

ANALYST BRIEFING

Quarter ended 30 June 2019

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1. MRCB Group Overview

2 core activities:

Property Development & Investment
Engineering, Construction & Environment

Other activities:

Facilities Management & Parking

Pioneered Transport Oriented Development (“TOD”) in Malaysia

Property investment is conducted through 27.94% owned MRCB-Quill REIT



2. Business Model – Property Development & Investment

Bespoke Buildings Pre-let on Long Term Leases



- Purpose built buildings
- Carries more value due to customisation
- Profits from lease income and possible disposal in the future

Bespoke Buildings for Sale



- Pre-sell to owner occupiers or other purchaser
- Purpose built buildings
- Profits recognised progressively based on percentage completion of construction

Build Residential and Retail Commercial Developments



- Mostly within MRCB TODs
- Entire development is self-sustaining and integrated with easy transport access
- Profits recognised progressively based on percentage completion of construction

Income from Land Sales



- Extract maximum value from urban land bank
- Free up capital that can then be deployed elsewhere

Income from Investment Properties via MQREIT



- Dispose investment properties to MQREIT, in return of cash and units in the REIT
- Cash is recycled in future property transactions
- MRCB earns long term stream of income from dividend

2. Business Model – Engineering, Construction & Environment



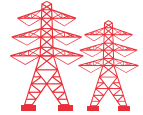
Infrastructure



**Commercial
and Residential**



Environment



**Transmission
Lines**

- Largest Bumiputera construction company
- Full service and autonomous construction company
- Strong track record and extensive engineering skillsets which allow us to focus on projects with high mechanical and engineering content and infrastructure
- Target higher margin and complex projects, with high barriers to entry
- Grow Fee Based segment
- Profits from external construction clients (whilst our internal construction works are eliminated upon group consolidation)

3. MRCB Financial Summary

MRCB 1H2019 Overview

Revenue

RM **475** mil.

▼ 43% y-o-y

PBT

RM **18** mil.

▼ 75% y-o-y

PAT

RM **9** mil.

▼ 84% y-o-y

Net Gearing

0.25 x

Total Assets

RM **8,342** mil.

Total Equity

RM **4,905** mil.

EPS

0.34 sen

▼ 73% y-o-y

Market Cap

RM **4,184** mil.

MRCB Segment Overview

	Property Development	Engineering & Construction	Others
Revenue RM mil.	156	284	35
Revenue Contribution	33%	60%	7%
Operating Profit RM mil. Margin %	47 30.0%	2 0.5%	(1) (2.6)%

1H2019 Key Numbers

RM244 mil.
Property Sales

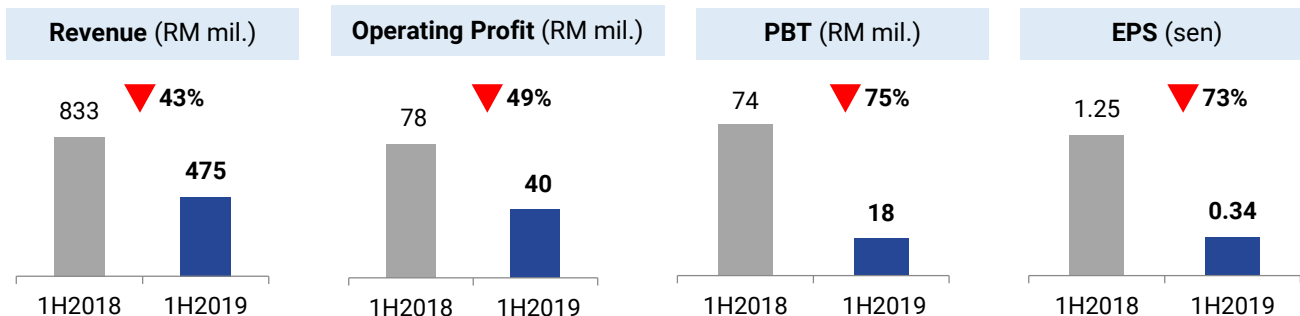
RM1.8 bil.
Property
Unbilled Sales

RM22.6 bil.
External
Construction
Order Book

RM21.2 bil.
Construction
Unbilled Order
Book

1. EPS; Weighted Average No of Shares as at 30 June 2019 = 4,399,801,710
2. Market Cap as at 28 June 2019; Number of Shares as at 30 June 2019 = 4,404,586,169

