

Malaysia Result Snapshot

Malaysia Resources Corp

Bloomberg: MRC MK | Reuters: MYRS.KL

DBS Group Research . Equity

24 Feb 2010

Improving profitability

BUY RM1.37

Price Target : RM 1.80

Reporting Period	Performance	Mkt Cap	FY	EPS (sen)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
4Q 2009	Above expectation	RM1,871m US\$550m	2008A 2009A 2010F	(4.1) 3.5 5.1	(180) (187) 43	-	nm 38.6 26.9	2.1 2.0 1.6	0.6 0.6 0.9

Result Summary

FY Dec (RM m)	4Q2008	4Q2009	% Chg y-o-y
P&L Items			
Sales	203.6	281.7	38.4
EBIT	(10.4)	47.8	n.m.
Exceptional	0.0	0.0	n.m.
Pretax profit	(25.5)	23.4	n.m.
Net profit	(39.3)	12.4	n.m.
EPS (sen)	(4.3)	1.4	n.m.
EBIT margin (%)	-5.1	17.0	n.m.
BS & CF Items			
Net Cash/(Debt)	(525.3)	(827.2)	
Net gearing (x)	0.8	1.2	

Price Relative



Source: Company, DBS Vickers

At a Glance

- 4Q09 profit was a notch ahead of expectations; construction margins were stable and will continue to recover
- Listing of rights shares on 5 March will improve liquidity
- Maintain BUY and RM1.80 TP for this leveraged proxy to the construction and property sectors.

Comment on Result

4Q09 net profit grew 12% q-o-q to RM12m, bringing full year FY09 net profit to RM35m. This was slightly above our RM29m forecast and consensus' RM31m. 4Q09 earnings were driven by (i) stronger construction EBIT (+12% q-o-q) with higher recognition of projects in its c.RM1.5bn external construction orderbook such as EDL and Permai Hospital in Johor (RM2.7bn if including KL Sentral projects), and (ii) 20-fold increase in property EBIT with recognition of sale of Lot G to JV companies and completion of MIDA and SSM office towers. 4Q09 construction margin was stable q-o-q at 5.5%, but should normalize to 8-9% as EDL (29% completed) and KL Sentral construction projects (Lot A, 348, E and G) filter through.

Recommendation

MRCB remains an excellent leveraged proxy to both the construction and property sectors. The listing of its rights shares in early March will improve trading liquidity. RM0.70 of our SOP value is supported by the KL Sentral franchise, which has 12 acres of land remaining. The key catalyst for MRCB remains its ability to leverage on its shareholder EPF to secure valuable government land. Assuming MRCB clinches the 20-30 acres of additional KL Sentral land (apart from the other 3 plots), our SOP value will increase by 28% to RM2.30.

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Fig. 1 – Result summary and comments

FYE Dec (RMm)	4Q09	4Q08	3Q09	% Chg y-o-y	% Chg q-o-q	Comments
Sales	281.7	203.6	257.1	38.4	9.6	Construction billings accelerated q-o-q and stronger recognition of property earnings.
EBIT	47.8	(10.4)	20.2	n/m	136.5	Lifted by higher revenue q-o-q, while expenses were flat
Pretax profit	23.4	(25.5)	12.0	n/m	95.0	
Net profit	12.4	(39.3)	10.0	n/m	23.9	
EPS	1.4	(4.3)	1.1	n/m	24.5	
EBIT margin (%)	17.0	(5.1)	7.9	n/m	9.1 pts	

Source: DBS Vickers, Company

Fig. 2 – MRCB: 4Q09 segmental breakdown

	Revenue			EBIT			Comments
	4Q09	4Q08	% chg	4Q09	4Q08	% chg	
Construction	256.0	130.0	96.9	14.0	(14.2)	(199.1)	Higher recognition of projects such as Eastern Dispersal Link and Permai Hospital, which were 37% and 29% completed, respectively. 4Q08 was affected by impairment of investments and high raw material costs.
Property	61.3	32.1	90.7	21.7	(25.4)	(185.6)	No major property launches in 2009 but there was recognition of sale of Lot G to JV companies, and completion of MIDA and SSM office towers in 2009.
Infrastructure	28.4	47.6	(40.3)	0.1	5.1	(98.9)	At tail end of some river cleaning jobs.
Building services	16.3	9.2	76.4	0.8	2.7	(69.4)	
Others	41.9	23.2	80.8	43.0	32.2	33.6	
Elimination	(122.2)	(38.6)	216.7	(31.8)	(10.8)	193.5	
Total	281.7	203.6	38.4	47.8	(10.4)	(560.6)	
	EBIT margin %			% of EBIT			
	4Q09	4Q08	ppt chg	4Q09	4Q08	ppt chg	
Construction							Construction margins were stable at 5.5% in 4Q09, but were lower than 8.1% in 2Q09 (included some VOs).
Property	5.5	(10.9)	16.4	29.3	136.3	(107.0)	Lifted by sale of Lot G to JV companies and completion of MIDA and SSM office towers.
Infrastructure	35.4	(78.9)	114.4	45.4	244.3	(198.9)	
Building services	0.2	10.8	(10.6)	0.1	(49.5)	49.6	
Others	5.0	28.9	(23.9)	1.7	(25.7)	27.4	
Elimination	102.6	138.8	(36.2)	89.9	(309.7)	399.6	
Total	17.0	(5.1)	22.1	100.0	100.0	-	

Source: DBS Vickers, Company

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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