



MALAYSIA

MRC MK Outperform

Price (at 08:50, 29 Mar 2017 GMT) RM1.64

Valuation RM 1.35-2.20
- Sum of Parts

12-month target RM 2.00

Upside/Downside % +22.0

12-month TSR % +23.6

Volatility Index Medium

GICS sector Capital Goods

Market cap RMm 3,525

Market cap US\$m 799

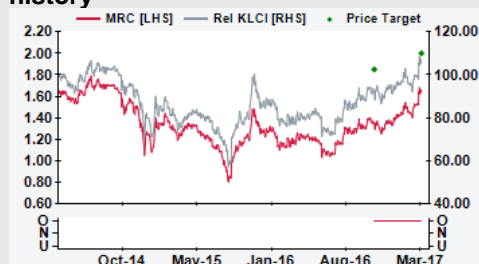
30-day avg turnover US\$m 2.3

Number shares on issue m 2,149

Investment fundamentals

Year end 31 Dec		2016A	2017E	2018E	2019E
Revenue	m	2,408.1	2,281.8	2,025.1	2,263.0
EBITDA	m	571.3	386.2	419.4	455.3
EBITDA growth	%	135.7	-32.4	8.6	8.6
EBIT	m	512.4	310.4	331.4	353.2
EBIT growth	%	187.6	-39.4	6.7	6.6
Reported profit	m	349.9	150.7	186.0	200.1
Adjusted profit	m	267.4	151.5	186.0	200.1
EPS rep	sen	17.9	6.5	8.1	9.3
EPS adj	sen	13.7	6.5	8.1	9.3
PER adj	x	12.0	25.1	20.2	17.6
Total DPS	sen	2.8	2.8	2.8	2.8
Total div yield	%	1.7	1.7	1.7	1.7
ROA	%	6.9	3.9	4.2	4.4
ROE	%	10.3	5.1	6.0	6.2
EV/EBITDA	x	10.1	15.6	13.3	10.4
Net debt/equity	%	73.2	75.4	81.7	74.9
P/BV	x	1.4	1.5	1.4	1.1

MRC MK rel KLCI performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, March 2017

(all figures in MYR unless noted)

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30 March 2017

Macquarie Capital Securities (Malaysia) Sdn. Bhd.

MRCB

Strike while the iron is hot

Event

- We reiterate our Outperform rating on MRCB and retain it as our top pick in the Malaysian property sector as we revise our TP upwards from RM1.85 to RM2.00, on the back of forecast adjustments in the property and construction divisions. MRCB is also one of our top [GLC-reform picks](#).
- Listed as a property company on Bursa Malaysia, we believe MRCB could further enhance the value of the group by listing its construction division in the medium term (12 to 18 months). MRCB's construction division is currently sitting on an outstanding orderbook of RM5.4bn and we forecast the division to replenish its orderbook by RM1bn/FY in FY17-19E. Given that the loss-making legacy projects from the previous management already realized in FY16, we believe margin expansion in MRCB's construction division is on the cards with an estimated PAT CAGR of 66% in FY17-19E (**Fig 6**). By separately listing the construction division, we think the construction division could be accorded with higher valuation multiples, as seen in the listing of Sunway Construction (SunCon) (**Fig 13**). Since IPO, SunCon's market cap grew by 50% vs its parent – Sunway Berhad at 6%, over the same period (**Fig 14**), strong proof of value creation. With proper execution, the precedence set by SunCon could be a blue sky scenario for an MRCB Construction IPO.

Impact

- **Timing – strike while the iron is hot.** We believe the election factor coupled with the ongoing award of infra contracts are tailwinds for the Malaysian construction sector which, thus far, have pushed the fwd-PER multiple of the sector near its five-year high at 16x (five-year avg: 13x). As such, we think the timing for a stand-alone listed entity for MRCB Construction appears ideal.
- **Construction sector gives a better multiple compared to property.** Historically, the market has given higher multiples to the construction sector as opposed to the property sector (**Figs 16 & 17**). Currently, the fwd-PER of the KLCON Index trades at 16x vs KLPRP Index at 13x (five-year avg: 12x).
- **Granted orderbook support from MRCB Land's development projects.** MRCB's landbank portfolio has an underlying GDV of c.RM44bn (**Fig 20**) with its key development projects – Kwasa Sentral, Cyberjaya City Centre and KL Sports City carrying a combined GDV of c.RM29bn. If we assume 25% of the GDV is construction cost, MRCB Construction would be able to book at least RM7.2bn worth of construction jobs in its orderbook.

