

29 January 2019 | Corporate Update

## Malaysian Resources Corporation Berhad

### Awarded SUKE project worth RM323m

**Maintain BUY**  
**Unchanged Target Price (TP): RM0.83**

#### INVESTMENT HIGHLIGHTS

- **MRCB was awarded a package worth RM323m**
- **Project to commence on Feb 4, and expected to complete within 14 months.**
- **SUKE will serve as a link between existing major highways and roads in the Klang Valley**
- **Current orderbook estimated at RM19.7b**
- **Maintain BUY call at unchanged TP of RM0.83**

**MRCB was awarded a package worth RM323m.** Malaysian Resources Corp Bhd (MRCB) announced that it has received a letter of acceptance from Turnpike Synergy Sdn Bhd yesterday. Under the contract, MRCB is to undertake Package CA2 of the Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) project, with estimated value at RM323m.

**Project to commence on Feb 4.** The award involves the construction of mainline and other associated works from CH.2400 to CH.4200 of SUKE. Works are scheduled to complete in April 2020, which is within 14 months from the date of site possession on Feb 4.


**Background of project.** SUKE is a 31.8km, three-lane, dual carriageway expressway that will serve as a link between existing major highways and roads in the Klang Valley. Among the 7 highways/main road SUKE will be linked to are 1) KESAS, 2) Kuala Lumpur Seremban Highway, 3) Sungai Besi Highway, 4) Cheras-Kajang Highway, 5) MRR2, 6) AKLEH, and 7) DUKE. Overall, the construction and land acquisition costs are estimated at RM4.3 billion and RM1.14 billion, respectively.

**Current orderbook estimated at RM19.7b.** MRCB's outstanding orderbook is estimated at circa RM19.4b. The new contract award will add up another RM323m in value, for a total unbilled sum of RM19.7b. The amount involves works for buildings, transmission lines, infrastructure and fee-based orders.

**First contract win for MRCB this year.** Based on our assumptions, the contract will fetch circa RM15m-RM19m of full year profit contribution, arrived after imputing 6%-7% net margin of the total project value. The quantum has already been captured in our job wins assumption for FY19; hence no changes to our earnings forecast.

RETURN STATS	
Price (28 Jan 2019)	RM0.70
Target Price	RM0.83
Expected Share Price Return	+18.6%
Expected Dividend Yield	+1.9%
<b>Expected Total Return</b>	<b>+20.5%</b>

STOCK INFO	
KLCI	1,697.50
Bursa / Bloomberg	1651/ MRC MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	4,399.9
Market cap. (RM'm)	3,101.9
Price over NA	0.64
52-wk price Range	RM0.55-RM1.22
Beta (against KLCI)	1.64
3-mth Avg Daily Vol	13.5m
3-mth Avg Daily Value	RM9.52m
Major Shareholders (%)	
EPF	36.0
Gapurna Sdn. Bhd.	16.1
LTH	7.0
Bank Kerjasama Rakyat	3.9

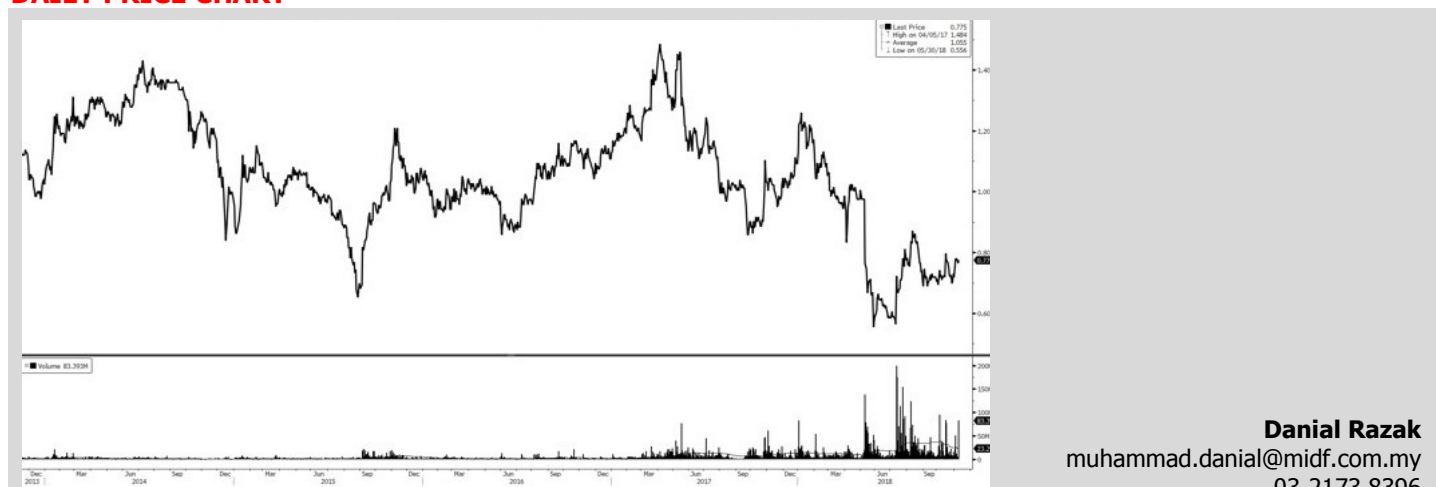
**Recommendation.** We expect the construction segment to show some improvement this fiscal year. Previously, we understand that the work progression of LRT3 has slowed down in October 2018, pending the signing of a new contract. Accordingly, we believe the recent contract agreement signed between MRCB-GK JV and Prasarana denotes a positive signal on future progress, thus allay uncertainties on the project. We reiterate our **BUY** call on MRCB with **TP of RM0.83**, based on our SOP-driven valuation. 

## INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	940.9	1,514.8	1,696.7	2,408.0	2,823.6	1,896.6	1,983.8
EBIT (RM'm)	9.0	321.2	352.5	357.4	358.6	227.6	238.1
Pre-tax profit (RM'm)	-110.4	125.7	370.1	392.6	338.4	189.7	244.0
Normalised PATAMI (RM'm)	-109.1	41.6	331.3	266.0	167.5	104.3	134.2
FD EPS (sen)	-7.4	2.4	18.5	13.8	6.6	2.4	3.1
EPS Growth (%)	-270.0	-133.0	660.6	-25.4	-52.5	-63.4	29.2
PER(x)	N.A.	28.8	3.8	5.1	10.7	29.2	22.6
Dividend (sen)	1.0	2.5	2.5	3.7	4.3	1.3	1.3
Dividend yield (%)	1.4	3.6	3.6	5.2	6.2	1.9	1.9

Source: MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.