

ANALYST BRIEFING

Quarter ended 31 December 2018

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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



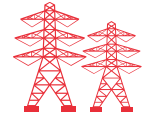
Infrastructure



**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 4Q FY2018 Overview

Revenue

RM **1,871** mil.

▼ 29% y-o-y

PBT

RM **123** mil.

▼ 54% y-o-y

PAT

RM **103** mil.

▼ 42% y-o-y

Net Gearing
0.19 x

Total Assets

RM **8,350** mil.

Total Equity

RM **4,900** mil.

EPS

2.30 sen

▼ 64% y-o-y

Market Cap

RM **2,703** mil.

MRCB Segment Overview

	Property Development	Engineering & Construction	Others
Revenue RM mil.	1,043	759	69
Revenue Contribution	56%	41%	3%
Operating Profit RM mil. <i>Margin %</i>	98 9.4%	56 7.4%	1 1.6%

Key Numbers

RM470 mil.

Property Sales
in YTD'18

RM1.6 bil.

Property
Unbilled Sales

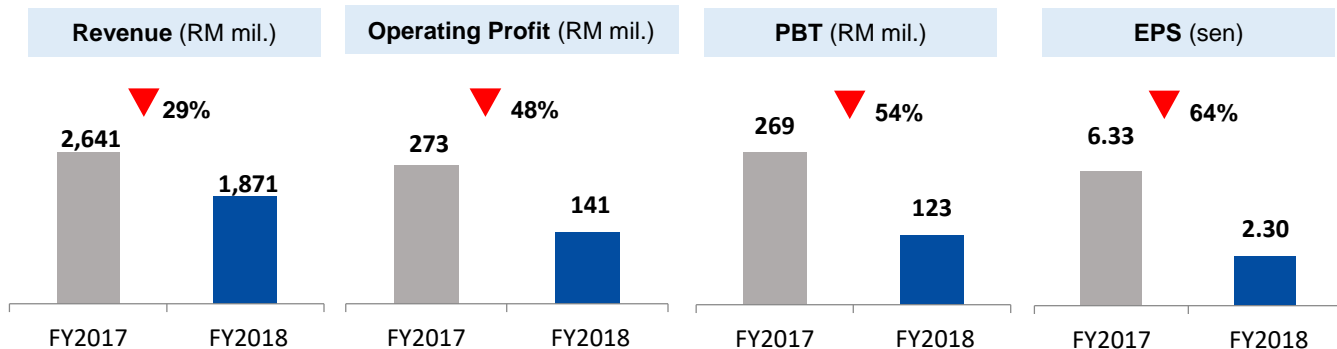
RM22.9 bil.

External
Construction
Order Book

RM21.8 bil.

Construction
Unbilled Order
Book

4. YTD 2018 Highlights



Key Highlights

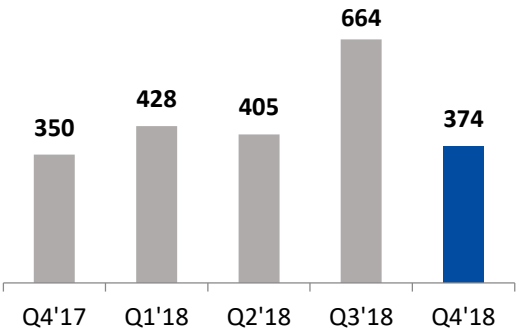
- Higher revenue recognised in FY2017 mainly due to RM1.1 bil. construction revenue derived from KL Sports City project (which represented 41% of MRCB's total revenue in 2017)
- Higher operating profit in FY2017 mainly due to the construction completion of Easton Burwood, Melbourne, where revenue was booked in its entirety on all the completed units handed over to customers
- FY2018 PBT was impacted by the absence of one-off disposal gains recognised in 2017 and the LRT3 project being re-modelled to a fixed price contract, resulting in the re-timing of income recognition to future quarters
- LRT3 contributed much lower than budgeted PAT of RM14.6 mil. in FY2018 vs RM15.2 mil. in FY2017 (booked under Share of Results of JV)
- MQREIT and MRCB Quill Management contributed PAT of RM16.0 mil.
- Net gearing at 0.19 times vs. 0.53 times as at Dec 2017.

