

28 Feb 2022

Hold

Price
 RM0.36

Target Price
 RM0.40

Market Data

Bloomberg Code	MRC MK
No. of shares (m)	4,467.5
Market cap (RMm)	1,586.0
52-week high/low (RM)	0.53 / 0.33
Avg daily turnover (RMm)	0.8
KLCI (pts)	1,608.3

Source: Bloomberg, KAF

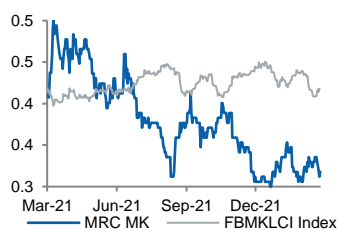
Major Shareholder (%)

EPF	(36.2%)
Gapurna	(15.5%)
Lembaga Tabung Haji	(5.8%)
Free Float	42.5

Source: Bloomberg, KAF

Performance

	3M	6M	12M
Absolute (%)	-	(11.4)	(15.7)
Rel Market (%)	(4.9)	(10.9)	(16.4)



Source: Bloomberg, KAF

Analyst

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MRCB

Gains from land injection

We maintain our Hold call on MRCB with a lower TP of RM0.40 post its FY21 results. Earnings were buttressed by a RM124m gain from the injection of landbank into SIDEC. Without it, the group closed the year with wider core losses of RM108m (FY21: -RM2m). It has set a higher new property sales target of RM500m for this year. While bid documents for MRT 3 may be out soon, overall domestic job flows remain tepid.

Financial Highlights

FYE Dec	2020	2021	2022F	2023F	2024F
Revenue (RMm)	1,199.5	1,448.5	1,443.2	1,689.3	1,897.8
Core net profit (RMm)	(2.1)	(107.9)	22.3	45.3	87.0
Core EPS (Sen)	0.3	(1.9)	0.8	1.3	2.1
EPS growth (%)	(69.9)	n/m	n/m	59.1	67.2
DPS (Sen)	1.0	1.0	1.0	1.0	1.0
Core PE (x)	166.0	n/m	44.8	28.1	16.8
Div yield (%)	2.0	2.5	2.8	2.8	2.8
ROE (%)	(3.8)	0.3	0.5	1.0	1.9
Net Gearing (%)	30.6	30.0	26.3	28.5	31.8
PBV(x)	0.5	0.4	0.4	0.4	0.3

Source: Company, KAF

FY21: losses again

Excluding gains from the injection of 661 acres of land into SIDEC (RM124m), MRCB posted core net losses of RM48m in 4Q21 (3Q21: -RM32m), bringing FY21 cumulative losses to RM108m. Despite disruptions to the project sites (due to the reinstatement of MCO from June to August 2021, top line expanded 21% following a strong surge in construction billings (from RM50m in 3Q21 to RM697m in 4Q21). The latter was largely down to the full consolidation of LRT 3, which delivered RM14m in profits in 4Q21. This was on top of RM19m in share of JV profits during the first three quarters of FY21.

Higher new property sales target of RM500m

MRCB chalked up higher new property sales of RM310m for FY21 (FY20: RM187m). Notably, there was a strong pickup in 4Q21, although part of it could have been driven by the year-end rush to purchase properties before expiration of the homeownership campaign.

Looking ahead, MRCB is gunning for higher new property sales of RM500m in the current FY as the country's borders gradually reopen. It is aiming to launch three projects: Bandar Seri Iskandar (GDV - RM29m; 90 units of landed homes); Kwasa Sentral Plot F (GDV: RM328m; 4Q22) and PJ Sentral Tower 5 (GDV: RM486m).

In FY23F, it plans to line up another RM1.2b worth of new launches: Phase 1A of Bukit Jalil Sentral (GDV: RM368m; 700 units – 2Q23); PJ Sentral Tower 1 (GDV: RM626m); and Lot J, KL Sentral.

Keeping an eye on MRT 3 as LRT 3 moves ahead

Management updated that the recent spikes in raw material prices are unlikely to have a material impact on the LRT 3 project — as the civil works have been substantially completed. Being a major government-funded infrastructure project, it has some leeway to claim for variation of pricing (VOP).

Likewise, MRCB has already recorded its interest to participate in MRT 3. The group is keeping its options open, leveraging on its existing expertise and working relationships with its LRT 3 partners to bolster its chances. Another key advantage is the proposed adoption of U-beams (it has its own casting yard) that are currently been deployed in LRT 3 works for the upcoming MRT 3 line. In any case, the group expects the bid documents to open up soon, although much will depend on the availability of government funding.

