

## Company Flash Note

### I Malaysia

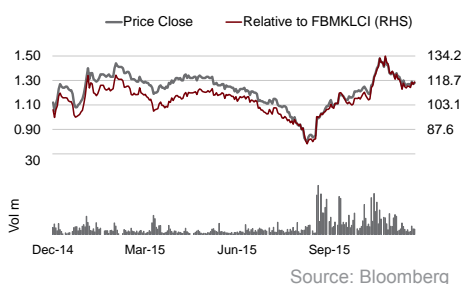
December 13, 2015 - 10:42 PM

#### ADD (no change)

Current price:	RM1.28
Target price:	RM1.65
Previous target:	RM1.65
Up/downside:	28.9%
Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US\$532.3m
	RM2,287m
Average daily turnover:	US\$1.56m
	RM6.70m
Current shares o/s	1,783m
Free float:	34.9%

#### Key financial forecasts

	Dec-15F	Dec-16F	Dec-17F
Net Profit (RMm)	95.9	130.5	142.5
Core EPS (RM)	0.054	0.073	0.080
Core EPS Growth	62.7%	36.0%	9.3%
FD Core P/E (x)	23.79	17.50	16.01
Recurring ROE	5.59%	7.27%	8.36%
P/BV (x)	1.24	1.31	1.37
DPS (RM)	0.030	0.030	0.030
Dividend Yield	2.34%	2.34%	2.34%



Price performance	1M	3M	12M
Absolute (%)	-9.2	23.1	2.4
Relative (%)	-7.7	20.8	8.4

## Malaysian Resources Corp

### The big deal about being a Bumico

- The Edge Weekly highlighted what it really means to obtain Bumico status. MRCB's 20% placement deal will also facilitate the company becoming a Bumico.
- We concur with the article that dilution concerns may have been overblown and the perks of Bumico status may be underappreciated.
- Deal-driven catalysts ahead remain. Add maintained.

#### The perks of Bumiputera company status

- The Edge Weekly highlighted that if its 20% placement exercise is approved during the EGM on 21 Dec, MRCB will be on its way to Bumiputera company (Bumico) status. This was not a surprise but the implications are far-reaching. MRCB's current Bumiputera shareholding is 7% short of the 35% required by the Ministry of Finance (MOF). The placement will address the shortfall. KWAP, PNB, a host of bank-backed funds and certain foreign agencies are said to be keen to take up the placement.

#### Major lift to its profile

- A source said that Bumico status would boost MRCB's profile in a big way. The group could become one of the largest Bumiputera construction and development players in the country, putting it in a good position to win jobs. New big opportunities include the acquisition of Bumiputera-designated land and new construction tenders. There are only a handful of players in this category. Some examples mentioned in the article include Cahya Mata Sarawak (CMS), MMC Corp, and AZRB.

#### Timing is good, dilution concerns overblown?

- In our view, the Bumico status is timely, as several large-scale projects are due take off next year, including: 1) MRT 2, 2) KL-Singapore HSR, 3) KL 118, and 4) Dash and Suke highways. The group's aggressive contract bidding has resulted in a slew of job wins YTD. We concur with the article that dilution (of at least 11-12% to EPS and 7% to RNAV, based on our estimates) concerns will gradually be overshadowed by the perks of securing Bumico status.

#### Details of the share placement deal

- MRCB's private placement represents 20% of its share capital. The indicative placement price of RM1.24, which is the 5-day volume weighted average market price (VWAMP), should accrue proceeds of RM443m-612m, depending on dilution from ESOS and warrants. The final placement price, to be determined later, shall not exceed a 10% discount to the prevailing VWAMP. The placement is expected to be completed by May 2016.

#### Sizeable overhang on the stock- Add maintained

- Potential catalysts in the months ahead include positive deal-driven newsflow (including the formation of the Property Development Fund or PDF), completion of the placement deal and securing Bumico status, as well as new construction wins (we estimate RM800m for FY16). We retain our EPS forecasts and target price (still based on a 30% discount to RNAV). Execution and earnings delivery over the next 1-2 years are crucial for MRCB. Maintain Add.

Figure 1: Utilisation of private placement proceeds

Details of utilization	Minimum Scenario RM('000)	Maximum Scenario RM('000)
Property development activities	278,800	371,500
Repayment of borrowings	65,000	85,000
General working capital	90,272	142,777
Estimated expenses in relation to the Proposed Private Placement	9,000	12,800
<b>Total estimated proceeds</b>	<b>443,072</b>	<b>612,077</b>

Notes:

Minimum scenario - assuming none of the ESOS Options and outstanding Warrants is exercised before the implementation of the Proposed Private Placement.

