

6 May 2019

Malaysia

EQUITIES

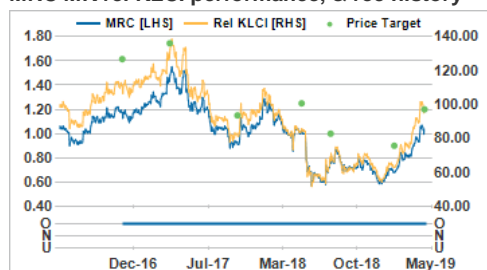
MRCB MK Outperform
Price (at 14:24, 03 May 2019 GMT) RM1.04

Valuation	RM	1.02-1.31
- Sum of Parts		
12-month target	RM	1.20
Upside/Downside	%	+15.4
12-month TSR	%	+16.8
Volatility Index		High
GICS sector		Capital Goods
Market cap	RMm	4,378
Market cap	US\$m	1,058
Free float	%	44
30-day avg turnover	US\$m	5.3
Number shares on issue	m	4,209

Investment fundamentals

Year end 31 Dec		2018A	2019E	2020E	2021E
Revenue	m	1,870.7	1,977.8	2,778.1	3,394.5
EBITDA	m	158.4	222.0	330.0	364.4
EBIT	m	120.9	194.8	289.2	324.7
Reported profit	m	101.2	145.3	227.5	241.3
Adjusted profit	m	75.4	145.3	227.5	241.3
EPS rep	sen	2.3	3.3	5.2	5.5
EPS rep growth	%	-60.6	43.7	56.5	6.1
EPS adj	sen	1.7	3.3	5.2	5.5
EPS adj growth	%	-52.5	92.7	56.5	6.1
PER rep	x	45.1	31.4	20.1	18.9
PER adj	x	60.5	31.4	20.1	18.9
Total DPS	sen	1.3	1.5	1.8	1.8
Total DPS growth	%	-28.6	20.0	16.7	0.0
Total div yield	%	1.2	1.4	1.7	1.7
ROA	%	1.3	2.3	3.4	3.6
ROE	%	1.6	3.0	4.5	4.7
EV/EBITDA	x	29.9	23.1	14.6	13.0
Net debt/equity	%	19.2	17.6	21.4	29.0
P/BV	x	0.9	0.9	0.9	0.9

MRCB 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, May 2019

(all figures in MYR unless noted)

Analysts

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MRCB (MRC MK)

It's gonna be me!

Key points

- ▶ Maintain Outperform with TP increased to RM1.20 from RM0.90
- ▶ Stronger valuation of the construction division drove the TP revision as we increased its three-year order win target to RM10bn from RM1.5bn
- ▶ MRCB could emerge as one of the key beneficiaries of the ECRL project

Event

- We reiterate our Outperform rating on MRCB with our top-of-the-street TP of RM1.20 (23x implied fwd-PE), from RM0.90 previously. The 33% increase in TP is mainly driven by our buoyant expectations in MRCB's FY19-21E cumulative order win target, which was increased from RM1.5bn to RM10bn. We believe the awards of the East Coast Railway Link (ECRL) and Klang Valley Double Tracking (KVDT) projects and further asset divestments will drive MRCB's share price performance over the near-term horizon.

Impact

- **FY19-21E orderbook replenishment target revised higher to RM10bn.** We expect RM5bn of new jobs can be secured in FY19E alone, stemming from the awards of the ECRL and KVDT projects. With ECRL project cost reduced by 28% to RM44bn, the margins of the civil work package from this project will not be as attractive (mid-single digits) and may ward off strong competitors like Gamuda or IJM from bidding for the package, as they run on higher costs. Generally, MRCB operates at a lower cost, as it is mainly a project manager rather than a builder; therefore to strengthen its chances in securing the ECRL package, it will likely need to partner with other builders in the project. Further, given MRCB's strong balance sheet, it could lend its balance sheet to the potential partner to obtain working capital funding.
- **Further divestments expected in FY19E.** Management is now in talks with potential buyers to divest the Menara Celcom PJ, which in our estimates is valued at c.RM480mn. MRCB is also looking to divest the [three land parcels it acquired](#) from DBKL back in 2017 in a deal worth RM336mn. If both divestments above are concluded in FY19E, MRCB could further reduce its gross debt by c.RM700mn from the current RM1.6bn. Separately, we believe MRCB's expansion into [modular building system](#) (MBS) [higher efficiency and more customisable] could be a boon for MRCB Land (MRCB's property division) going ahead; as such we have reduced MRCB Land's discount-to-RNAV to 40% from 50% on the back of this development.