4. YTD 2019 Highlights



Key Highlights

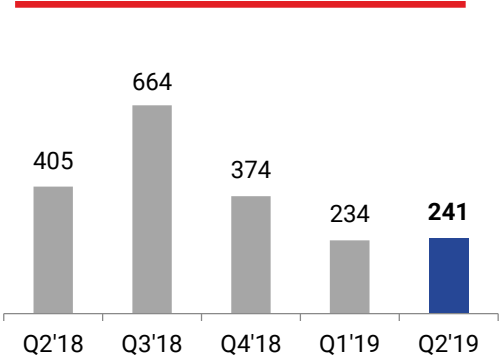
- Revenue and profits impacted by property development projects still being at the early stage of construction when recognition is minimal and re-timing of income recognition for the LRT3 Project.
- LRT3 contributed much lower PAT of RM1.01 mil. in 1H2019 vs RM15.0 mil. in 1H2018 (booked under Share of Results of JV).
- MQREIT and MRCB Quill Management contributed PAT of RM8.6 mil.
- Net gearing at 0.25 times vs. 0.69 times as at June 2018.

5. Financial Performance – Profit & Loss

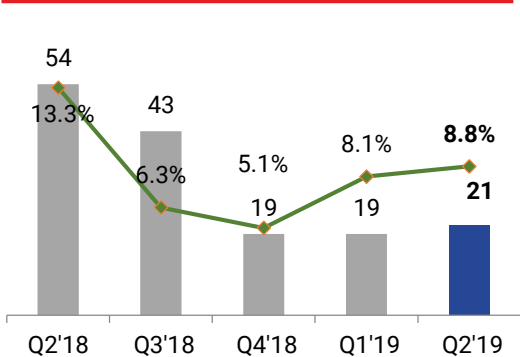
RM' Million	2QFY19	2QFY18	Y-o-Y Growth %	6M 2019	6M 2018	Y-o-Y Growth %
Revenue	241	405	(40.5)%	475	833	(43.0)%
Other Operating Income	66	11	498.6%	78	27	188.6%
Total Revenue	307	416	(26.2)%	553	860	(35.7)%
Operating Expenses	286	362	(21.0)%	513	782	(34.4)%
Operating Profit	21	54	(60.9)%	40	78	(48.8)%
<i>Operating Profit Margin (%)</i>	8.8%	13.3%		8.4%	9.4%	
Finance costs	13	17	(25.1)%	25	21	18.7%
Share of results of associates	2	3	(23.7)%	5	6	(9.0)%
Share of results of joint ventures	(1)	3	(126.7)%	(2)	11	(116.8)%
Profit before taxation	10	43	(77.2)%	18	74	(75.2)%
Taxation	2	11	(79.8)%	9	16	(42.5)%
Profit for the period	8	32	(76.3)%	9	58	(84.1)%
<i>PAT Margins (%)</i>	3.2%	8.0%		1.9%	7.0%	
EPS	0.25	0.76	(67.1)%	0.34	1.25	(72.8)%

5. Financial Performance – Quarterly Analysis

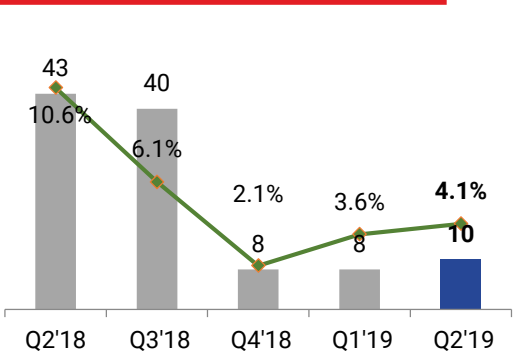
Revenue



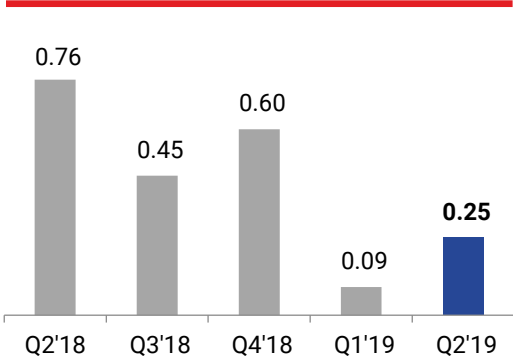
Operating Profit and Margin



PBT and Margin



EPS (sen)

