

27 Mar 2018

Buy

Price
RM0.99

Target Price
RM1.26

Bloomberg code
MRC MK

Equity | Malaysia | Property
Flashnote

Analyst

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MRCB

Lands another MC role with KL Sports City

Financial Highlights

FYE Dec	2016	2017	2018F	2019F	2020F
Revenue (RMm)	2,408.1	2,823.7	2,566.4	2,692.4	2,756.9
Core net profit (RMm)	75.0	101.3	150.3	181.8	232.3
Core EPS (Sen)	4.2	2.9	3.8	4.1	5.1
EPS growth (%)	>100	(30.4)	30.4	7.3	25.0
DPS (Sen)	2.8	1.8	1.5	1.8	2.5
Core PE (x)	24.9	39.7	25.8	24.1	19.3
Div yield (%)	2.6	1.5	1.5	1.8	2.5
ROE (%)	10.3	4.3	3.1	3.7	4.6
Net Gearing (%)	75.7	55.1	30.6	30.6	28.9
PBV(x)	0.7	0.9	0.9	0.9	0.8

Source: Company, KAF

- We maintain our Buy call on MRCB with an unchanged TP of RM1.26 (15% discount to NAV). MRCB announced that its wholly-owned subsidiary, MRCB Land has been appointed by Bukit Jalil Sentral Property (BJSP) as the management contractor for the KL Sports City development.
- Recall that MRCB, via wholly-owned unit Rukun Juang (RJSB), will co-invest in the KL Sports City project together with EPF. MRCB will hold a 20% stake in the JV, with EPF having the balance 80%.
- KL Sports City is to be developed over a period of approximately 20 years, and is designed as a commercial hub. The indicative plot ratio is 6.5x.
- The development components include office towers, hotels, retail shops and mall, small office/virtual office (SOVO), small office/home office (SOHO), service apartments and residential towers.
- Based on the management contract, KL Sports City will be built on an estimated gross development cost (GDC) of RM14.8b.
- The corresponding total provisional contract sum that is payable to MRCB Land is approximately RM11b. This comprises of:
 - Contract cost (RM10.1b); and
 - Management contract fees (RM891m)
- We are positive with this development, as KL Sports City represents the second MC-related role that MRCB has secured following a similar contract with Kwasa Sentral that the group clinched just last week.
- The MC-related fees that MRCB is set to receive will also boost the group's growing base of recurring income from management-related jobs.
- All said, we do not envisage any significant contributions from the KL Sports City MC in the near-term, as the development period is spread out over 20 years.
- Hence, we maintain our earnings estimates pending further updates, particularly on its actual kick-off date.

Exhibit 1: MRCB's footprint at Kwasa Damansara



Source: Company, KAF

Disclosure Appendix

Recommendation structure

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Market or sector view: This view is the responsibility of the strategy team and a relative call on the performance of the market/sector relative to the region. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

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KAF-Seagroatt & Campbell Securities Sdn Bhd (134631-U)

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