Earnings and target price revision

- Due to the increased orderbook replenishment targets, FY19-21E EPS moved by -18%/+14%/+30%, respectively. TP revised higher by 33% to RM1.20.

Price catalyst

- 12-month price target: RM1.20 based on a Sum of Parts methodology.
- Catalyst: Awards of the ECRL project

Action and recommendation

- Outperform rating reiterated.

Analysis

The following changes were made to our assumptions to arrive at the new TP of RM1.20:

Construction

- We increased the construction orderbook replenishment target in FY19-21E from RM1.5bn to RM10bn driven by the revival of mega infrastructure projects by the government;
- We value MRCB's LRT3 contract using a PE method instead of the DCF previously, as the government reassigned MRCB's role in the project from a project-delivery-partner to turnkey contractor; and
- Due to the improved outlook, we pegged the construction division's profit to a higher PE target from 10x to 12x, in-line with the current sector average.

Property

- We delayed the earnings recognition from Kwasa Sentral and Cyberjaya Sentral from FY19E to FY20E and FY19E to FY24E, respectively;
- Reduced the discount-to-RNAV from 50% to 40% to reflect management's new and improved strategy for MRCB Land;
- Increased the valuation of Menara Celcom PJ to RM479mn from RM358mn due to the changes in rental rates and cap rate assumptions; and
- We assume the divestment of the land parcels near PWTC to be concluded in FY19E and could bring an extra RM100mn to the Group post debt repayments.

The timing of earnings recognition for both the Construction and Property division shad resulted in the downward revision of FY19E earnings.

Fig 1 MRCB valuation

Business Division	Valuation Method	Stake	Value (RM 'mil)	Old Value (RM 'mil)	Change (%)
Property Development	RNAV at 50% discount to RNAV	Mixed	790	719	10%
Investment Properties	12m forward NOI @ cap rate	Mixed	736	684	8%
Construction	10x PER on FY20E PAT	100%	1,562	517	202%
Construction PDP fees	DCF @ 6.8% WACC	Mixed	168	309	-46%
Parking Services	12m forward NOI @ cap rate	100%	205	205	0%
Security Services	8x PER on FY20E PAT	100%	12	12	0%
MRCB-Quill REIT	Market Value	33%	427	390	9%
REIT Manager	12x PER multiple of FY20E PAT	41%	31	31	0%
Gross SOTP			3,929	2,865	37%
Net debt	Construction debt estimates		-176	-325	-46%
Divestments of landbank in Bukit Jalil, Kia Peng and Semarak & EDL	Post debt repayments		1,390	1,390	0%
Potential divestment of Metro Spectacular (PWTC Land)	Post debt repayments		100	0	nmf
SOTP			5,243	3,930	33%
Number of shares (mil)			4,387	4,387	0%
Fair value (RM)			1.20	0.90	33%
Implied PE			23x	20x	

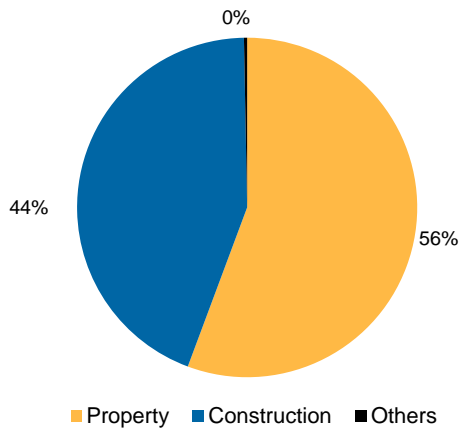
Source: Company data, Macquarie Research, May 2019

Fig 2 Change in estimates

RM 'mil	New Estimates			Old Estimates			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	1,978	2,778	3,394	1,841	2,309	2,041	7%	20%	66%
EBIT	222	330	364	218	266	245	2%	24%	49%
PBT	198	324	364	241	296	283	-18%	9%	28%
Adj. PAT	145	227	241	177	199	186	-18%	14%	30%
EPS (sen)	3.3	5.2	5.5	4.0	4.5	4.2	-18%	14%	30%

