



AmInvestment Bank

Company report

# MRCB

(MRC MK EQUITY, MYRS.KL)

PROPERTY

16 June 2017

## Buying new land in KL

# BUY

(Maintained)

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03-2036 2025

Rationale for report: Company update

Price	RM1.44
Fair Value	RM1.89
52-week High/Low	RM1.80/RM1.03

### Key Changes

Fair value	↔
EPS	↔

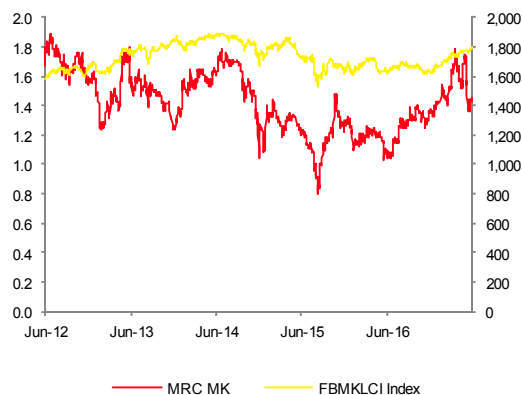
YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	2,408.1	1,933.5	2,275.6	2,734.6
Core net profit (RM mil)	267.4	115.2	150.1	198.9
FD Core EPS (sen)	6.1	6.5	8.0	10.1
FD Core EPS growth (%)	254.0	6.7	22.5	25.7
Consensus Net Profit (RM mil)	-	126.1	148.7	181.2
DPS (sen)	2.0	2.0	2.0	2.0
PE (x)	23.5	22.0	18.0	14.3
EV/EBITDA (x)	8.5	16.6	13.9	10.9
Div yield (%)	1.2	1.2	1.2	1.2
ROE (%)	10.3	4.3	6.1	7.7
Net Gearing (%)	69.5	131.0	126.7	117.3

### Stock and Financial Data

Shares Outstanding (million)	1,760.1
Market Cap (RMmil)	2,534.5
Book Value (RM/share)	1.64
P/BV (x)	0.9
ROE (%)	10.3
Net Gearing (%)	69.5

Major Shareholders	Employees Provident Fund Board (36.5%) Gapurna Sdn Bhd (15.5%) Lembaga Tabung Haji (9.3%)
Free Float	38.8
Avg Daily Value (RMmil)	18.0

Price performance	3mth	6mth	12mth
Absolute (%)	(5.3)	6.7	34.6
Relative (%)	(9.1)	(2.5)	22.4



### Investment Highlights

- We maintain our BUY call on MRCB with an unchanged fair value of RM1.89, based on a 10% discount to its RNAV. We make no changes to our earnings forecasts, as we expect the contribution from the potential development on the land to be acquired to only be realised in the next few years.
- MRCB's 51%-owned subsidiary Metro Spectacular Sdn Bhd has entered into a sale and purchase agreement with the mayor of Kuala Lumpur for the acquisition of three parcels of land measuring approximately 40,720.5 sqm in total, all situated in Kuala Lumpur, for a total cash consideration of RM335.5mil. The acquisition will be financed via a combination of internally generated funds and/or external borrowings.
- The land is located within the locality of Jalan Putra, Kuala Lumpur, approximately 4km to the north of Kuala Lumpur city centre. It is bound by main access roads, such as Jalan Putra, Jalan Tun Ismail, Jalan Tun Razak, and Jalan Kuching, with access from multiple directions.
- We are positive on the proposed acquisition. It would increase MRCB's landbank, allowing it to sustain its property development business moving forward. We are encouraged by the strategic location of the land which lies within a short distance from the city centre, with connectivity to public transport infrastructure. We believe the land has a high prospect of being developed into successful development, given the scarcity of prime land in Kuala Lumpur for sizeable commercial development.
- The acquisition is expected to be completed by 4Q17. We are not concerned by the potential increase in gearing due to the loan amount of the group as we believe the gearing level of MRCB is currently at a very manageable level, which should be further improved by its upcoming rights issue.

EXHIBIT 1: PB BAND CHART

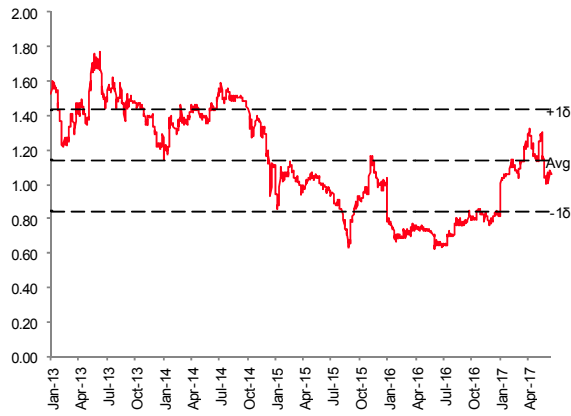
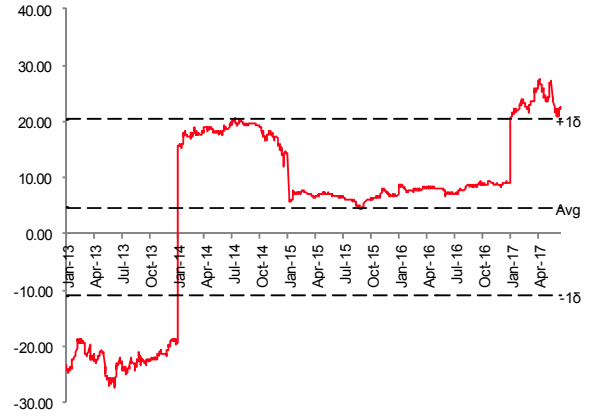


