

Equity Beat

04 March 2010

Company Update

MRCB

EPF makes general offer

Reiterate BUY**Unchanged TP: RM1.62**

- EPF has made a conditional takeover offer to buy all the shares in MRCB for RM1.50 after triggering the takeover threshold following the recent issuance of rights issue.
- The exercise will cost EPF RM1.36b for the remaining shares.
- While EPF's offer represents a slight 2% premium to current share price of RM1.47, it is below our fair value of RM1.62.
- We reiterate our BUY rating on the stock.


STOCK INFO

Price (3 Mar 2010)	RM1.47	KLCI	1,286.10
Issued shares (mil)	1,366.02	Bursa / Bloomberg	1651 / MRC MK
Par Value (RM)	1.00	Board / Sector	Main / Construction
Market cap. (RM'm)	RM2,008.0	Syariah Compliant	Yes
Price over NTA	2.0	Major Shareholders	
52-wk price Range	RM0.72–RM1.67		
Beta (against KLCI)	1.87	EPF	33.78
3-mth Avg Daily Vol	7.15 m	Fidelity Invts Luxembourg	1.34%
3-mth Avg Daily Value	RM9.6m	Public Mutual	0.52%

Conditional take-over offer by EPF. EPF has issued a conditional general offer after increasing its stake to 33.78% or 461.5m shares in MRCB following the issuance of rights issue, from 32% previously. As part of the compliance practice, the company was obligated to extend the offer for the remaining MRCB shares not already owned and all new shares that may be issued prior to the close of the offer arising from the exercise of outstanding options granted pursuant to MRCB's ESOS. The closing date for the offer is expected at the end of the month.

RM1.50 per share, payable in cash. EPF indicated an offer price of RM1.50 to be payable in cash, representing a slight 2% premium above the MRCB share price or a total of RM1.36b for the remaining 904.7m shares. The offer price is 8% below our 12-month target price of RM1.62. Thus we do not expect overwhelming interest to accept the MGO given the unattractive offer price. Furthermore, EPF does not intend to take the company private and will continue to support MRCB. Currently, it has three representatives in MRCB.

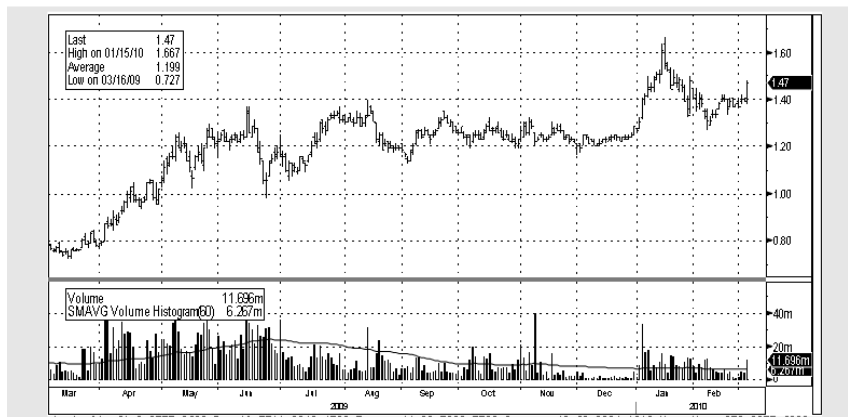
Rights issue for long-term growth. To recap, MRCB had issued 1-for-2 rights issue, increasing its share capital to 1.3b from 907.6m. The rights issue is mainly for the company's business expansion plan, where more than 50% of the proceeds will be used for land acquisitions to increase its existing landbank, particularly in the Klang Valley, mainly focusing on commercial development.

Maintain BUY. The stock has been hovering between RM1.27-RM1.48 range over the past 1 month, delivering total returns of 8% YTD. We reiterate our BUY rating on MRCB with unchanged TP of RM1.62. Prospects should remain bright with an estimated RM315m cash, which accounts for 60% of the proceeds from the rights issue, to be utilised for land acquisitions in the Klang Valley and Kuala Lumpur. 

FYE 31 Dec	FY08	FY09	FY10F	FY11F
Revenue (RM'm)	788.5	921.6	1,152.00	1,440.00
EBIT (RM'm)	45.0	36.4	46.1	64.8
Pretax Profit (RM'm)	-42.2	46.4	69.1	100.8
Net Profit (RM'm)	-61.7	40.3	53.9	75.6
EPS (sen)	n.a.	4.4	3.9	5.5
EPS growth (%)	n.m.	>100.0	na	40.2
PER(x)	n.a.	31.1	35.1	24.9
Net Dividend (sen)	n.m.	1	1	1
Net Dividend Yield (%)	n.m.	0.75	0.75	0.75

Source: Company, Forecasts by MIDFR

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.

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