Source: Company data, Macquarie Research, May 2019

Fig 3 Breakdown of valuation by division



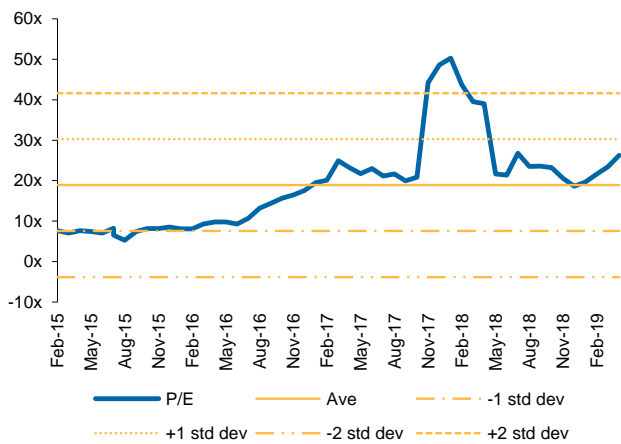
Source: Macquarie Research, May 2019

Fig 4 Scenario analysis

Item	Bear Case	Base Case	Bull Case
Fair Value (RM)	1.02	1.20	1.31
Upside/(Downside)	-2.4%	14.9%	25.6%
Dividend	1.4%	1.4%	1.4%
TSR	-0.9%	16.4%	27.0%
Implied PE	22x	23x	25x
Assumptions			
Property discount to RNAV	50%	40%	30%
Cumulative orderbook replenishment in FY19-21E (RM 'bn)	5.0	10.0	15.0
Construction PER	8x	12x	14x

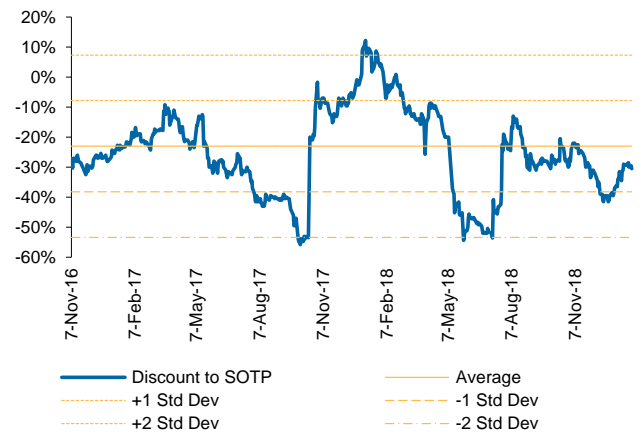
Source: Bloomberg, Macquarie Research, May 2019

Fig 5 MRCB rolling fwd-PE band



Source: Bloomberg, Macquarie Research, May 2019

Fig 6 MRCB discount-to-SOTP band



Source: Bloomberg, Macquarie Research, May 2019

Fig 7 MQ vs. consensus

RM 'mil	Macquarie			Consensus			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	1,978	2,778	3,394	2,063	2,309	2,560	-4%	20%	33%
EBIT	222	330	364	189	213	271	18%	55%	35%
PBT	198	324	364	168	206	309	18%	57%	18%
PAT	145	227	241	121	145	196	20%	57%	23%
EPS (sen)	3.3	5.2	5.5	2.8	3.2	4.0	18%	62%	38%

Source: Bloomberg, Macquarie Research, May 2019

MRCB Construction

In our [recent update](#) on the ECRL project, we estimate RM30bn worth of civil works will be awarded from this project of which 40% will go to a main local contractor, to partner alongside the main contractor of the ECRL project – China Communications Construction Company (CCCC). As such we estimate between RM10bn-12bn could be awarded to the local players.

Management has indicated that it will be participating in the tenders for the upcoming ECLR project. We believe MRCB will be partnering with another contractor to boost its chances of winning the package from this project. If ECRL were to follow the practice seen in the LRT3 and MRT2 projects, we could see the entire local content of ECRL to be awarded to a single company. The company could be a JV of a few companies. Given MRCB's strong balance sheet, it could form a solid JV and have good backing for working capital funding. We estimate the ECRL and KVDT projects alone could bring up to RM5bn in new orders for MRCB in FY19E.

Management indicated that margins for ECRL will not be great, given that the project has gone through a few rounds of cost cutting. However, due to the quantum of the package, the absolute value of the profit could bring strong growth to MRCB's earnings. We expect the awards of the ECRL project to happen in 4Q19 and meaningful earnings contribution could be seen in FY20E onwards.

Fig 8 MRCB's outstanding orderbook

Project	Value (RM 'mil)	Progres (%)	Outstanding Orderbook (RM 'mil)
Desaru Convention Centre	61	90%	6
Desa Desaru	223	90%	22
Westin Desaru	208	95%	10
Giant Hypermarket - Setapak	52	93%	4
PR1MA Kajang	173	65%	61
MRT2 V210 Package	614	35%	399
PR1MA Brickfields	335	0%	335
Kwasa Utama - Management Fee	187	0%	187
Kwasa Utama - C8 Development	2,958	1%	2,928
LRT3	5,928	10%	5,335
Kwasa Damansara PDP	176	0%	176
DASH Package CB2	400	12%	352
Indoor stadium - Johor	60	40%	36
TNB HQ Campus	65	40%	39
Jabi Serting Hilir	126	95%	6
NPE Bridge phase 2	16	15%	14
SUKE Package CA2	323	0%	323
Bukit Jalil Sentral (provisional sum)	10,116	0%	10,116
Bukit Jalil Sentral (management contract)	892	0%	892
Total	22,913	7%	21,242

