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FY09 Results Review

MRCB

Back In The Black

TRADING BUY ↔

Target **RM1.63**
Previous **RM1.54**
Price **RM1.37**

CONGLOMERATE

MRCB is primarily involved in construction, property development, power transmission and toll concessionaires.

Stock Statistics

Bloomberg Ticker	MRC MK
Share Capital (m)	1366.02
Market Cap (RMm)	1871.44
52 week H L Price (RM)	1.67 0.72
3mth Avg Vol ('000)	6,160.2
YTD Returns	8.0
Beta (x)	1.86

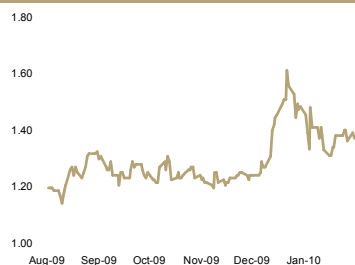
Major Shareholders (%)

EPF	30.6
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Share Performance (%)

Month	Absolute	Relative
1m	-6.2	-5.0
3m	12.9	10.8
6m	16.4	5.4
12m	73.5	17.2

6-month Share Price Performance



The FY09 revenue and net profit came in well within ours but above consensus' expectation with net profit accounting for almost 98% of our FY09 full-year earnings forecast. MRCB registered a PBT of RM46.5m for FY09 against a loss before tax of RM42.2m in FY08, largely due to the improved operational showing. We maintain our FY10 forecast and introduce our FY11 projection. We maintain our **TRADING BUY** recommendation and raise our TP from RM1.54 to RM1.63, based on SOP after rolling over our construction earnings to FY10.

Within our estimates. MRCB recorded a net profit of RM34.6m for FY09, which was well within our expectation accounting for some 98% of our full year forecast. The company posted y-o-y increase in revenues across all business divisions except for the property division, mainly attributed to the absence of one-off land sale in KL Sentral during FY08. The PBT of RM46.5m in FY09 was a significant improvement from the loss of RM42.2m a year ago, mainly due to the impairment in investment and a bigger cost impact from escalating raw material prices in FY08. The finance cost was significantly lower y-o-y due to the absence of a one-off premium charged on the early settlement of a bond by a subsidiary incurred in FY08.

In a darker black. The strong improvement in its FY09 performance was mainly due to the realization of better profit margins from the completion of existing projects and consistent recognition of profit from on-going work in progress. In FY09, MRCB's E&C division made a significant turnaround from an operating loss of RM31.2m in FY08 to an operating profit of RM50.7m. Y-o-y revenue for its E&C division surged by 65.8%, largely driven by higher contribution from its Permai Psychiatric Hospital and EDL projects, both in Johor. Likewise its environmental division also saw a significant y-o-y jump in revenue and operating profit. As expected, revenue and profit contribution from its property division was lower y-o-y due to the sluggish property market and the absence of land sale during the period under review.

Maintain TRADING BUY. We maintain our FY10 forecast and introduce our FY11 projection. Our TP has been raised from RM1.54 to RM1.63, based on SOP after rolling over our construction earnings from FY09 to FY10. Other than a stronger overall performance for FY10, we believe the potential acquisition of federal lands could provide a further re-rating of the share price. MRCB has recommended a final dividend of 1 sen for FY09 which was the second dividend declared in more than a decade.

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Revenue	903.7	788.6	921.6	1,075.8	1,255.0
Net Profit	40.7	-56.6	34.6	71.7	91.9
% chg y-o-y	20.6	n.m.	n.m.	107.0	28.2
Consensus			31.3	55.6	73.3
EPS (sen)	4.5	-6.2	3.8	5.2	6.7
DPS (sen)	1.2	0	1.0	0	0
Dividend yield (%)	0.9	0	0.7	0	0
ROE (%)	5.8	-8.9	5.2	6.1	7.5
ROA (%)	1.9	-1.9	1.1	2.3	3.0
PER (x)	31.0	(22.3)	36.4	26.5	20.7
BV/share (RM)	0.57	0.78	0.70	0.72	0.78
P/BV (x)	2.4	1.7	1.9	1.9	1.7
EV/ EBITDA (x)	11.8	51.4	24.8	21.1	19.3

Results Table (RMm)

FYE Dec	4Q09	3Q09	Q-o-Q chg	YTD FY09	YTD FY08	Y-o-Y chg	Comments
Revenue	281.7	257.1	9.6%	921.6	788.6	16.9%	Higher revenue across all the divisions except the property division.
EBIT	47.8	20.2	136.5%	101.6	45.1	125.4%	
Net interest expense	-13.4	-8.3	61.9%	-38.6	-72.1	-46.5%	Significantly lower y-o-y due to the absence of a one-off premium for the early redemption of bonds issued by a subsidiary.
Associates	-11.1	0.0		-16.5	-15.1	9.2%	Loss arising from its 30% stake in DUKE
PBT	23.4	12.0	95.0%	46.5	-42.2	>200%	
Tax	-9.9	-0.5	2004.9%	-9.0	-19.6	-53.9%	
MI	-1.0	-1.5	-30.5%	-2.9	5.1	156.3%	
Net profit	12.4	10.0	23.9%	34.6	-56.6	>160%	
EPS (sen)	1.37	1.10	24.5%	3.8	-6.2	>160%	
DPS (sen)	1.0	0.0		1.0	0.0		Only the second dividend declared in more than 10 years
EBIT margin	17.0%	7.9%		11.0%	5.7%		
NTA/share (RM)	0.7	0.7		0.7	0.8		

EARNINGS FORECAST

FYE Dec (RMm)	FY07	FY08	FY09	FY10f	FY11f
Turnover	903.7	788.6	921.6	1,075.8	1,255.0
EBITDA	152.7	54.1	110.6	148.6	162.4
PBT	69.8	-42.2	46.5	98.9	126.5
Net Profit	40.7	-56.6	34.6	71.7	91.9
EPS (sen)	4.5	-6.2	3.8	5.2	6.7
DPS (sen)	1.2	-	1.0	-	-
Margin					
EBITDA (%)	16.89	6.85	12.00	13.81	12.94
PBT (%)	7.73	-5.35	5.04	9.19	10.08
Net Profit (%)	4.51	-7.18	3.76	6.66	7.32
ROE (%)	5.78	-8.92	5.15	6.11	7.50
ROA (%)	1.93	-1.94	1.11	2.34	2.98
Balance Sheet					
Fixed Assets	823.1	1,060.8	1,277.1	1,238.0	1,209.2
Current Assets	1,283.2	1,858.3	1,830.3	1,829.1	1,874.8
Total Assets	2,106.3	2,919.1	3,107.4	3,067.1	3,084.0
Current Liabilities	576.3	1,041.4	685.8	705.6	723.3
Net Current Assets	706.8	816.8	1,144.6	1,123.6	1,151.5
LT Liabilities	755.6	1,225.3	1,721.8	1,479.0	1,384.8
Shareholders Funds	705.5	635.2	671.8	1,172.5	1,225.0
Net Gearing (%)	29.4	82.7	114.4	44.5	42.6

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)

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