5. Financial Performance – Profit & Loss

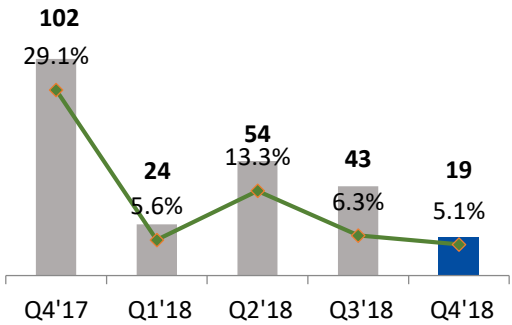
RM' Million	Q4 FY18	Q4 FY17	Y-o-Y Growth %	12M 2018	12M 2017	Y-o-Y Growth %
Revenue	374	350	7.0%	1,871	2,641	(29.2)%
Other Operating Income	15	88	(83.5)%	50	126	(60.7)%
Total Revenue	389	438	(11.3)%	1,920	2,767	(30.6)%
Operating Expenses	(370)	(336)	9.9%	(1,779)	(2,495)	(28.7)%
Operating Profit	19	102	(81.2)%	141	273	(48.1)%
<i>Operating Profit Margin (%)</i>	<i>5.1%</i>	<i>29.1%</i>		<i>7.6%</i>	<i>10.3%</i>	
Finance Costs	(7)	20	(136.7)%	(44)	(28)	54.9%
Share of Results of Associates	4	3	15.0%	18	9	96.4%
Share of Results of Joint Ventures	(8)	8	(203.4)%	7	16	(53.7)%
Profit Before Taxation	8	132	(94.2)%	123	269	(54.3)%
Taxation	(7)	(27)	(72.4)%	(46)	(69)	(33.0)%
Profit from discontinued operation	26	(8)	436.5%	26	(24)	205.8%
Profit for the Period	26	98	(73.1)%	103	176	(41.7)%
<i>PAT Margins (%)</i>	<i>7.0%</i>	<i>28.0%</i>		<i>5.5%</i>	<i>6.7%</i>	
EPS	0.60	4.50	(86.7)%	2.30	6.33	(63.7)%

5. Financial Performance – Quarterly Analysis

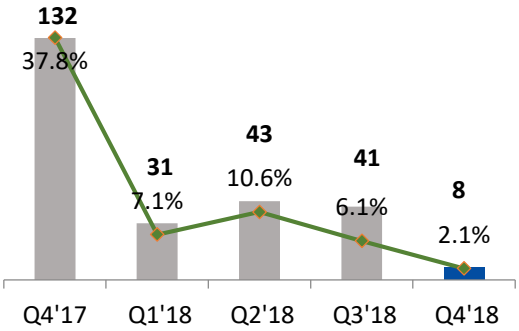
Revenue



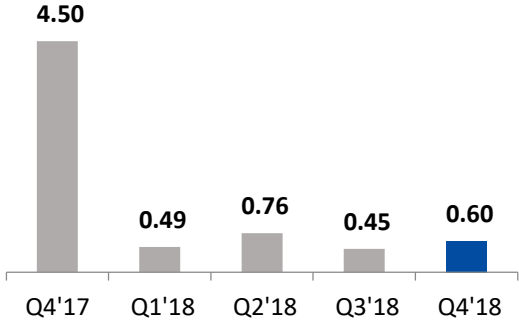
Operating Profit and Margin



PBT and Margin



EPS (sen)