Orderbook replenishment targets	Value (RM 'mil)
FY19E	5,000
FY20E	2,500
FY21E	2,500
Total	10,000

Source: Company data, Macquarie Research, May 2019

MRCB Land

MRCB Land will look to divest the Menara Celcom PJ if the buyers suit MRCB's valuation. We value the asset at RM479mn. By divesting this asset, MRCB could reduce another c.RM400mn from its borrowing. MRCB Land will also divest the three land parcels it had bought from the municipality in 2017, which were meant to develop the new Putra World Trade Centre (PWTC). Following the change in government, the previous ruling party had canned the idea of building its new headquarters, therefore MRCB has started to put these land for sale. The divestment of this land could erase another c.RM300 of borrowings. We estimate MRCB will book a profit of RM100mn upon selling the land parcels.

Apart from divestments, MRCB Land will embark on a few new strategies to increase the efficiency in running its projects. MRCB will expand the usage of its modular building system (MBS) to all of its upcoming development, starting with Kwasa Damansara project. By using MBS, the interior design can be custom made, prefabricated at another site before the blocks are being attached at the site. The key difference between MBS and integrated building system (IBS) is that by using MBS, MRCB could prefabricate up to 95% of the structure, meanwhile IBS could only fabricate up to 40% of the structure. Therefore with flexibility in terms of design, buyers could then choose which finishing they prefer and the size of each area i.e. room, dining area or living area. This concept is already well in place in Japan when Panasonic introduced the [PanaHome](#) concept.

Once MBS is widely used, MRCB will only sell the area of a particular unit with the buyer having almost full discretion as to how many rooms or how big they want a certain area to be. We understand that buyers will not have discretion as to where the toilets and kitchen are as this could disrupt the plumbing planning of the entire project. We believe this concept could increase the saleability of MRCB's future property projects.

MRCB owns the patent of the MBS but not the precast yard. The precast works were outsourced to avoid heavy capex requirements. The MBS technology should increase MRCB Land's efficiency and in the long run improve its margins. We believe the increased saleability of MRCB's development projects warrants us to reduce the discount-to-RNAV of this division from 505 to 40%.

Fig 9 MRCB Land's valuation

Project	Stake	RNAV (RM 'mil)	Remaining Landbank (acres)	Remaining GDV (RM 'mil)	% of RNAV
Sentral Residences	51%	0	0	0	0%
Lot F	100%	147	6	2,993	11%
MBSB Tower - PJ Sentral	100%	0	0	0	0%
MyIPO Tower - PJ Sentral	100%	0	0	0	0%
Tower 1 - PJ Sentral	100%	62	2	819	5%
Tower 5 - PJ Sentral	100%	0	1	507	0%
PKNS Tower - PJ Sentral	100%	12	2	183	1%
Cyberjaya City Centre	70%	135	45	5,350	10%
Kwasa Sentral	70%	307	64	8,000	23%
Suria Subang	100%	34	3	402	3%
Selbourne 2	100%	16	2	198	1%
Bukit Jalil Sentral	20%	163	93	14,610	12%
9 Seputeh	100%	20	10	1,540	1%
Sentral Suites	100%	64	5	881	5%
Semarak City	30%	63	27	3,163	5%
German Embassy Land	0%	0	2	0	0%
Canergie	100%	0	0	0	0%
Total Central		1,022	262	38,646	
Penang Sentral Ph 1 to 3A	100%	88	0	0	7%
Penang Sentral Ph 4 to 7	100%	108	10	1,800	8%
Batu Feringgi	100%	15	3	322	1%
Bandar Seri Iskandar	70%	35	11	723	3%
Total Northern		246	24	2,845	
Pulai Land	100%	48	68	770	4%
Total Southern		48	68	770	
Burwood	100%	0	0	0	0%
Canergie	100%	0	0	0	0%
Total International		0	0	0	
Total Property		1,316	354	42,261	
Discount to RNAV		40%			
Total Property RNAV		790			