Earnings and target price revision

- We adjust our forecasts and revise our TP by 8.1% from RM1.85 to RM2.00. We revise our EPS estimates for FY17-19E by +9.4%/+3.8%/-11.9%.

Price catalyst

- 12-month price target: RM2.00 based on a Sum of Parts methodology.
- Catalyst: The finalisation of EDL divestment, which should significantly decrease MRCB's finance cost, and hence increase its profitability.

Action and recommendation

- Maintain Outperform.

Analysis

Fig 1 Breakdown of MRCB's SOTP

Business Division	Valuation Method	Stake	Value (RM 'mil)
Property Development	RNAV at 40% discount to RNAV	Mixed	2,274
Investment Properties	12m forward NOI @ cap rate	Mixed	674
Construction	8x PER on FY18E PAT	100%	866
Parking Services	12m forward NOI @ cap rate	100%	227
Security Services	8x PER on FY18E PAT	100%	10
Concession	NPV of FCF @ 6.8%	100%	175
MRCB-Quill REIT	Consensus TP @ RM1.35	33%	474
REIT Manager	12x PER multiple of FY18 PAT	41%	29
Ascott	Divestment Value	100%	120
Gross SOTP			4,850
(-) Net Debt as at end of FY16	Net debt excluding the concession & property development debts		(556)
SOTP (RM 'mil)			4,294
Number of shares (mil)			2,144
Fair value (RM)			2.00

Source: Company data, Bloomberg, Macquarie Research, March 2017

Fig 2 Change in estimates

RM 'mil	New Estimates			Old Estimates			Difference		
	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Revenue	2,282	2,025	2,263	1,946	2,133	2,669	17.2%	-5.0%	-15.2%
EBIT	310	331	353	322	368	448	-3.7%	-9.9%	-21.1%
PBT	223	267	313	209	267	360	6.9%	-0.1%	-12.9%
PAT	151	186	200	138	179	227	9.5%	3.8%	-11.9%
EPS (sen)	6.5	8.1	9.3	6.0	7.8	10.6	9.4%	3.8%	-11.9%

Source: Macquarie Research, March 2017

Fig 3 Macquarie vs. consensus

RM 'mil	Macquarie			Consensus			Difference		
	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Revenue	2,282	2,025	2,263	1,964	2,288	2,591	16.2%	-11.5%	-12.7%
EBIT	310	331	353	347	338	395	-10.5%	-2.0%	-10.6%
PBT	223	267	313	236	266	310	-5.4%	0.5%	1.0%
PAT	151	186	200	140	168	200	8.2%	11.0%	0.2%
EPS (sen)	6.5	8.1	9.3	5.6	6.5	8.1	16.7%	24.8%	15.2%

Source: Bloomberg, Macquarie Research, March 2017

Fig 4 MRCB vs. peers

Company	Ticker	Rec.	CP	TP	Upside	YTD perf.	RNAV/Disc to share	RNAV	Mkt Cap	3M Avg Daily Yield	FY17 E	FY17E Net gearing	FY17E Net Debt-to-EBITDA	FY17 E ROE	FY18 E ROE	FY17 E PER	FY18 E PER	FY17 P/Bv	FY18 P/Bv
			RM	RM	%	%	RM	%	US\$m	US\$m	%	%	x	%	%	x	x	x	x
Malaysia																			
MRCB	MRC MK	OP	1.66	2.00	20%	24%	2.00	-17%	803	1.4	1.7	74.9	6.0	5.4	6.3	24.1	19.6	1.5	1.4
SP Setia	SPSB MK	OP	3.45	3.85	12%	12%	5.50	-37%	2,273	2.0	5.3	21.2	2.2	8.3	6.7	12.9	15.7	1.1	1.0
Mah Sing	MSGB MK	OP	1.49	1.72	15%	3%	2.45	-39%	802	0.5	4.6	4.2	0.3	10.4	9.5	9.9	10.3	1.0	1.0
UEM Sunrise	UEMS MK	N	1.25	1.02	-18%	20%	2.55	-51%	1,294	2.2	1.1	27.4	6.6	3.3	3.0	24.7	26.7	0.8	0.8
E&O	EAST MK	N	1.96	1.70	-13%	36%	4.25	-54%	561	0.7	1.2	77.0	12.6	2.5	4.7	57.6	29.8	1.4	1.4
Mkt. Cap. Weighted Average										1.6	3.4	33.2	4.5	6.5	6.0	21.1	19.3	1.1	1.1