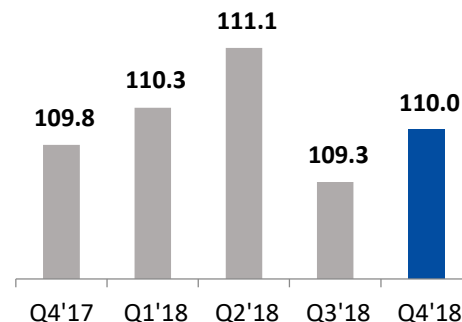


- 2017 - All figures are restated.
- Figures are in RM mil. and margins in %

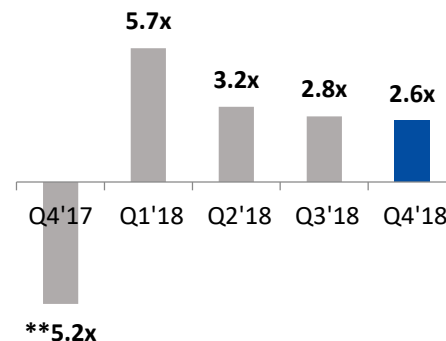
5. Financial Performance – Balance Sheet

RM' Million	Q4 FY18	Q3 FY18
Total Assets		
Current Assets	3,478	4,608
Non-Current Assets	4,872	5,861
Total Assets	8,350	10,469
Total Liabilities		
Current Liabilities	2,109	4,143
Non-Current Liabilities	1,341	1,439
Total Liabilities	3,850	5,582
Total Equity		
Shareholder's Equity	4,832	4,804
Non Controlling Interests	68	83
Total Equity	4,900	4,887
Net assets per share attributable to the equity holders of the Company (sen)	110.0	109.3

NAV Per Share (sen)



Interest Coverage*



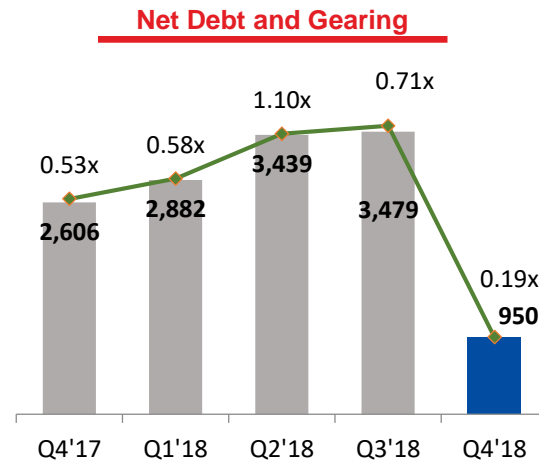
• 2017 - All figures are restated

*Based on Profit from operations

**Due to the financial impact arising from interest capitalisation adjustment in Q4 2017

5. Financial Performance – Borrowings

Leverage Profile (RM mil.)	Q4 2018	Q3 2018
Debt		
Short Term Borrowings	729	2,850
Long Term Borrowings	770	909
HP creditors	2	2
Total Debt	1,501	3,761
Less: Cash and Cash Equivalents	551	282
Net Debt	950	3,479
Total equity	4,900	4,887
Net Gearing	0.19x	0.71x



Key Highlights

Net gearing fell from 0.71 times in Q3 2018 to 0.19 times in Q4 2018 due to:

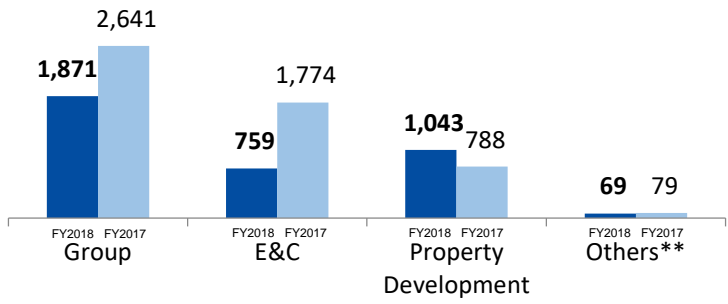
- Full settlement of EDL's Senior Sukuk (RM835.4 mil.), Junior Sukuk (RM238.4 mil.) and Shareholder's Advances (RM227.1 mil.)
- Settlement of Bukit Jalil loans following EPF's 80% subscription in Bukit Jalil Sentral Properties Sdn Bhd