Source: Company data, Macquarie Research, May 2019

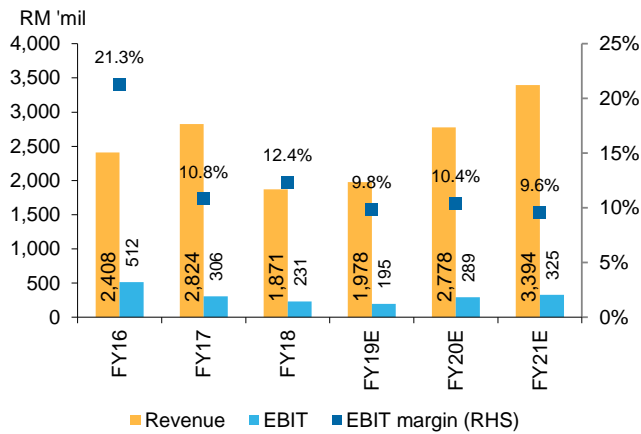
Fig 10 MRCB's investment properties

Property	Property Type	Net Lettable Area (sqft) / # of rooms	Occupancy (%)	MRCB's Stake	Rental Rate (RM psf) / RevPAR (RM)	Valuation Method	Property Value (RM 'mil)
Menara Celcom, PJ Sentral	Office	450,000	100%	100%	5.30 1-yr fwd NOI @ 5.5%		479
Plaza Alam Sentral, Shah Alam	Retail	424,817	85%	100%	3.46 1-yr fwd NOI @ 9.0%		135
Kompleks Sentral, Segambut Industrial Park	Industrial	562,493	70%	100%	1.36 1-yr fwd NOI @ 10.0%		49
St. Regis Hotel, KL Sentral	Hotel	208	35%	30%	400.00 1-yr fwd NOI @ 7.0%		38
Ascott Sentral, KL Sentral	Serviced Suites	157	40%	100%	275.94 1-yr fwd NOI @ 7.0%		35
Total							736

Source: Company data, Macquarie Research, May 2019

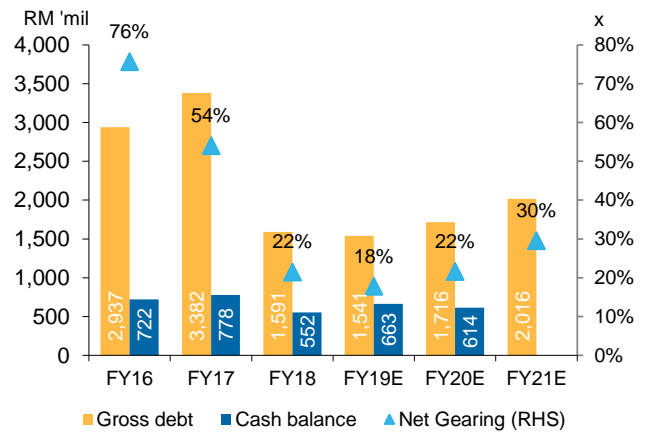
Key financial charts

Fig 11 Margins to remain flat due to lower margin construction jobs expected to be secured in FY19-21E



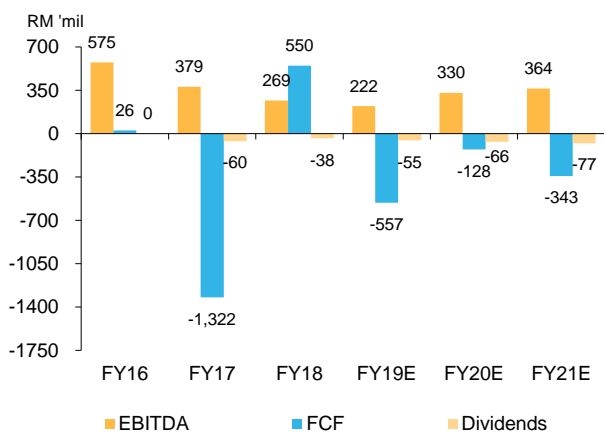
Source: Company data, Macquarie Research, May 2019

Fig 12 We estimate net gearing to expand once MRCB secures more infrastructure projects going ahead



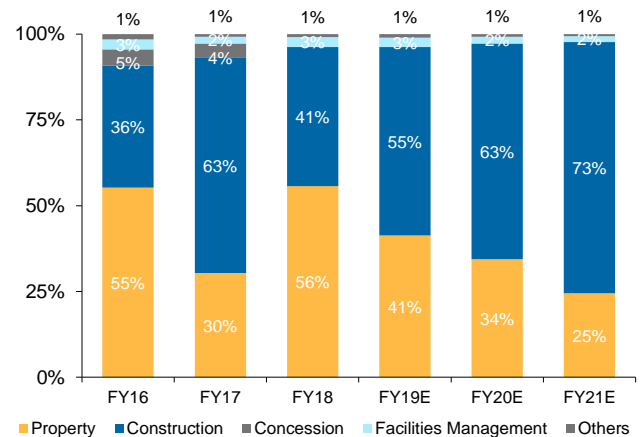
Source: Company data, Macquarie Research, May 2019

