

**AmInvestment Bank****Company report****Thomas Soon**

soon-guan-chuan@ambankgroup.com

03-2036 2300

PROPERTY

MRCB

(MRC MK EQUITY, MYRS.KL)

09 Aug 2016*Extends proposed subscription for Kwasa Sentral***BUY**

Price: RM1.26

Fair Value: RM2.00

Rationale for report: Company update

YE to Dec	FY15	FY16F	FY17F	FY18F
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FD Core EPS (sen)	1.7	3.3	4.7	5.7
PE (x)	72.3	38.5	26.7	22.2

Source: AmInvestment Bank Bhd

- MRCB, Kwasa Land and Kwasa Sentral have entered into supplemental shareholders' agreement to vary certain terms of their agreement.
- MRCB said yesterday the conditional period is extended to 13 November 2016 and the unconditional date will be mutually agreed among the parties, i.e. falling within six months after the fulfilment of conditions precedent.
- MRCB said this will provide MRCB the flexibility to finalise the financing agreements to satisfy the balance subscription payment closer to the unconditional date. Stemming from this, the proposed subscription is expected to be completed by the 2Q17.
- Recall MRCB had in August 2014 entered into a shareholders' agreement with KWASA Land, a unit of the EPF, for the development of 64.07 acres of land at the KWASA Damansara township, a 942.9ha site of the former Rubber Research Institute in Sg. Buloh.
- MRCB is to fork out RM817mil in return for a 70% stake in the JV, Kwasa Sentral Sdn Bhd (formerly Kwasa Development (2) Sdn Bhd), which will develop the town centre of Kwasa Damansara. KWASA Land will hold the balance 30%.
- The agreement is subject to several conditions precedent, including:- (i) extension of leasehold for the MX-1 Land to 99 years; (ii) sub-division of land title; and (iii) approval by MRCB shareholders (obtained in February 2015).
- The indicative GDV for Kwasa Damansara is ~RM8bil, spread over a 15-year period (plot ratio: ~3.5x). Recall too that Kwasa Land has appointed MRCB to be the project delivery partner (PDP) to develop the main infrastructure for the new township, for a provisional fee of RM112.28mil.
- MRCB will earn a PDP fee based on 5% of the development cost estimated at RM2.2bil, plus GST and reimbursable expenses. MRCB is also joint PDP with George Kent (M) Bhd for the RM9bil LRT 3 project (management fee @6%).
- We maintain our BUY call on MRCB at an unchanged fair value of RM2.00/share (20% discount to NAV).
- Key catalysts continue to be:- (i) the conclusion of the proposed Bumiputera private placement exercises; (ii) recycling of more commercial assets into MQ REIT; (iii) unlocking of more value from its property landbank; and (iv) potential disposal of Eastern Dispersal Link (EDL) highway.

Quick Take

TABLE 1 : VALUATION MATRIX

YE 31 Dec	FY14	FY15	FY16F	FY17F	FY18F
Revenue (RM mil)	1,514.8	1,696.7	1,953.9	2,339.0	2,583.4
Core net profit (RM mil)	16.7	1.1	37.4	72.0	94.6
FD Core EPS (sen)	1.6	1.7	3.3	4.7	5.7
FD Core EPS growth (%)	(137.3)	8.4	87.8	44.5	20.1
Consensus Net Profit (RM mil)	-	-	80.4	96.3	122.5
DPS (sen)	2.5	2.5	2.0	2.0	2.0
PE (x)	78.4	72.3	38.5	26.7	22.2
EV/EBITDA (x)	17.8	16.4	17.7	16.3	14.6
Div yield (%)	2.1	2.1	1.7	1.7	1.7
ROE (%)	8.3	15.6	1.8	3.2	4.1
Net Gearing (%)	152.6	127.1	180.5	186.5	182.1

Source: Company, AmlInvestment Bank Bhd estimates

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