Source: Bloomberg, Macquarie Research, March 2017; prices as at 27 March 2017 close

The potential listing of MRCB Construction

While listing the construction division is an idea that has been [publicly indicated](#) by MRCB's management, we stress that this note is an exercise conducted strictly hypothetically and the company did not indicate interest in such a scenario. The analyses made are based on our estimates and publicly available data. In this scenario we refer to MRCB's property and construction arms as MRCB Land and MRCB Construction, respectively.

Justifications for listing

- **MRCB Construction could recognize the in-house projects as external revenue.** Being under the same listed entity, MRCB's construction division would not be able to recognize the construction works that it executes for MRCB Land. Between FY14-16, at the group level, MRCB eliminated 35% of the cumulative revenue, which were tagged as inter-segment revenue between MRCB Land and MRCB Construction (**Fig 5**). Being listed as a separate entity, MRCB Construction would be able to recognize the in-house jobs from MRCB Land as external orders, and thus register higher revenue and earnings as there would be more accurate profit apportionment between MRCB Land and MRCB Construction.
- **Key development projects could contribute at least RM7.2bn to MRCB Construction orderbook.** We estimate MRCB Land has a landbank portfolio with undeveloped GDV of c.RM44bn (**Fig 20**). The key development projects include Kwasa Sentral (GDV RM8.6bn), KL Sports City (GDV RM14.6bn) and Cyberjaya City Centre (GDV 5.4bn). With regard to (i), if we assume the construction cost of these key development projects is 25% of the respective GDV, the amount of construction works that could contribute to MRCB Construction may reach RM7.2bn, just from three development projects.
- **MRCB Construction could be one of the biggest affordable housing builders for the government and government agencies.** In 2016, MRCB secured two government-led affordable housing projects under the Perumahan Rakyat 1Malaysia (PR1MA) scheme, with a combined value of RM551mn. Under the PR1MA scheme, there are more than 100 projects with a total of c.150,000 affordable housing units yet to be built/awarded. Given the number of government-led affordable housing projects, we believe there is still upside in terms of contract wins for MRCB Construction, coming from the PR1MA scheme alone. On top of PR1MA, we understand that MRCB will be constructing over 20,000 units of affordable homes in its Kwasa Damansara project, under a program led by EPF. We believe this could open the door for MRCB Construction to build more affordable housing for other government agencies as well.
- **MRCB Construction would likely have ample cornerstone investors to back the listing.** Currently, the top-5 MRCB shareholders include EPF, Gapurna, Lembaga Tabung Haji, Bank Rakyat and Norges Bank, with a cumulative shareholding of 69%. The Security Commission's Equity Guideline paragraph 5.09 (h) states that the existing shareholders of the currently listed entity should be given an assured entitlement to any offering of existing or new shares of the to-be-listed entity. As such, we believe the listing of MRCB Construction could earn the support of MRCB's existing cornerstone investors.
- **Construction sector gives a better multiple compared to property.** Currently, MRCB is listed under the property sector of the Bursa Malaysia KLCI. YTD, the property sector (KLPRP Index) outperformed the KLCI by 761bps, meanwhile the construction sector (KLCON Index) outperformed the index by 683bps. However, in terms of trading multiple, historically, the market has given higher multiples for the construction sector as opposed to the property sector (**Fig 16 & Fig 17**). Currently, the fwd-PER of the KLCON Index is trading at 16x, as opposed to the KLPRP Index at 13x.
- **Timing – strike while the iron is hot.** We believe the election factor coupled with the continuous awards of infra contracts are tailwinds for the sector to be accorded with such a multiple as mentioned in (v). Therefore, listing MRCB Construction in the medium term may help MRCB maximize the multiple of MRCB Construction. We believe the listing of MRCB Construction should happen over the next 12 to 18 months.