Fig 13 Cashflow should remain steady, no risks on dividend downgrade



Source: Company data, Macquarie Research, May 2019

Fig 14 Breakdown of revenue by division



Source: Company data, Macquarie Research, May 2019

Macquarie Quant Alpha Model Views

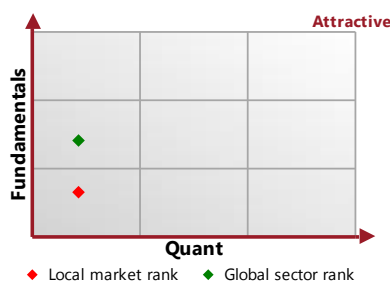
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a reasonably negative view on MRCB. The strongest style exposure is Price Momentum, indicating this stock has had strong medium to long term returns which often persist into the future. The weakest style exposure is Valuations, indicating this stock is over-priced in the market relative to its peers.

1725/2008

Global rank in Capital Goods

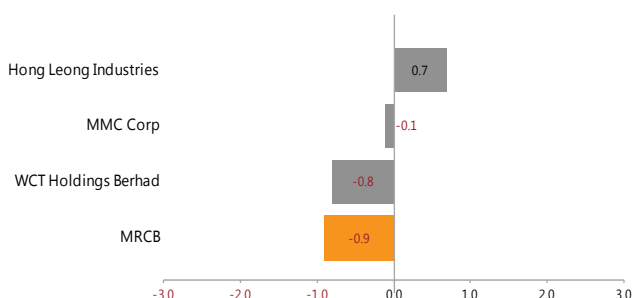
% of BUY recommendations 67% (6/9)
Number of Price Target downgrades 0
Number of Price Target upgrades 2



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.
 Two rankings: Local market (Malaysia) and Global sector (Capital Goods)

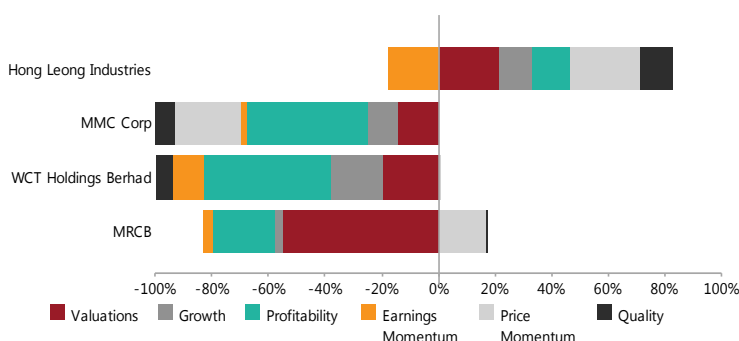
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



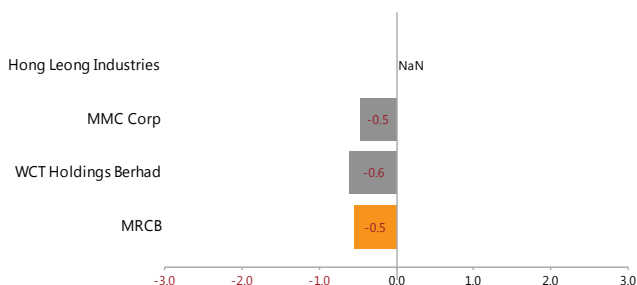
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



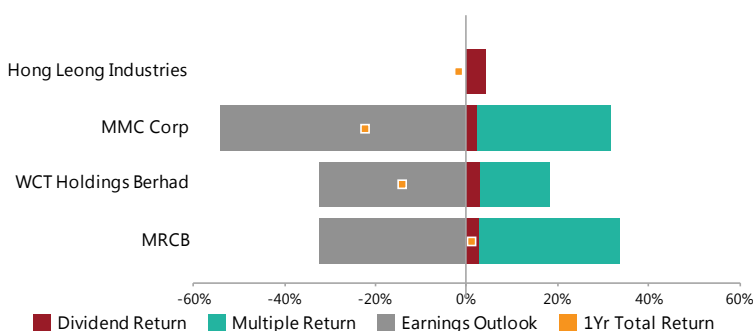
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



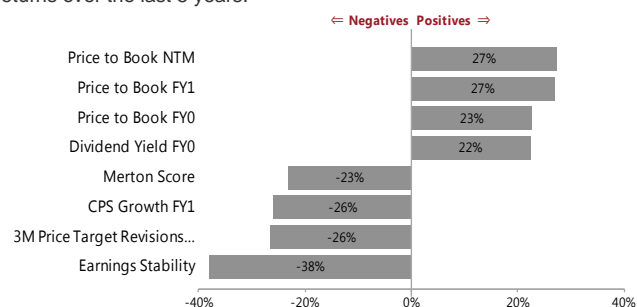
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



