3M 2018	Y-o-Y Growth %
Revenue	85	220	(61.4)%	85	220	(61.4)%
<b>Segmental Profit</b>	<b>3</b>	<b>24</b>	<b>(87.6)%</b>	<b>3</b>	<b>24</b>	<b>(87.6)%</b>
Margin (%)	3.5%	11.0%		3.5%	11.0%	

## Segmental Profit and Margin



## Performance Discussion

### Contributed 36% of Group revenue

**Revenue contributors:** Recently completed Kalista and ongoing projects which include 9 Seputeh, PJ Sentral and Sentral Suites.

MQREIT and MRCB Quill Management contributed PAT of RM5.7 mil.

### Revenue and profit declined due to :

- Construction completion of two significant property projects, namely VIVO in 9 Seputeh and Kalista Park Homes in Bukit Rahman Putra, which resulted in revenue from sales in these two key projects no longer being progressively recognised.
- Remaining development profits from VIVO and Kalista will only be recognised upon completion of SPA.
- Most projects currently at early development stage

**1QFY2019 Sales: RM75 mil, unbilled sales: RM1.6 bil.**

# 7. Segmental Reporting: Property Development Projects

**Total sales of RM75 mil. in 1QFY2019**

## Property Sales YTD 2019 – RM75 mil.

Project / Sales (RM' mil.)	Total Project GDV	% Sales Achieved as at 31/3/19	Sales Recorded in Q1 2019
<b>Residential</b>			
1060 Carnegie	275	81%	5
Bukit Rahman Putra, Kalista	102	68%	5
Sentral Suites 9 Seputeh,	1,534	74%	52
VIVO Parcel C	952	78%	1
TRIA Phase 1, Parcel B	662	37%	9
TRIA Phase 2, Parcel B	270	2%	2
Sentral Residences	1,438	90%	0
Bandar Seri Iskandar Viscaria	17	100%	1
The Easton, Burwood	188	89%	0
<b>Total</b>	<b>5,438</b>		<b>75</b>

## Unbilled Sales – RM1,626 mil.

Project / Sales (RM' mil.)	Project Completion	Revenue Recognised in Q1 2019	Unbilled Sales
<b>Residential</b>			
349, Sentral Suites	22%	18	993
1060 Carnegie	52%	0	213
9 Seputeh / TRIA, Parcel B	13%	3	232
<b>Commercial</b>			
PJ Sentral/ MYIPO	41%	16	151
PJ Sentral/ MBSB	86%	4	37
<b>Total</b>		<b>41</b>	<b>1,626</b>

Note: Sales refers to properties that have been sold to buyers, which will progressively be recognised as revenue as the properties are constructed.

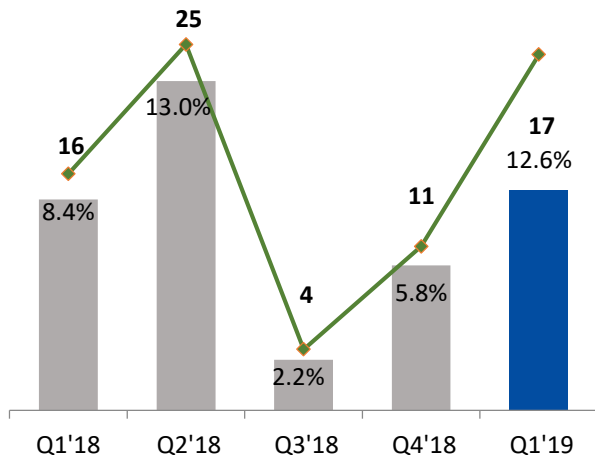
## 7. Segmental Reporting: Property Development Projects