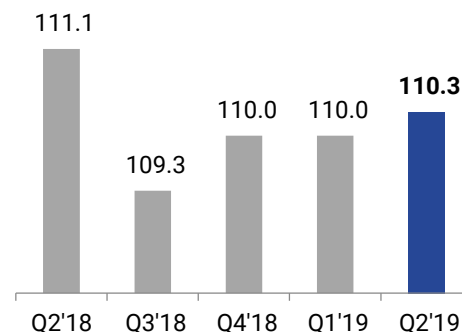


• Figures are in RM mil. and margins in %

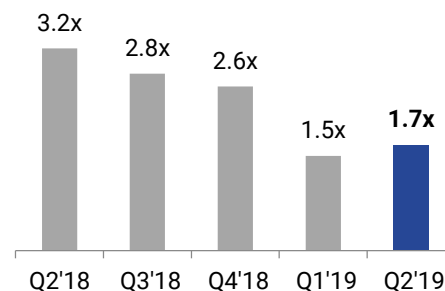
5. Financial Performance – Balance Sheet

RM' Million	2QFY2019	1QFY2019
Total Assets		
Current Assets	3,189	3,079
Non-Current Assets	5,153	5,180
Total Assets	8,342	8,259
Total Liabilities		
Current Liabilities	1,822	1,789
Non-Current Liabilities	1,614	1,566
Total Liabilities	3,436	3,355
Total Equity		
Shareholder's Equity	4,857	4,838
Non Controlling Interests	48	65
Total Equity	4,905	4,904
Net assets per share attributable to the equity holders of the Company (sen)	110.3	110.0

NAV Per Share (sen)



Interest Coverage*



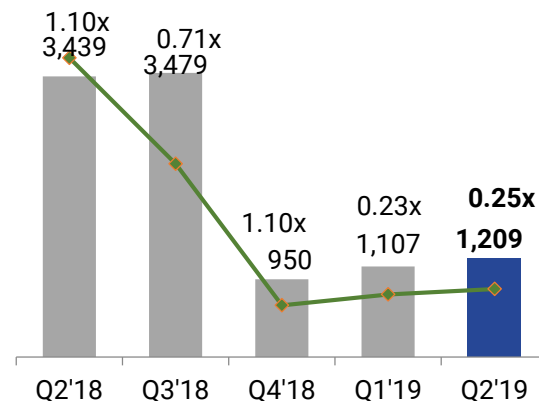
NAV per share; Number of Shares as at 30 June 2019 = 4,404,586,169

*Based on Profit from operations

5. Financial Performance – Borrowings

Leverage Profile (RM mil.)	2QFY2019	1QFY2019
Debt		
Short Term Borrowings	656	640
Long Term Borrowings	824	780
HP creditors		1
Total Debt	1,480	1,421
Less: Deposits, cash and bank balances	271	315
Net Debt	1,209	1,106
Total equity	4,905	4,904
Net Gearing	0.25x	0.23x