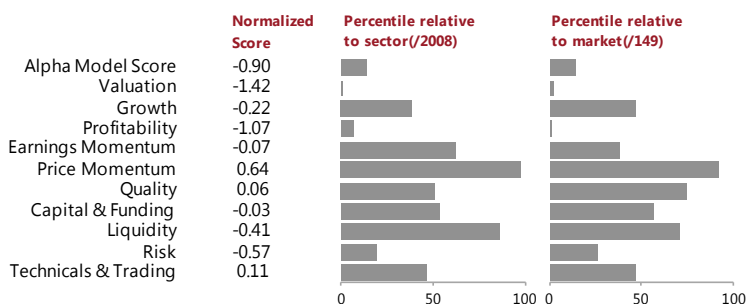
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpq@macquarie.com)

MRCB (MRC MK, Outperform, Target Price: RM1.20)

Interim Results					Profit & Loss						
		2H/18A	1H/19E	2H/19E	1H/20E		2018A	2019E	2020E	2021E	
Net Property Income	m	1,029	890	1,088	1,250	Net Property Income	m	1,871	1,978	2,778	3,394
Development Income	m	0	0	0	0	Development Income	m	0	0	0	0
Other Revenue	m	0	0	0	0	Other Revenue	m	0	0	0	0
Total Revenue	m	1,029	890	1,088	1,250	Total Revenue	m	1,871	1,978	2,778	3,394
Management Fees	m	0	0	0	0	Management Fees	m	0	0	0	0
Other Expenses	m	-958	-790	-966	-1,102	Other Expenses	m	-1,741	-1,756	-2,448	-3,030
EBITDA	m	87	100	122	148	EBITDA	m	158	222	330	364
Dep & Amortisation	m	21	12	15	18	Dep & Amortisation	m	38	27	41	40
EBIT	m	66	88	107	130	EBIT	m	121	195	289	325
Net Interest Income	m	-13	-6	-7	-6	Net Interest Income	m	-23	-13	-13	-21
Associates	m	14	7	9	22	Associates	m	25	16	48	60
Exceptionals	m	14	0	0	0	Exceptionals	m	26	0	0	0
Other Pre-Tax Income	m	0	0	0	0	Other Pre-Tax Income	m	0	0	0	0
Pre-Tax Profit	m	82	89	109	146	Pre-Tax Profit	m	149	198	324	364
Tax Expense	m	-25	-23	-28	-41	Tax Expense	m	-46	-51	-92	-103
Net Profit	m	56	66	81	104	Net Profit	m	103	147	232	260
Minority Interests	m	-1	-1	-1	-2	Minority Interests	m	-1	-1	-5	-19
Reported Earnings	m	56	65	80	102	Reported Earnings	m	101	145	227	241
Adjusted Earnings	m	41	65	80	102	Adjusted Earnings	m	75	145	227	241
EPS (rep)	sen	1.3	1.5	1.8	2.3	EPS (rep)	sen	2.3	3.3	5.2	5.5
EPS (adj)	sen	0.9	1.5	1.8	2.3	EPS (adj)	sen	1.7	3.3	5.2	5.5
EPS Growth yoy (adj)	%	-37.9	92.7	92.7	56.5	EPS Growth (adj)	%	-52.5	92.7	56.5	6.1
						PE (rep)	x	45.1	31.4	20.1	18.9
						PE (adj)	x	60.5	31.4	20.1	18.9
EBITDA Margins	%	8.5	11.2	11.2	11.9	Total DPS	sen	1.3	1.5	1.8	1.8
EBIT Margins	%	6.5	9.8	9.8	10.4	Total Div Yield	%	1.2	1.4	1.7	1.7
Earnings Split	%	55.0	45.0	55.0	45.0	Basic Shares Outstanding	m	4,387	4,387	4,387	4,387
Revenue Growth	%	-33.3	5.7	5.7	40.5	Diluted Shares Outstanding	m	4,387	4,387	4,387	4,387
EBIT Growth	%	-39.9	61.1	61.1	48.5						
Profit & Loss Ratios					Cashflow Analysis						
		2018A	2019E	2020E	2021E		2018A	2019E	2020E	2021E	
Revenue Growth	%	-33.7	5.7	40.5	22.2	EBITDA	m	158	222	330	364
EBITDA Growth	%	-50.4	40.1	48.7	10.4	Tax Paid	m	-85	-51	-92	-103
EBIT Growth	%	-51.0	61.1	48.5	12.3	Chg in Working Capital	m	1,087	-637	-268	-489
EBITDA Margins	%	8.5	11.2	11.9	10.7	Net Interest Paid	m	-144	-13	-13	-21
EBIT Margins	%	6.5	9.8	10.4	9.6	Other	m	-29	0	0	0
Net Profit Margins	%	4.0	7.3	8.2	7.1	Operating Cashflow	m	988	-480	-43	-249
Payout Ratio	%	72.7	45.3	33.8	31.8	Acquisitions	m	-61	0	0	0
EV/EBITDA	x	29.9	23.1	14.6	13.0	Capex	m	-438	-78	-86	-94
EV/EBIT	x	37.6	26.1	16.3	14.3	Asset Sales	m	71	0	0	0
						Other	m	1,440	0	0	0
Balance Sheet Ratios						Investing Cashflow	m	1,012	-78	-86	-94
ROE	%	1.6	3.0	4.5	4.7	Dividend (Ordinary)	m	-77	-55	-66	-77
ROA	%	1.3	2.3	3.4	3.6	Equity Raised	m	0	0	0	0
ROIC	%	1.1	2.5	3.5	3.7	Debt Movements	m	-835	50	175	300
Net Debt/Equity	%	19.2	17.6	21.4	29.0	Other	m	-1,082	31	32	33
Interest Cover	x	5.2	15.1	21.9	15.5	Financing Cashflow	m	-1,994	26	141	256
Price/Book	x	0.9	0.9	0.9	0.9	Net Chg in Cash/Debt	m	-227	143	-17	-117
Book Value per Share		1.1	1.1	1.2	1.2	Free Cashflow	m	550	-557	-128	-343
					Balance Sheet						
		2018A	2019E	2020E	2021E		2018A	2019E	2020E	2021E	
						Cash	m	552	663	614	465
						Receivables	m	776	921	913	1,023
						Inventories	m	95	101	118	225
						Investments	m	1,314	1,307	1,300	1,294
						Fixed Assets	m	665	723	774	835
						Intangibles	m	227	227	227	227
						Other Assets	m	4,714	4,506	4,859	5,207
						Total Assets	m	8,342	8,448	8,806	9,275
						Payables	m	1,796	1,760	1,777	1,762
						Short Term Debt	m	726	732	832	932
						Long Term Debt	m	766	809	884	1,084
						Provisions	m	154	154	154	154
						Other Liabilities	m	0	0	0	0
						Total Liabilities	m	3,442	3,455	3,648	3,933
						Shareholders' Funds	m	4,832	4,923	5,085	5,249
						Minority Interests	m	68	69	74	93
						Total S/H Equity	m	4,900	4,992	5,159	5,342
						Total Liab & S/H Funds	m	8,342	8,448	8,806	9,275

