

22 April 2019 | Corporate Update

## Malaysian Resources Corporation Berhad *A New Catalyst from Bandar Malaysia?*

**Maintain BUY**

**Adjusted Target Price (TP): RM1.05  
(from RM0.90)**

### INVESTMENT HIGHLIGHTS

- **Following a cabinet meeting last week, the government has decided to revive Bandar Malaysia, since its termination in May 2017**
- **The master development was reportedly valued at RM200b in GDV**
- **MRCB had previously signed MOU for Bandar Malaysia TOD**
- **The group is well positioned to undertake the project as transportation developer**
- **We maintain our BUY call with higher TP of RM1.05**

**Bandar Malaysia brought back to life?** Following a cabinet meeting last week, the government has decided to revive Bandar Malaysia since its termination in May 2017. The announcement was made by the Prime Minister Tun Dr Mahathir Mohamed, who further added that certain changes will be made to its original plan.

**Background on Bandar Malaysia.** In earlier estimate, Bandar Malaysia was reportedly valued at RM200b in GDV and to be developed in a span of 25 years. The 486-acre development, which sits on the old Sungai Besi air force base, will house transit oriented development ("TOD"), global business hub and retail lifestyle destination. Accordingly, the whole development would potentially take place over 15-25 years.

**MRCB previously signed MOU for Bandar Malaysia TOD.** In January 2017, MRCB had entered into a non-binding MoU with Wondrous Vista Development Sdn Bhd and TRX City Sdn Bhd. The idea was to collaborate in developing an integrated transportation terminal at Bandar Malaysia which will house the terminus of the Kuala Lumpur-Singapore high-speed rail (HSR) line. Following Bandar Malaysia termination in May 2017, we believe the agreement should have lapsed as it was only valid for six months.

**MRCB backed by solid track.** Following the project's revival, we think that it could potentially unmask meaningful catalyst for MRCB. Whilst details are still scarce, we believe opportunities are ample given the latest GDV estimation of RM140b. Positively, it was mentioned by the PM that bumiputera participation and the use of local content will be given priority throughout the project. On that note, we think MRCB is well positioned to participate in this project, adding to its track record in building PJ Sentral and KL Sentral as transportation developer.

RETURN STATS	
Price (19 April 2019)	RM0.96
Target Price	RM1.05
Expected Share Price Return	+9.3%
Expected Dividend Yield	+1.2%
<b>Expected Total Return</b>	<b>+10.6%</b>

STOCK INFO	
KLCI	1,622.07
Bursa / Bloomberg	1651/ MRC MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	4,399.9
Market cap. (RM'm)	4,223.9
Price over NA	0.87
52-wk price Range	RM0.55-RM1.03
Beta (against KLCI)	1.72
3-mth Avg Daily Vol	15.8m
3-mth Avg Daily Value	RM13.3m
Major Shareholders (%)	
EPF	36.0
Gapurna Sdn. Bhd.	16.1
LTH	6.7
Bank Kerjasama Rakyat	3.9

**Outstanding orderbook stood at RM21.8b.** The group has recently won RM323m worth of contract for the construction of SUKE highway. Accordingly, the amount was added to the previous unbilled jobs to arrive at RM21.8b of outstanding orderbook. The outstanding amount is huge, which will keep the group busy in the long term. For construction division however, we believe temporary drag could come from the delayed progress of LRT3 which will commence in 2HFY19. While the concern should not be overlooked, we think the impact is manageable. At this juncture, we maintain our **BUY** call with a higher **TP** of **RM1.05** (derived from our SOP valuation). Downside risk to our call includes (1) lower than expected recognition from LRT3 project, and (2) lower than expected property sales during the year.

## INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	1,696.7	2,408.0	2,823.6	1,870.7	1,983.8	2,050.3
EBIT (RM'm)	352.5	357.4	358.6	141.5	238.1	246.0
Pre-tax profit (RM'm)	370.1	392.6	338.4	123.0	214.0	215.3
Normalised PATAMI (RM'm)	331.3	266.0	167.5	101.2	134.2	139.4
FD EPS (sen)	18.5	13.8	6.6	2.3	3.1	3.2
EPS Growth (%)	660.6	-25.4	-52.5	-64.9	32.6	3.9
PER(x)	5.2	7.0	14.6	41.7	31.5	30.3
Dividend (sen)	2.5	3.7	4.3	1.8	1.3	1.1
Dividend yield (%)	2.6	3.8	4.5	1.8	1.4	1.2

Source: MIDFR

## DAILY PRICE CHART



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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.