Listing criteria and valuation

In order to be listed, MRCB Construction has to meet all the requirements (available in detail in the Appendices section) stipulated in the Security Commission’s Equity Guidelines. The guideline states that as a profit test to the to-be-listed entity, it must register an aggregate after-tax profit of at least RM20 million and an after-tax profit for the most recent financial year of at least RM6 million, based on the audited accounts. Based on the previous annual reports and the latest release of its management’s accounts, we estimate that MRCB Construction is able to meet the aforementioned requirements, as detailed in Fig 5 below.

Fig 5 Estimated PAT of MRCB Construction FY14-16

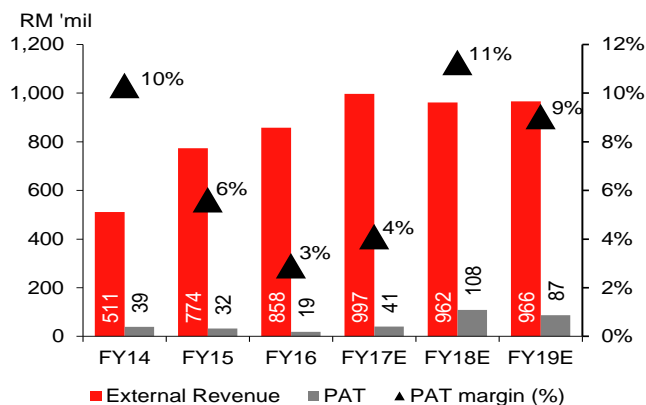
RM 'mil	FY14	FY15	FY16*
Total Revenue	790	1,141	1,367
Inter-segment revenue eliminations	-279	-368	-509
External Revenue	511	774	858
EBIT	43	35	12
Associate & JV Income	10	8	13
PBT**	53	43	25
Tax	-14	-11	-6
PAT	39	32	19
PAT margin (%)	10%	6%	3%

* FY16 numbers are based on MRCB management’s accounts

** In both management’s accounts and audited accounts, MRCB only disclosed the divisions’ income breakdown at the EBIT level and the associate income. In order to estimate the PBT & PAT of the MRCB Construction division, we assumed the finance costs are borne by MRCB at the Group level and the tax amount is based on the prevalent corporate tax rate of each financial year

Source: Company data, Macquarie Research, March 2017

Fig 6 PAT forecast of MRCB Construction

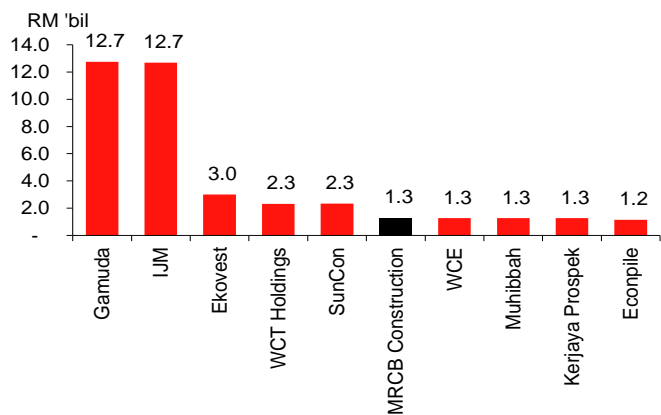


Source: Company data, Macquarie Research, March 2017

Taking into account the most recent notable listing – SunCon (SCGB MK, RM1.75, Outperform, TP: RM1.90) – which was listed in July 2015, with a market cap of RM1.55bn and a fwd-PER multiple of 12.3x. We currently value MRCB’s construction division at RM886mn based on an 8x PER multiple on the division’s FY18E PAT.