All figures in MYR unless noted.

Source: Company data, Macquarie Research, May 2019

Important disclosures:

Recommendation definitions

Macquarie – Asia, USA, Europe and Mazi Macquarie (SA):

Outperform – expected return >10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Australia/New Zealand

Outperform – expected return >10%
Neutral – expected return from 0% to 10%
Underperform – expected return <0%

Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to select stocks in Asia/Australia/NZ

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 March 2019

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	48.45%	56.50%	47.06%	51.94%	68.53%	51.76%	(for global coverage by Macquarie, 3.69% of stocks followed are investment banking clients)
Neutral	35.27%	30.15%	32.94%	42.78%	24.48%	38.19%	(for global coverage by Macquarie, 2.76% of stocks followed are investment banking clients)
Underperform	16.28%	13.35%	20.00%	5.28%	6.99%	10.05%	(for global coverage by Macquarie, 0.89% of stocks followed are investment banking clients)

Note: This table does not reflect the announced cessation of research services effective April 29, 2019, through our affiliate Macquarie Capital Markets Canada Ltd.

MRC MK vs KLCI, & rec history



(all figures in MYR currency unless noted)

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, May 2019

12-month target price methodology

MRC MK: RM1.20 based on a Sum of Parts methodology

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Date	Stock Code (BVG code)	Recommendation	Target Price
04-May-2019	MRC MK	Outperform	RM1.20
02-Feb-2019	MRC MK	Outperform	RM.90
26-Jul-2018	MRC MK	Outperform	RM1.00
30-Apr-2018	MRC MK	Outperform	RM1.25
19-Oct-2017	MRC MK	Outperform	RM1.15
30-Mar-2017	MRC MK	Outperform	RM1.75
07-Nov-2016	MRC MK	Outperform	RM1.61

Target price risk disclosures:

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