Net Debt and Gearing

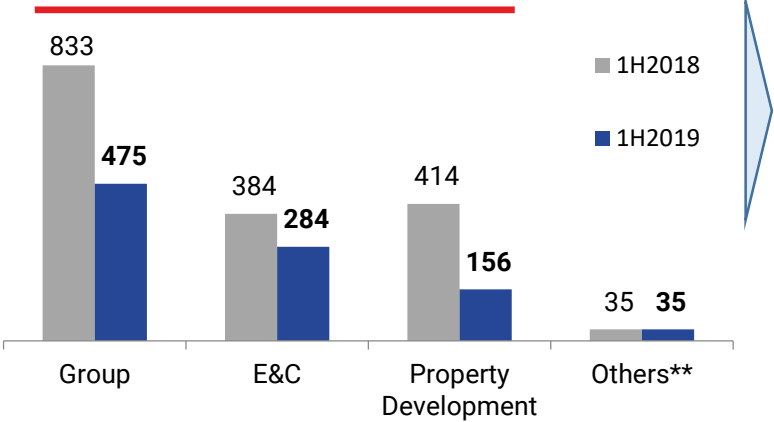


Key Highlights

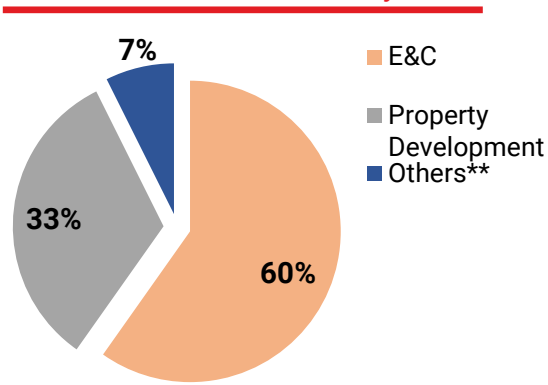
Net gearing slightly increased from 0.23 times in 1QFY2018 to 0.25 times in 2QFY2019 due to slight increase of debt.

6. Segmental Reporting: Overview

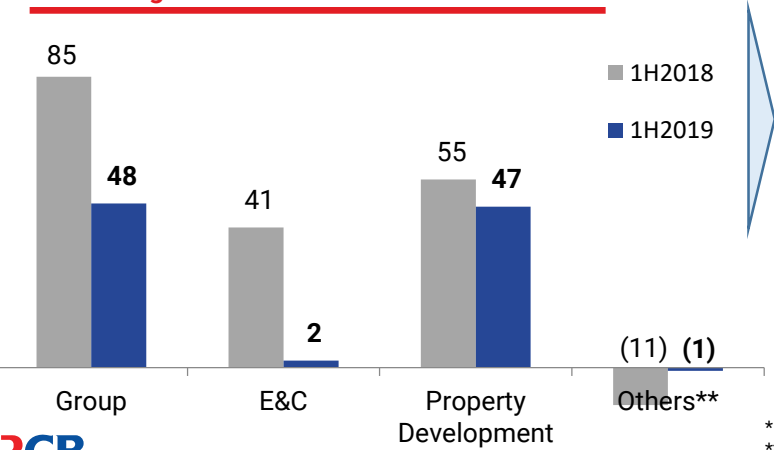
Revenue Trend – RM475 mil.



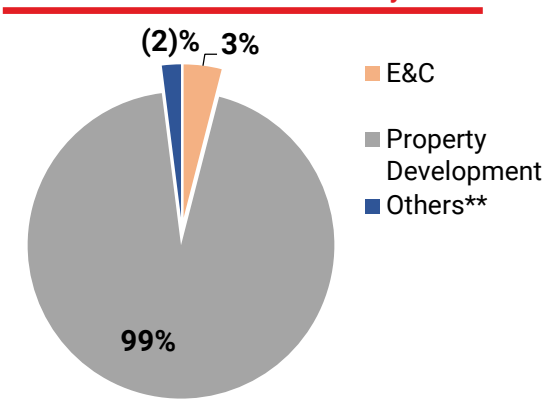
Revenue Contribution Analysis



Segmental Profit Trend – RM48 mil.



Profit Contribution Analysis

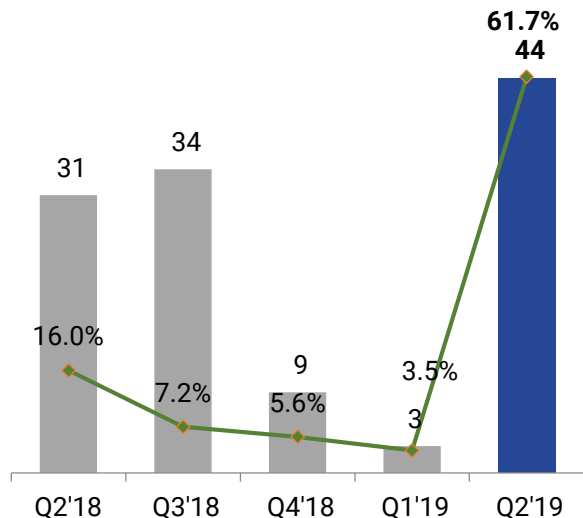


* All figures are in RM mil. and margins in %
** Others include Facilities Management & Parking and Others