	Land Size (Acres)	GDV RM' mil.	% Stake	Start Date	Completion Date
<b>Transport Oriented Developments</b>					
KL Sentral: Lot F	5.70	2,993	100%	2018	2025
PJ Sentral Garden City	11.91	2,700	100%	2013	2026
Penang Sentral	22.65	2,865	100%	2015	2027
Cyberjaya City Centre	45.31	5,350	70%	2017	2024
Kwasa Sentral	64.30	10,555	70%	2018	2030
<b>Total</b>	<b>149.87</b>	<b>24,463</b>			
<b>Commercial Developments</b>					
Pulai Land Johor	67.52	770	100%	TBD	TBD
<b>Residential Developments</b>					
9 Seputeh	17.63	2,680	100%	2014	2024
Sentral Suites	4.75	1,534	100%	2016	2020
1060 Carnegie, Melbourne	1.00	305	100%	2018	2020
Bukit Rahman Putra	14.18	547	100%	2016	2021
Bandar Sri Iskandar (Phase 2C, 2D & 3)	11.53	766	70%	2014	2025
<b>Total</b>	<b>116.61</b>	<b>6,602</b>			
<b>Others</b>					
Suria Subang	3.20	NA	100%	NA	NA
Selbourne 2 Shah Alam	2.37	NA	100%	NA	NA
Metro Spectacular Land, Jalan Putra	10.06	NA	51%	NA	NA
<b>Total</b>	<b>15.63</b>	<b>-</b>			
<b>Grand Total</b>	<b>282.11</b>	<b>31,065</b>			

# 8. Segmental Reporting: Engineering, Construction & Environment

RM' Million	1QFY19	1QFY18	Y-o-Y Growth %	3M 2019	3M 2018	Y-o-Y Growth %
Revenue	133	191	(30.5)%	133	191	(30.5)%
<b>Segmental Profit</b>	<b>17</b>	<b>16</b>	<b>4.4%</b>	<b>17</b>	<b>16</b>	<b>4.4%</b>
Margin (%)	12.6%	8.4%		12.6%	8.4%	

## Segmental Profit and Margin



## Performance Discussion

**Contributed 57% of Group revenue**

**Revenue contributors:** MRT2, DASH, TNB HQ Campus, Larkin Stadium other smaller scale civil engineering projects in Klang Valley

**Newly won contract : SUKE, RM323 mil.**

**LRT 3 PDP JV :** RM0.5 mil. profit earned and booked under Share of Joint Ventures vs. RM9.0 mil. in 1QFY2018

**External construction order book : RM22.6 bil.**

**Unbilled construction order book : RM21.4 bil.**

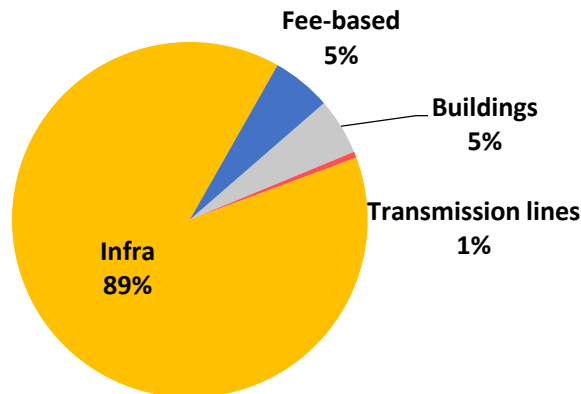


# 8. Segmental Reporting: Engineering, Construction & Environment

**Unbilled External Order Book – RM21,374 mil.**

External Contracts (RM'mil)	Contract Value	Completion
<b>Buildings:</b>		
Desaru Convention Centre	61	92%
Desa Desaru	223	96%
Westin Desaru Resort	206	97%
PR1MA Kajang	173	74%
PR1MA Brickfields	335	0%
Indoor Stadium - Larkin	60	50%
TNB HQ Campus (Phase 1)	54	68%
Giant Hypermarket Setapak	52	95%
<b>Transmission lines:</b>		
Jabi Serting Hilir	126	96%
<b>Infra:</b>		
MRT2 – V210 Package (2.6km Guideway)	614	42%
NPE Bridge Phase 2	16	31%
Kwasa Utama C8 (provisional TCC)	2,958	10%
DASH - CB2 Package	400	18%
LRT3	*5,686	10%
Bukit Jalil Sentral (provisional contract costs)	10,116	0%
SUKE - CA2 Package	323	0%
<b>Fee-based orders:</b>		
Kwasa Utama, C8 - management contract	177	
Kwasa Land - PDP Infra	176	10%
Bukit Jalil Sentral - management contract	841	
Semarak City Phase 1 - management contract	27	
<b>Total</b>	<b>22,624</b>	

## External Order Book Analysis



## Top Projects

No	Project Name	Order Book Value	% of Total Order Book
1.	Bukit Jalil Sentral	10,957	48.4%
2.	LRT3	5,686	25.1%
3.	Kwasa Utama C8	3,135	13.9%
4.	MRT2 – V210 Package	614	2.7%
5.	DASH – CB2 Package	400	1.8%
6.	SUKE – CA2 Package	323	1.4%



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