5. Financial Performance – Reduction in Borrowings

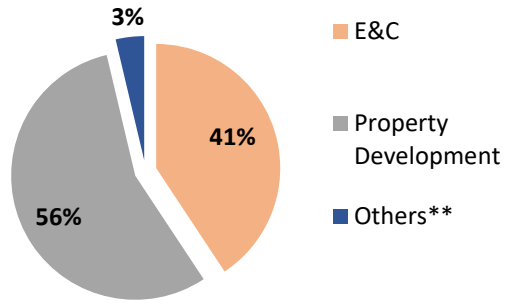
RM million	FY2018	← Post →	
		Disposal of Ascott	Disposal of Celcom
Total Borrowings	1,501	1,501	1,501
Cash & Bank Balances	(551)	(681)	(745)
Net Borrowings/(Cash)	950	820	756
Total Equity	4,900	4,900	4,900
Net Gearing (times)	0.19	0.17	0.15

6. Segmental Reporting: Overview

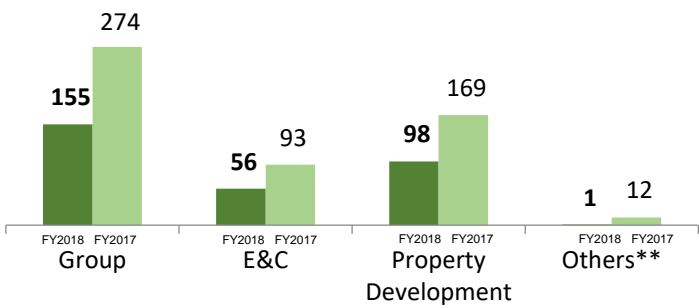
Revenue Trend – RM1,871 mil.



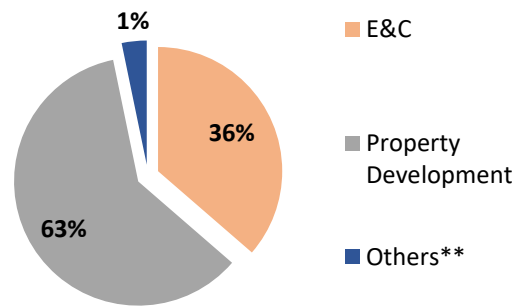
Revenue Contribution Analysis



Segmental Profit Trend – RM155 mil.



Profit Contribution Analysis

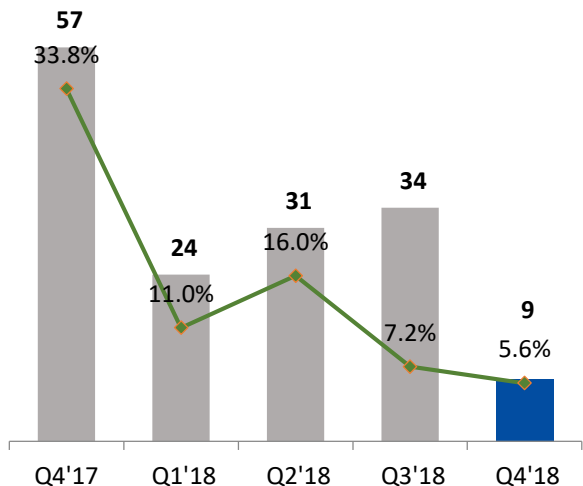


* All figures are in RM mil. and margins in %
 ** Others include Facilities Management & Parking and Others

7. Segmental Reporting: Property Development & Investment

RM' Million	Q4 FY18	Q4 FY17	Y-o-Y Growth %	12M 2018	12M 2017	Y-o-Y Growth %
Revenue	160	168	(4.7)%	1,043	788	32.4%
Segmental Profit	9	57	(84.1)%	98	169	(42.0)%
<i>Margin (%)</i>	5.6%	33.8%		9.4%	21.4%	

Segmental Profit and Margin



* All figures are in RM mil. and margins in %

Performance Discussion

Contributed 56% of Group revenue

Revenue contributors: Ongoing projects which include 9 Seputeh, PJ Sentral, Sentral Suites, Kalista Homes, and sale of completed units from Sentral Residences, Q Sentral and Easton Burwood.