7. Segmental Reporting: Property Development & Investment

RM' Million	2QFY19	2QFY18	Y-o-Y Growth %	6M 2019	6M 2018	Y-o-Y Growth %
Revenue	71	193	(63.2)%	156	414	(62.2)%
Segmental Profit	44	31	42.3%	47	55	(14.7)%
Margin (%)	61.7%	16.0%		30.0%	13.3%	

Segmental Profit and Margin



Performance Discussion

Contributed 33% of Group revenue

Revenue contributors: Ongoing projects which include Sentral Suites, 9 Seputeh and the office towers in PJ Sentral.

MQREIT and MRCB Quill Management contributed PAT of RM8.6 mil.

Revenue and profit declined due to :

- Construction completion of VIVO in 9 Seputeh and Kalista Park Homes in Bukit Rahman Putra, which resulted in revenue from sales of completed units not being booked until completion of SPA
- No revenue and profit recognised from:-
 - **Sentral Suites** due to construction progress still below podium levels
 - **TRIA, 9 Seputeh** which is still at its early development
 - **1060 Carnegie** in Melbourne, which will only be recognised upon completion and handover to customers

Operating profit contributed by : Disposal of 30% equity interest in One IFC Sdn Bhd. with gain after tax of RM55 mil.

1H2019 Sales: RM244 mil, unbilled sales: RM1.8 bil.

7. Segmental Reporting: Property Development Projects

Total sales of RM244 mil. in 1H2019

Property Sales YTD 2019 – RM244 mil.

Project / Sales (RM' mil.)	Total Project GDV	% Sales Achieved as at 30/6/19	Sales Recorded in 1H2019
Residential			
1060 Carnegie	273	81%	7
Bukit Rahman Putra			
Kalista	101	74%	11
Alstonia Hilltop	247	8%	19
Sentral Suites	1,527	76%	64
9 Seputeh,			
VIVO, Parcel C	976	76%	0
TRIA Phase 1, Parcel B	662	46%	19
TRIA Phase 2, Parcel B	271	43%	112
Sentral Residences	1,440	92%	12
The Easton, Burwood	176	89%	0
Total	5,673		244

Unbilled Sales – RM1,761 mil.

Project / Sales (RM' mil.)	Project Completion	Revenue Recognised in 1H2019	Unbilled Sales
Residential			
Sentral Suites	24%	34	1,006
1060 Carnegie	77%	0	237
9 Seputeh / TRIA, Parcel B	16%	11	349
Commercial			
PJ Sentral/ MYIPO	46%	27	140
PJ Sentral/ MBSB	90%	12	29
Total		84	1,761

Note: Sales refers to properties that have been sold to buyers, which will progressively be recognised as revenue as the properties are constructed.

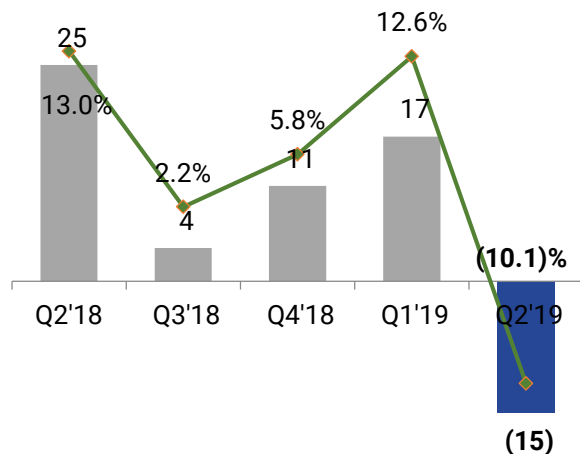
7. Segmental Reporting: Property Development Projects