Maximum scenario - Assuming all of the ESOS Options and outstanding Warrants are fully exercised before the implementation of the Proposed Private Placement.

SOURCES: CIMB, COMPANY REPORTS

#### Analyst(s)

**Sharizan ROSELY**

T (60) 3 2261 9077

E sharizan.rosely@cimb.com

## Profit &amp; Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
<b>Total Net Revenues</b>	<b>1,515</b>	<b>1,809</b>	<b>1,954</b>	<b>2,110</b>
<b>Gross Profit</b>	<b>1,515</b>	<b>1,809</b>	<b>1,954</b>	<b>2,110</b>
<b>Operating EBITDA</b>	<b>110</b>	<b>247</b>	<b>293</b>	<b>313</b>
Depreciation And Amortisation	(54)	(59)	(64)	(69)
<b>Operating EBIT</b>	<b>57</b>	<b>188</b>	<b>229</b>	<b>244</b>
Financial Income/(Expense)	86	(41)	(37)	(33)
Pretax Income/(Loss) from Assoc.	(24)	(14)	(15)	(15)
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>118</b>	<b>133</b>	<b>177</b>	<b>196</b>
Exceptional Items	102	0	0	0
<b>Pre-tax Profit</b>	<b>221</b>	<b>133</b>	<b>177</b>	<b>196</b>
Taxation	(53)	(22)	(29)	(32)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>167</b>	<b>111</b>	<b>148</b>	<b>164</b>
Minority Interests	(31)	(15)	(18)	(21)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>136</b>	<b>96</b>	<b>130</b>	<b>143</b>
Recurring Net Profit	59	96	130	143
<b>Fully Diluted Recurring Net Profit</b>	<b>59</b>	<b>96</b>	<b>130</b>	<b>143</b>

## Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	664	677	711	746
Total Debtors	1,315	1,183	1,065	958
Inventories	43	43	43	43
Total Other Current Assets	868	886	903	921
<b>Total Current Assets</b>	<b>2,890</b>	<b>2,789</b>	<b>2,722</b>	<b>2,668</b>
Fixed Assets	230	235	239	244
Total Investments	949	908	869	832
Intangible Assets	269	269	269	269
Total Other Non-Current Assets	2,302	2,284	2,265	2,247
<b>Total Non-current Assets</b>	<b>3,750</b>	<b>3,695</b>	<b>3,643</b>	<b>3,592</b>
Short-term Debt	1,391	991	991	991
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	1,152	1,129	1,106	1,084
Other Current Liabilities	15	15	15	15
<b>Total Current Liabilities</b>	<b>2,557</b>	<b>2,134</b>	<b>2,111</b>	<b>2,089</b>
Total Long-term Debt	1,235	1,235	1,235	1,235
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,179	1,179	1,179	1,179
<b>Total Non-current Liabilities</b>	<b>2,414</b>	<b>2,414</b>	<b>2,414</b>	<b>2,414</b>
Total Provisions	0	0	0	0
<b>Total Liabilities</b>	<b>4,971</b>	<b>4,548</b>	<b>4,525</b>	<b>4,503</b>
Shareholders' Equity	1,590	1,843	1,745	1,664
Minority Interests	79	94	94	94
<b>Total Equity</b>	<b>1,669</b>	<b>1,936</b>	<b>1,839</b>	<b>1,758</b>