EXHIBIT 2: PE BAND CHART



## EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	1,696.7	2,408.1	1,933.5	2,275.6	2,734.6
EBITDA	242.3	535.9	341.6	411.9	520.7
Depreciation/Amortisation	(64.2)	-	(36.3)	(67.2)	(125.5)
Operating income (EBIT)	178.2	535.9	305.4	344.7	395.2
Other income & associates	7.9	32.7	68.1	51.1	83.6
Net interest	(145.5)	(175.9)	(156.7)	(165.8)	(162.3)
Exceptional items	329.6	-	-	-	-
<b>Pretax profit</b>	<b>370.1</b>	<b>392.6</b>	<b>216.7</b>	<b>229.9</b>	<b>316.4</b>
Taxation	(6.1)	(73.5)	(63.6)	(62.5)	(85.8)
Minorities/pref dividends	(33.6)	(51.7)	(38.0)	(17.4)	(31.7)
<b>Net profit</b>	<b>330.4</b>	<b>267.4</b>	<b>115.2</b>	<b>150.1</b>	<b>198.9</b>
Core net profit	0.8	267.4	115.2	150.1	198.9
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	337.5	437.8	321.0	297.1	272.5
Intangible assets	317.1	252.9	303.2	296.3	289.3
Other long-term assets	3,741.0	3,895.9	3,854.9	3,839.5	3,799.2
<b>Total non-current assets</b>	<b>4,395.5</b>	<b>4,586.6</b>	<b>4,479.0</b>	<b>4,432.9</b>	<b>4,361.0</b>
Cash & equivalent	339.2	722.2	199.3	178.6	239.3
Stock	63.1	57.5	57.6	67.4	80.1
Trade debtors	1,113.8	1,580.6	1,430.2	1,683.3	2,022.9
Other current assets	1,178.1	805.4	1,457.1	1,633.1	1,810.4
<b>Total current assets</b>	<b>2,694.3</b>	<b>3,165.6</b>	<b>3,144.3</b>	<b>3,562.4</b>	<b>4,152.7</b>
Trade creditors	1,199.3	1,586.4	1,420.0	1,640.1	1,948.3
Short-term borrowings	1,049.5	806.3	683.4	698.4	713.5
Other current liabilities	47.1	42.6	25.3	25.3	25.3
<b>Total current liabilities</b>	<b>2,295.9</b>	<b>2,435.2</b>	<b>2,128.7</b>	<b>2,363.8</b>	<b>2,687.0</b>
Long-term borrowings	2,345.9	2,130.8	2,847.0	2,852.2	2,852.4
Other long-term liabilities	135.2	161.2	135.2	135.2	135.2
<b>Total long-term liabilities</b>	<b>2,481.2</b>	<b>2,292.0</b>	<b>2,982.2</b>	<b>2,987.4</b>	<b>2,987.6</b>
<b>Shareholders' funds</b>	<b>2,260.1</b>	<b>2,925.8</b>	<b>2,404.1</b>	<b>2,518.4</b>	<b>2,681.6</b>
Minority interests	52.6	99.2	108.3	125.6	157.3
BV/share (RM)	1.27	1.64	1.35	1.41	1.50
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	370.1	392.6	216.7	229.9	316.4
Depreciation/Amortisation	64.2	-	36.3	67.2	125.5
Net change in working capital	606.2	-	(211.8)	(218.9)	(221.4)
Others	(900.1)	(533.9)	(131.7)	(113.5)	(169.4)
<b>Cash flow from operations</b>	<b>140.4</b>	<b>(141.3)</b>	<b>(90.5)</b>	<b>(35.3)</b>	<b>51.2</b>
Capital expenditure	(1,135.6)	-	10.0	30.0	30.0
Net investments & sale of fixed assets	696.6	626.5	-	-	-
Others	29.8	16.4	-	-	-
<b>Cash flow from investing</b>	<b>(409.3)</b>	<b>642.9</b>	<b>10.0</b>	<b>30.0</b>	<b>30.0</b>
Debt raised/(repaid)	(295.9)	(461.2)	100.3	20.3	15.3
Equity raised/(repaid)	0.8	401.9	-	-	-
Dividends paid	(82.4)	(76.6)	(35.7)	(35.7)	(35.7)
Others	677.5	(112.2)	-	-	-
<b>Cash flow from financing</b>	<b>299.9</b>	<b>(248.1)</b>	<b>64.5</b>	<b>(15.5)</b>	<b>(20.5)</b>
<b>Net cash flow</b>	<b>31.0</b>	<b>253.5</b>	<b>(15.9)</b>	<b>(20.8)</b>	<b>60.7</b>
<b>Net cash/(debt) b/f</b>	<b>308.2</b>	<b>339.2</b>	<b>215.3</b>	<b>199.3</b>	<b>178.6</b>
<b>Net cash/(debt) c/f</b>	<b>339.2</b>	<b>592.8</b>	<b>199.3</b>	<b>178.6</b>	<b>239.3</b>
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	12.0	41.9	(19.7)	17.7	20.2
EBITDA growth (%)	(17.6)	121.1	(36.3)	20.6	26.4
Pretax margin (%)	21.8	16.3	11.2	10.1	11.6
Net profit margin (%)	19.5	11.1	6.0	6.6	7.3
Interest cover (x)	1.2	3.0	1.9	2.1	2.4
Effective tax rate (%)	1.6	18.7	29.3	27.2	27.1
Dividend payout (%)	13.5	13.4	31.0	23.8	18.0
Debtors turnover (days)	240	240	270	270	270
Stock turnover (days)	20	17	15	15	15
Creditors turnover (days)	371	466	370	365	365

Source: Company, AmlInvestment Bank Bhd estimates

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