Exhibit 1: Financial results

YE 31 Dec (RM m)	FY20	FY21	% YoY	3Q21	4Q21	% QoQ
Turnover	1,199.5	1,448.5	20.8	137.9	858.1	<i>n/m</i>
EBIT	58.1	(15.1)	<i>n/m</i>	(19.9)	25.4	<i>n/m</i>
Interest Expense	(69.3)	(88.7)		(22.8)	(27.5)	
Interest Income	13.3	10.0		3.4	(0.1)	
Pre-Exceptionals Profit	2.1	(93.7)		(39.3)	(2.2)	
Exceptionals	(175.3)	123.7		0.0	123.7	
Pre-Associates/JV Profit	(173.2)	30.0		(39.3)	121.5	
Associates/JVs	19.5	31.3		9.2	2.4	
Pretax Profit	(153.7)	61.3	<i>n/m</i>	(30.1)	123.9	<i>n/m</i>
Taxation	(22.9)	(54.6)		(1.9)	(49.5)	
Minority Interest/disc.ops	(0.8)	9.1		(0.2)	0.8	
Net Profit	(177.4)	15.8	<i>n/m</i>	(32.2)	75.2	<i>n/m</i>
Core Net Profit	(2.1)	(107.9)	<i>n/m</i>	(32.2)	(48.5)	<i>n/m</i>
Core EPS (sen)	(0.0)	(2.4)		(0.7)	(1.1)	
Gross DPS (sen)	1.0	1.0		0.0	1.0	
BV/share (RM)	1.04	1.01		1.00	1.01	
EBIT Margin (%)	4.8	(1.0)		(14.5)	3.0	
Pretax Margin (%)	(12.8)	4.2		(21.8)	14.4	
Effective Tax (%)	<i>n/m</i>	<i>n/m</i>		<i>n/m</i>	<i>n/m</i>	
Segmental Breakdown (RM m)						
Turnover						
Construction	514.9	903.0	75.4	50.0	696.5	<i>n/m</i>
Property development & investment	635.1	498.6	(21.5)	71.0	152.7	115.0
Infrastructure & concession	0.0	0.0	<i>n/m</i>	0.0	0.0	<i>n/m</i>
Facilities management & parking	43.8	34.6	(20.9)	8.2	8.5	3.2
Investment holding & Others	5.7	12.2	<i>n/m</i>	8.6	0.3	<i>n/m</i>
Total	1,199.5	1,448.5	20.8	137.9	858.1	522.4
EBIT						
Construction	(174.3)	(40.7)	<i>n/m</i>	(18.7)	10.9	<i>n/m</i>
Property development & investment	63.0	153.4	143.3	1.2	135.8	<i>n/m</i>
Infrastructure & concession	0.0	0.0	<i>n/m</i>	0.0	0.0	<i>n/m</i>
Facilities management & parking	6.9	(1.3)	<i>n/m</i>	1.0	(2.9)	<i>n/m</i>
Investment holding & Others	(11.8)	(167.1)	<i>n/m</i>	(22.1)	(107.5)	<i>n/m</i>
Total	58.1	(15.1)	<i>n/m</i>	(19.9)	25.4	<i>n/m</i>
EBIT margin (%)						
Construction	(33.9)	(4.5)		(37.3)	1.6	
Property development & investment	9.9	30.8		1.6	88.9	
Infrastructure & concession	<i>n/m</i>	<i>n/m</i>		<i>n/m</i>	<i>n/m</i>	
Facilities management & parking	15.7	(3.9)		11.8	(33.7)	
Investment holding & Others	<i>n/m</i>	<i>n/m</i>		<i>n/m</i>	<i>n/m</i>	
Total	4.8	(1.0)		(14.5)	3.0	