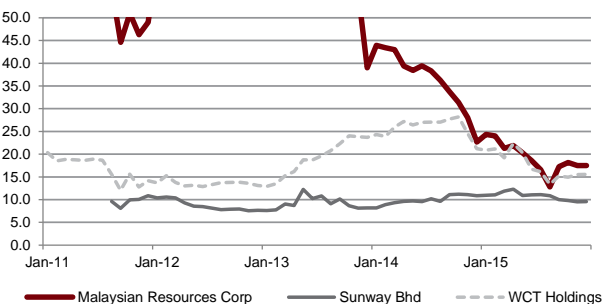
## Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	110.1	246.8	292.6	313.2
Cash Flow from Inv. & Assoc.				
Change In Working Capital	22.3	64.2	27.9	48.8
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.7	0.0	0.0	0.0
Net Interest (Paid)/Received	86.2	(41.0)	(37.2)	(32.8)
Tax Paid	(53.3)	(22.1)	(28.6)	(32.3)
<b>Cashflow From Operations</b>	<b>166.0</b>	<b>247.9</b>	<b>254.8</b>	<b>296.9</b>
Capex	(10.0)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	275.2	6.5	10.7	14.9
Acq. Of Subsidiaries/investments	(236.1)	0.0	0.0	0.0
Other Investing Cashflow	(102.0)	(171.4)	(171.4)	(171.4)
<b>Cash Flow From Investing</b>	<b>(73.0)</b>	<b>(174.9)</b>	<b>(170.7)</b>	<b>(166.5)</b>
Debt Raised/(repaid)	181.9	(400.0)	0.0	0.0
Proceeds From Issue Of Shares	0.1	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(17.6)	(21.1)	(21.1)	(21.1)
Preferred Dividends				
Other Financing Cashflow	(200.0)	361.3	(29.2)	(73.8)
<b>Cash Flow From Financing</b>	<b>(35.6)</b>	<b>(59.8)</b>	<b>(50.4)</b>	<b>(95.0)</b>
Total Cash Generated	57.5	13.2	33.7	35.4
<b>Free Cashflow To Equity</b>	<b>274.9</b>	<b>(327.0)</b>	<b>84.1</b>	<b>130.4</b>
<b>Free Cashflow To Firm</b>	<b>264.2</b>	<b>171.4</b>	<b>182.4</b>	<b>228.7</b>

## Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	61.0%	19.4%	8.0%	8.0%
Operating EBITDA Growth	NA	124%	19%	7%
Operating EBITDA Margin	7.3%	13.6%	15.0%	14.8%
Net Cash Per Share (RM)	(1.69)	(1.46)	(1.44)	(1.42)
BVPS (RM)	0.89	1.03	0.98	0.93
Gross Interest Cover	0.33	1.91	2.33	2.48
Effective Tax Rate	24.2%	16.6%	16.2%	16.5%
Net Dividend Payout Ratio	51.4%	22.0%	16.2%	14.8%
Accounts Receivables Days	236.5	251.8	210.4	174.9
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	1.52%	4.88%	6.10%	6.67%
ROCE (%)	5.91%	4.65%	5.61%	6.10%
Return On Average Assets	(0.32%)	2.31%	2.89%	3.11%

## 12-month Forward Rolling FD P/E (x)



## Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	2,925	3,415	3,705	3,995
Order Book Depletion	N/A	510	510	510
Orderbook Replenishment	350	1,000	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% 2ndary prod./serv.)	N/A	N/A	N/A	N/A

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2015

1528 companies under coverage for quarter ended on 30 September 2015

	Rating Distribution (%)	Investment Banking clients (%)
Add	58.1%	6.0%
Hold	30.4%	3.5%
Reduce	10.9%	1.0%

#### Spitzer Chart for stock being researched ( 2 year data )

##### Malaysian Resources Corp (MRC MK)



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.**

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP – Excellent, 5, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC – Good, 3B, BECL – Very Good, 3B, BH – Good, 2, BIGC – Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, BMCL – Very Good, 1, BTS – Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN – Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO – Excellent, 4, EPG – not available, 3B, GFPT – Very Good, 3A, GLOBAL – Very Good, 2, GLOW – Good, 3A, GRAMMY – Excellent, 3B, GUNKUL – Very Good, 1, HANA – Excellent, 4, HEMRAJ – Very Good, 2, HMPRO – Excellent, 3A, ICHI – Very Good, 3A, INTUCH – Excellent, 4, ITD – Good, 1, IVL – Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK – Excellent, 4, KCE – Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB – Excellent, 4, KTC – Very Good, 3A, LH – Very Good, 3B, LPN – Excellent, 3A, M – Good, 2, MAJOR – Good, 1, MAKRO – Good, 3A, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT – Excellent, 3A, MTLs – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL – Excellent, 4, PTT – Excellent, 5, PTTEP – Excellent, 4, PTTGC – Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SMART – Excellent, 3B, SAPPE – Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB – Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCCC – Good, 3A, SIM – Excellent, 3B, SIRI – Good, 1, SPALI – Excellent, 3A, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO – Excellent, 4, TK – Very Good, 3B, TMB – Excellent, 4, TPCB – Good, 3B, TOP – Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, VGI – Excellent, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

**CIMB Recommendation Framework**
**Stock Ratings**

Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

**Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

**Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

**Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

**Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

**Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

**Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

**Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

**Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

*\*Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*