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Stock:	MRC MK
Name:	MRCB
Price:	RM1.36 (At 13:51, 31 May 2017 GMT)
Recommendation:	Outperform
12mth price target:	RM2.00
12-month TSR:	49.1%
Volatility index:	Medium
Market Cap (m):	RM2,971
Market Cap (m):	US\$695
Free float:	40%
Current valuation (DCF):	RM2.00

Event

- In a filing made to Bursa yesterday, MRCB said its 85% owned subsidiary Rukun Juang would subscribe to ordinary and redeemable preference shares in JV company, Bukit Jalil Sentral Property Sdn. Bhd. (Bukit Jalil Sentral) - of which the JV company will be 20% owned by MRCB and the remaining 80% owned by EPF.
- Bukit Jalil Sentral will buy the land from MRCB for RM1.43bn, tantamount to RM430psf for the 76.1 acres of land under the proposed development.
- The Bukit Jalil development holds a GDV of RM20.7bn. The land was initially handed over to MRCB from the government as a payment-in-lieu of the refurbishment of Bukit Jalil National Sports Complex, estimated to have cost around RM1.3bn.

Impact

- Recall that MRCB is planning to do a one-for-one rights issue to raise between RM2.2bn and RM2.9bn, of which RM975mn of the raised amount is already ring-fenced to finance the construction cost of the refurbishment of Bukit Jalil National Sports Complex. With EPF being the JV partner for the development of the land, MRCB could kick-start the Bukit Jalil mixed development project with zero loans tied to the land and a partner that could pre-finance the construction cost of the mixed development.
- The effective land cost for MRCB for this land is estimated to be at RM405psf (based on the estimated construction cost of the Bukit Jalil refurbishment contract). With the land sold to EPF at RM430psf, MRCB could register a profit of RM66mn from the land sale.
- We believe the proceeds from this transaction will be used by MRCB to pay the remaining 70% (RM738mn) payment for Kwasa Damansara land, due by the end of this year. Do note that the recent proposed cash call did not earmark any of the cash portion for Kwasa Damansara land payment.

Action and recommendation

- Overall we view this JV with EPF as a positive event as it should further reduce MRCB's balance sheet strain and free up more cash for working capital needs. Maintain Outperform.

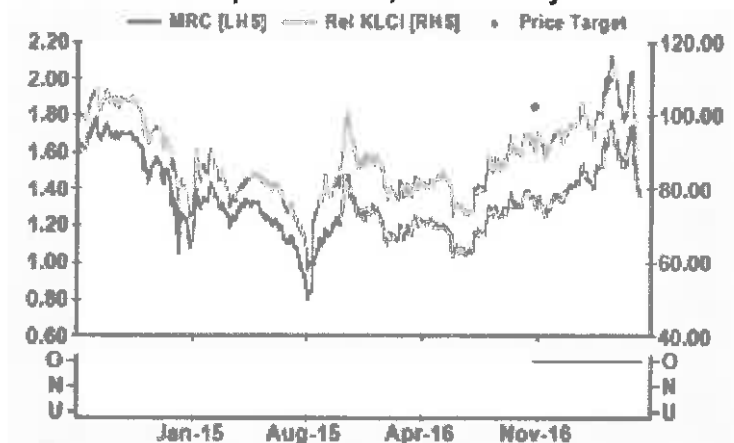
		2016A	2017E	2018E	2019E
December					
Revenue	m	2,408.1	2,281.8	2,025.1	2,263.0
EBIT	m	512.4	310.4	331.4	353.2
EBIT growth	%	187.6	-39.4	6.7	6.6
Adjusted profit	m	267.4	151.5	186.0	200.1
Capex	m	87.0	145.4	189.1	245.8
EPS rep	sen	17.9	6.5	8.1	9.3
EPS rep growth	%	3.3	-63.6	24.8	14.8
EPS adj	sen	13.7	6.5	8.1	9.3
EPS adj growth	%	31,107.2	-52.1	24.1	15.1
PER rep	x	7.6	20.9	16.7	14.6
PER adj	x	10.0	20.8	16.8	14.6
Total DPS	sen	2.8	2.8	2.8	2.8
Total DPS growth	%	10.0	0.0	0.0	0.0
Total div yield	%	2.0	2.0	2.0	2.0
ROA	%	6.9	3.9	4.2	4.4

ROE	%	10.3	5.1	6.0	6.2
EV/EBITDA	x	9.0	13.8	11.8	9.3
Net debt/equity	%	73.2	75.4	81.7	74.9
P/BV	x	1.1	1.3	1.2	0.9
EBITDA	m	571.3	386.2	419.4	455.3
Net Debt/EBITDA	x	3.9	6.1	6.4	5.7
Payout ratio	%	20.1	42.1	33.9	29.5
FCF Yield	%	-14.2	-7.3	-5.6	5.9

*All values are in MYR unless otherwise stated.

Source: Company data, Macquarie Research, Jun 2017.

MRC MK rel KLCI performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, June 2017

(all figures in MYR unless noted)

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