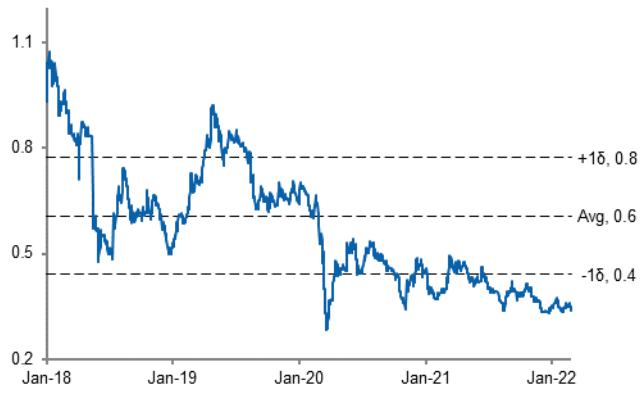
Source: Company, KAF

Exhibit 2: NAV calculations

Divisions/Operations	Size		Value (RM)		Method	% of NAV	Effective stake (%)
	(acres)	psf	m	/share			
Landbank							
Suria Subang	3.3	300	43.6	0.01			
Selbourne 2, Shah Alam	2.4	200	20.6	0.00			
Metro Spectacular, Jln. Putra (51%)	10.1	350	178.5	0.04			
Bukit Beruntung	1.4	180	10.8	0.00			
Simpang Pulai	22.0	33	31.5	0.01			
Sub-total	39.2		285.1	0.06		8.0	
Development properties							
Lot F - Office Towers			259.7	0.05	NPV @ 9%		100.0
9 Seputeh, Old Klang Road			128.3	0.03	NPV @ 9%		100.0
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Sentral Suites, KL Sentral			23.1	0.00	NPV @ 9%		100.0
Semarak City, Setapak			33.1	0.01	NPV @ 9%		30.0
PJ Sentral Phase 1 (PJ Garden City)			82.8	0.02	NPV @ 9%		100.0
Kwasa Sentral, Sg.Buloh			381.3	0.08	NPV @ 9%		70.0
Bukit Rahman Putra, Sg.Buloh			26.9	0.01	NPV @ 9%		100.0
Cyberjaya City Centre Phase 1, Cyberjaya			214.3	0.04	NPV @ 9%		70.0
Bukit Jalil Sentral			320.0	0.07	NPV @ 9%		20.0
Penang Sentral			194.7	0.04	NPV @ 9%		100.0
Pulai Land			47.5	0.01	NPV @ 9%		100.0
1060 Carnagie, Melbourne			9.4	0.00	NPV @ 9%		100.0
Aotea Central Over Station Development (OSD), Auckland			85.0	0.02	NPV @ 9%		100.0
Unbilled sales			44.5	0.01	NPV @ 9%		100.0
Sub-total			1,978.9	0.40		55.6	
		NLA/room bays	Value (RM) m	/share	Method		Effective stake (%)
Investment properties							
Menara Celcom (Lot 8)		450,908	419.3	0.09	NPI@6%		100.0
Menara MRCB, Shah Alam		216,000	18.5	0.00	NPI@7%		100.0
Plaza Alam Sentral, Shah Alam		433,349	80.2	0.02	NPI@7%		100.0
Kompleks Sentral, Segambut Industrial Park		484,689	45.0	0.01	NPI@6.75%		100.0
Ascott Sentral (Lot 348), KL Sentral		143 rooms	85.8	0.02	RM0.6m/room		100.0
Sub-total			648.9	0.13		18.2	
Car park							
Plaza Alam Sentral, Shah Alam		1,400 bays	70.0	0.01	RM50k/bay		100.0
Menara Celcom (Lot 8)		1000 bay	70.0	0.01	RM70k/bay		100.0
Sub-total			140.0	0.03		3.9	
Property management							
Quill Capita Management (QCM)			91.3	0.02	NPI@7%		41.0
Sub-total			91.3	0.02		2.6	
Construction & Facilities Management							
Construction			344.9	0.07	11x FY22F net profit		
Facilities management			160.2	0.03	Net book value as of FY20		
Bukit Jalil Sentral Management Contract			40.5	0.01	NPV@7.5%		
Sub-total			545.6	0.11		15.3	
Listed-investments							
Sentral REIT			271.4	0.06	Market Value		27.8
Sub-total			271.4	0.06		7.6	
Others			396.8	0.08	Net book value as of FY20		
Sub-total			396.8	0.08		11.1	
Gross NAV			4,358.1	0.89			
Net cash			(1,353.5)	(0.28)	As at FY21		(38.0)
Proceeds from ESOS/warrant conversions			557.3	0.11	Warrants B exercise price: RM1.25		15.6
Total NAV			3,561.9	0.72		100.0	
FD no of shares			4,917.3				
NAV/share			0.72				
TP (less: 45% discount)			0.40				
Upside (%)			12.2				
Discount to NAV (%)			(51.0)				