This segment completed and handed over Menara Putra to SOCSO on 16 October 2018.

MQREIT and MRCB Quill Management contributed PAT of RM16.0 mil.

Revenue increase due to :

- Completion of the sale of the Jalan Kia Peng land to SOCSO for a cash consideration of RM323 mil, which contributed a PBT of RM37.6 mil.

Profit decline due to:

- Completion and handing over of Easton Burwood to its customers, which resulted in revenue being 100% recognised in 2017
- New projects still at early phase of construction therefore lower revenue and profit booked

FY2018 Sales: RM470 mil, unbilled sales: RM1.6 bil.

7. Segmental Reporting: Property Development Projects

Total sales of RM470 mil. in 2018

Property Sales YTD 2018 – RM470 mil.

Project / Sales (RM' mil.)	Total Project GDV	% Sales Achieved To Date	Sales Recorded in 2018
Residential			
1060 Carnegie	307	79%	16
Bukit Rahman Putra, Kalista	101	63%	14
Sentral Suites	1,529	71%	236
9 Seputeh,			
VIVO Parcel C	952	78%	13
TRIA Phase 1, Parcel B	604	40%	119
TRIA Phase 2, Parcel B	268	2%	4
Sentral Residences	1,439	91%	45
Bandar Seri Iskandar			
Begonia 2	20	100%	3
Viscaria	17	95%	9
The Easton, Burwood	197	89%	11
Total	5,434		470

Unbilled Sales – RM1,563 mil.

Project / Sales (RM' mil.)	Project Completion	Revenue Recognised in 2018	Unbilled Sales
Residential			
349, Sentral Suites	20%	111	868
1060 Carnegie	36%	0	251
Bukit Rahman Putra, Kalista	94%	40	3
9 Seputeh / TRIA, Parcel B	11%	12	199
9 Seputeh / VIVO, Parcel C	98%	207	41
Caspia 3	90%	11	3
Commercial			
PJ Sentral/ MYIPO	35%	9	157
PJ Sentral/ MBSB	83%	84	41
Total		474	1,563

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

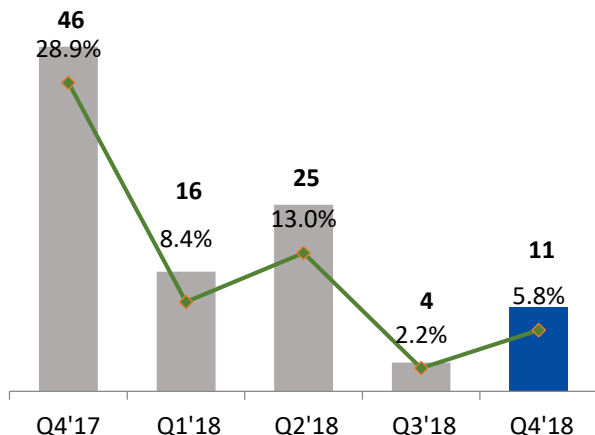
7. Segmental Reporting: Property Development Projects

	Land Size (Acres)	GDV RM' mil.	% Stake	Start Date	Completion Date
Transport Oriented Developments					
KL Sentral: Lot F	5.70	2,993	100%	2018	2025
PJ Sentral Garden City	11.91	2,619	100%	2013	2022
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
Total	149.87	24,382			
Commercial Developments					
Pulai Land Johor	67.52	770	100%	TBD	TBD
Residential Developments					
9 Seputeh	17.63	2,680	100%	2014	2024
Sentral Suites	4.92	1,529	100%	2016	2020
Carnegie, Melbourne	1.00	305	100%	2018	2020
Bukit Rahman Putra (incl. Kalista)	14.18	547	100%	2016	2021
Bandar Sri Iskandar (Phase 2C, 2D & 3)	11.53	766	70%	2014	2025
Total	116.78	6,597			
Others					
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
Total	15.63	-			
Grand Total	282.28	30,979			