	Land Size (Acres)	GDV RM' mil.	% Stake	Start Date	Completion Date
Transport Oriented Developments					
KL Sentral: Lot F	5.70	2,993	100%	2018	2025
PJ Sentral Garden City	11.91	2,700	100%	2013	2026
Penang Sentral	22.65	2,865	100%	2015	2027
Cyberjaya City Centre	45.31	5,350	70%	2017	2024
Kwasa Sentral	64.30	10,555	70%	2018	2030
Total	149.87	24,463			
Commercial Developments					
Pulai Land Johor	67.52	770	100%	TBD	TBD
Residential Developments					
9 Seputeh	17.63	2,680	100%	2014	2024
Sentral Suites	4.75	1,534	100%	2016	2020
1060 Carnegie, Melbourne	1.00	305	100%	2018	2020
Bukit Rahman Putra	14.18	547	100%	2016	2021
Bandar Sri Iskandar (Phase 2C, 2D & 3)	11.53	766	70%	2014	2025
Total	116.61	6,602			
Others					
Suria Subang	3.20	NA	100%	NA	NA
Selbourne 2 Shah Alam	2.37	NA	100%	NA	NA
Metro Spectacular Land, Jalan Putra	10.06	NA	51%	NA	NA
Total	15.63	-			
Grand Total	282.11	31,065			

8. Segmental Reporting: Engineering, Construction & Environment

RM' Million	2QFY19	2QFY18	Y-o-Y Growth %	6M 2019	6M 2018	Y-o-Y Growth %
Revenue	151	193	(21.8)%	284	384	(26.1)%
Segmental Profit	(15)	25	(160.9)%	2	41	(96.3)%
Margin (%)	(10.1)%	13.0%		0.5%	10.7%	

Segmental Profit and Margin



Performance Discussion

Contributed 60% of Group revenue

Revenue contributors: MRT2, DASH, TNB HQ Campus, SUKE, Larkin Stadium and other smaller scale civil engineering projects in Klang Valley

Lower profit due to: the prudent expensing of certain costs while awaiting for the completion of the final accounts of completed projects and the results of legal proceedings relating to certain projects

LRT3: RM1.01 mil. profit earned and booked under Share of Joint Ventures vs. RM15.0 mil. in 1H2018

External construction order book : RM22.6 bil.

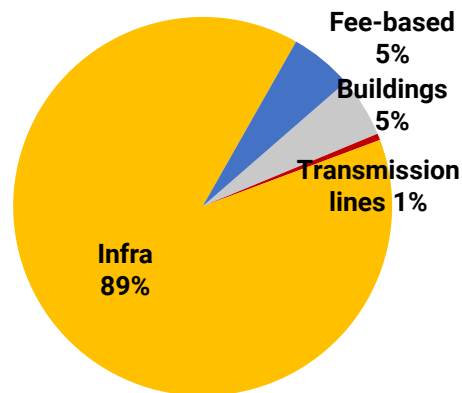
Unbilled construction order book : RM21.2 bil.

8. Segmental Reporting: Engineering, Construction & Environment

Unbilled External Order Book – RM21,218 mil.

External Contracts RM'mil	Contract Value	Completion
Buildings:		
Desaru Convention Centre	61	96%
Desa Desaru	216	98%
Westin Desaru Resort	208	98%
PR1MA Kajang	173	80%
PR1MA Brickfields	335	6%
Indoor Stadium - Larkin	60	60%
TNB HQ Campus (Phase 1)	54	93%
Giant Hypermarket Setapak	52	97%
Transmission lines:		
Jabi Serting Hilir	126	99%
Infra:		
MRT2 V210 Package - 2.6km Guideway	614	48%
NPE Bridge Phase 2	16	40%
Kwasa Utama C8 (provisional TCC)	2,958	10%
DASH - CB2 Package	400	21%
LRT3	*5,686	18%
Bukit Jalil Sentral (provisional contract costs)	10,116	0%
SUKE - CA2 Package	316	5%
Fee-based orders:		
Kwasa Utama, C8 - management contract	177	10%
Kwasa Land - PDP Infra	176	
Bukit Jalil Sentral - management contract	841	
Semarak City Phase 1 - management contract	27	
Total	22,611	

External Order Book Analysis



Top Projects

No	Project Name	Order Book Value	% of Total Order Book
1.	Bukit Jalil Sentral	10,957	48.5%
2.	LRT3	5,686	25.1%
3.	Kwasa Utama C8	3,135	13.9%
4.	MRT2 – V210 Package	614	2.7%
5.	DASH – CB2 Package	400	1.8%
6.	PR1MA Brickfields	335	1.5%



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