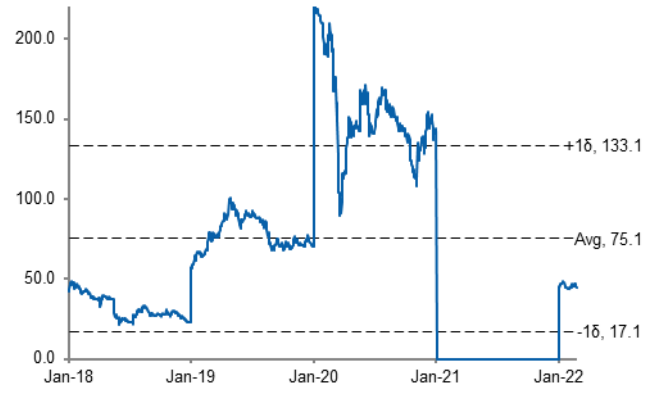
Source: Company, Bloomberg, KAF

Exhibit 3: PB Band chart



Source: Company, KAF, Bloomberg

Exhibit 4: PE Band chart



Source: Company, KAF, Bloomberg

Income Statement

FYE Dec (RMm)	2020	2021	2022F	2023F	2024F
Revenue	1,199.5	1,448.5	1,443.2	1,689.3	1,897.8
EBITDA	134.0	47.8	137.3	162.3	216.7
Depreciation/Amortisation	(75.9)	(62.9)	(65.6)	(67.7)	(70.1)
Operating income (EBIT)	58.1	(15.1)	71.7	94.6	146.6
Other income & associates	19.5	31.3	41.1	57.9	75.4
Net interest	(56.0)	(78.7)	(60.6)	(57.2)	(58.6)
Exceptional items	(175.3)	123.7	0.0	0.0	0.0
Pretax profit	(153.7)	61.3	52.2	95.3	163.4
Taxation	(22.9)	(54.6)	(25.0)	(41.9)	(64.5)
Minorities/pref dividends	(0.8)	9.1	(4.9)	(8.1)	(11.8)
Net profit	(177.4)	15.8	22.3	45.3	87.0
Core net profit	(2.1)	(107.9)	22.3	45.3	87.0

Balance Sheet

FYE Dec (RMm)	2020	2021	2022F	2023F	2024F
Fixed assets	740.1	742.5	742.7	751.1	757.5
Intangible assets	219.4	215.7	211.2	206.8	202.4
Other long-term assets	4,392.3	4,594.0	4,641.9	4,716.3	4,828.0
Total non-current assets	5,351.9	5,552.2	5,595.8	5,674.2	5,787.8
Cash & equivalent	540.4	578.7	691.2	483.7	206.0
Stock	816.1	857.7	742.4	798.7	879.3
Trade debtors	1,283.6	2,071.3	1,028.0	1,203.4	1,351.9
Other current assets	322.2	125.4	116.5	107.3	98.1
Total current assets	2,962.3	3,633.1	2,578.0	2,593.1	2,535.3
Trade creditors	962.7	1,883.4	950.2	1,145.9	1,261.6
Short-term borrowings	601.8	479.4	341.8	324.3	303.8
Other current liabilities	69.4	71.5	71.5	71.5	71.5
Total current liabilities	1,633.9	2,434.4	1,363.5	1,541.7	1,636.8
Long-term borrowings	1,331.0	1,452.7	1,530.4	1,437.9	1,345.4
Other long-term liabilities	788.5	757.7	756.9	756.0	755.0
Total long-term liabilities	2,119.5	2,210.5	2,287.4	2,194.0	2,100.4
Shareholders' funds	4,550.6	4,512.7	4,490.3	4,490.9	4,533.2
Minority interests	10.1	27.8	32.7	40.8	52.6

Cash flow Statement

FYE Dec (RMm)	2020	2021	2022F	2023F	2024F
Pretax profit	(153.7)	61.3	52.2	95.3	163.4
Depreciation/Amortisation	75.9	62.9	65.6	67.7	70.1
Net change in working capital	562.9	91.5	225.4	(36.0)	(113.5)
Others	(269.5)	(399.2)	(66.1)	(99.8)	(139.9)
Cash flow from operations	215.6	(183.6)	277.1	27.2	(20.0)
Capital expenditure	(75.6)	(127.6)	(60.0)	(80.0)	(100.0)
Net investments & sale of fixed assets	136.8	0.0	0.0	0.0	0.0
Others	(194.9)	455.5	0.0	0.0	0.0
Cash flow from investing	(133.6)	328.0	(60.0)	(80.0)	(100.0)
Debt raised/(repaid)	103.9	(0.7)	(60.0)	(110.0)	(113.0)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(44.1)	(44.1)	(44.7)	(44.7)	(44.7)
Others	(11.3)	(50.6)	0.0	0.0	0.0
Cash flow from financing	48.4	(95.4)	(104.7)	(154.7)	(157.7)
Net cash flow	130.4	49.0	112.5	(207.5)	(277.7)
Cash b/f	336.9	467.3	515.9	628.3	420.9
Cash c/f	467.3	515.9	628.3	420.9	143.2

Key Ratios

FYE Dec	2020	2021	2022F	2023F	2024F
Revenue growth (%)	(9.1)	20.8	(0.4)	17.1	12.3
EBITDA growth (%)	(10.4)	(64.3)	187.3	18.2	33.5
Pretax margins (%)	(12.8)	4.2	3.6	5.6	8.6
Net profit margins (%)	(14.8)	1.1	1.5	2.7	4.6
Interest cover (x)	1.0	n/m	1.2	1.7	2.5
Effective tax rate (%)	(14.9)	89.0	47.9	44.0	39.5
Net dividend payout (%)	n/m	n/m	200.6	98.6	51.4
Debtors turnover (days)	391	522	260	260	260
Stock turnover (days)	337	269	250	230	230
Creditors turnover (days)	398	591	320	330	330

Source: Bloomberg, 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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