8. Segmental Reporting: Engineering, Construction & Environment

RM' Million	Q4 FY18	Q4 FY17	Y-o-Y Growth %	12M 2018	12M 2017	Y-o-Y Growth %
Revenue	197	159	23.7%	759	1,774	(57.2)%
Segmental Profit	11	46	(75.3)%	56	93	(39.3)%
Margin (%)	5.8%	28.9%		7.4%	5.2%	

Segmental Profit and Margin



Performance Discussion

Contributed 41% of Group revenue

Revenue contributors: MRT2, environmental project at Sungai Pahang, on going construction of several commercial buildings in Johor, related construction projects in Peninsular Malaysia and other smaller scale civil engineering projects in Klang Valley

Projects completed in FY2018 : Aman Desaru, Johor Land Tower, Giant Kajang, NPE Link Bridge Phase 1 and Sungai Pahang Rehabilitation Phase 3 project.

LRT 3 PDP JV : RM14.6 mil. profit earned and booked under Share of Joint Ventures vs. RM15.2 mil. FY2017

Lower revenue and profit in FY2018 due to:

Large construction revenue contribution from the National Sports Complex project last year.

External construction order book : RM22.9 bil.

Incl. new project, SUKE (contract value of RM323 mil.)

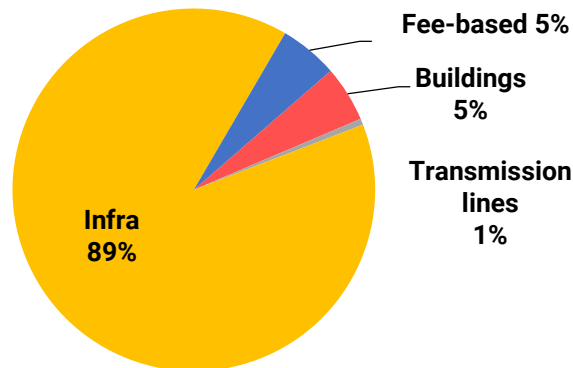
Unbilled construction order book : RM21.8 bil.

8. Segmental Reporting: Engineering, Construction & Environment

Unbilled External Order Book – RM21,796 mil.

External Contracts RM'mil	Contract Value	Completion
Buildings:		
Desaru Convention Centre	61	90%
Desa Desaru	223	90%
Westin Desaru Resort	208	95%
PR1MA Kajang	173	65%
PR1MA Brickfields	335	0%
Indoor Stadium - Larkin	60	40%
TNB HQ Campus (Phase 1)	65	40%
Giant Hypermarket Setapak	52	93%
Transmission lines:		
Jabi Serting Hilir	126	95%
Infra:		
MRT2 V210 Package - 2.6km Guideway	614	35%
NPE Bridge Phase 2	16	15%
Kwasa Utama C8 (provisional TCC)	2,958	1%
DASH - Package CB2	400	12%
LRT3*	5,928	10%
Bukit Jalil Sentral (provisional contract costs)	10,116	0%
SUKE - CA2 Package	323	0%
Fee-based orders:		
Kwasa Utama, C8 - management contract	187	
Kwasa Land - PDP Infra	176	
Bukit Jalil Sentral - management contract	892	
Total	22,913	

External Order Book Analysis



Top Five Projects

No	Project Name	Order Book Value	% of Total Order Book
1.	Bukit Jalil Sentral	11,008	48.0%
2.	LRT3	5,928	25.9%
3.	Kwasa Utama C8	2,958	12.9%
4.	MRT2 V210 Package	614	2.7%
5.	DASH – Package CB2	400	1.7%



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