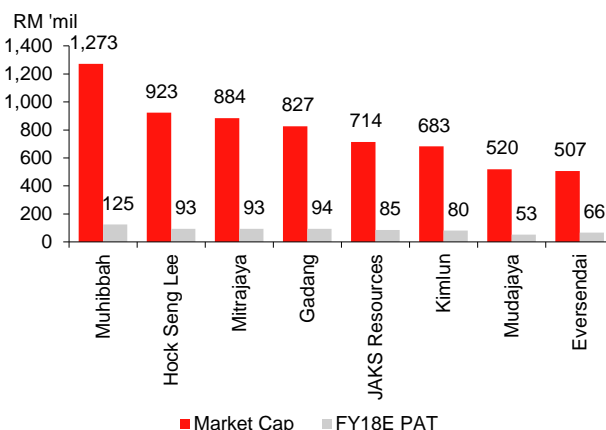
A valuation of between RM1bn and RM2bn would be a decent size for MRCB Construction, we think. Currently, the fwd-PER multiples of listed construction companies in Malaysia, with a consensus FY18E PAT estimate of above RM50mn and market cap of above RM500mn, are trading between 8x and 15x. We forecast FY18E PAT for MRCB construction division to be at RM108mn. If we ascribe a 12x multiple to its FY18E PAT, as was the case for the SunCon IPO, MRCB Construction could potentially be valued at RM1.3bn. Further, MRCB Construction could potentially bulk up the division’s size by entering into an M&A with an existing construction company, prior to the listing.

Fig 7 At RM1.3bn market cap, MRCB Construction would be the 6th largest listed construction company



Source: Bloomberg, Macquarie Research, March 2017

Fig 8 Listed companies with ideal size and PAT estimates for MRCB Construction’s acquisition



FY18E PAT estimates are sourced from Bloomberg consensus estimates.

Source: Bloomberg, Macquarie Research, March 2017

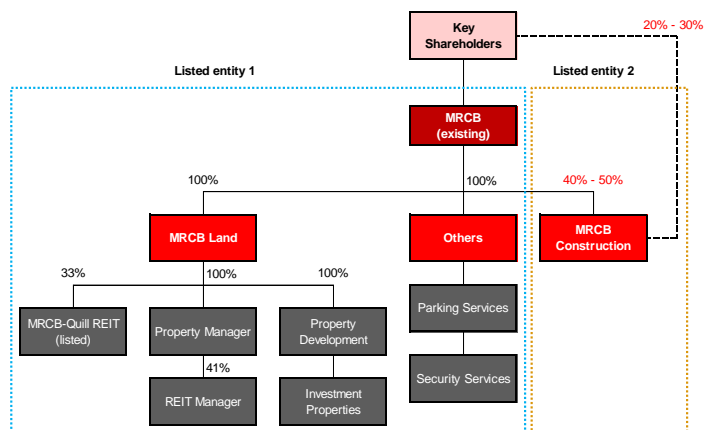
Potential listing structures

We believe for MRCB Construction to be listed, MRCB could potentially opt for two options. In our proposed listing structures of MRCB Construction, we assume that MRCB’s highway concession division is already fully divested. The first option is to list MRCB Construction as a subsidiary of MRCB (Fig 9). By doing so, the existing shareholders would have an indirect control of MRCB Construction and at the same time it is more efficient (less paperwork, approval process, etc.) to run MRCB Construction as a listed subsidiary of MRCB. In the same breath, the existing MRCB shareholders could also subscribe to the new shares issued by MRCB Construction.

The second option is to list MRCB Construction as a completely separate entity (Fig 10) from its parent. By having this structure the existing shareholders would have to subscribe to MRCB Construction’s shares separately, to obtain control of the company.

Between the two options, we believe the first option is the better listing structure. Coincidentally, the first option is identical to the structure of Sunway Berhad, the parent company of SunCon.

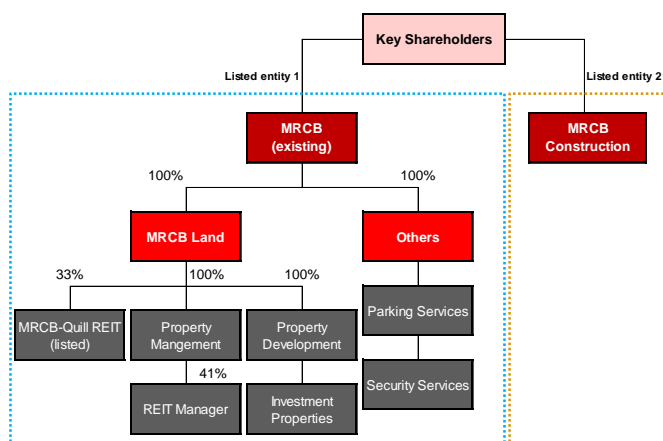
Fig 9 Potential listing structure (1)



The direct and indirect stakes of Key Shareholders in MRCB Construction are purely hypothetical

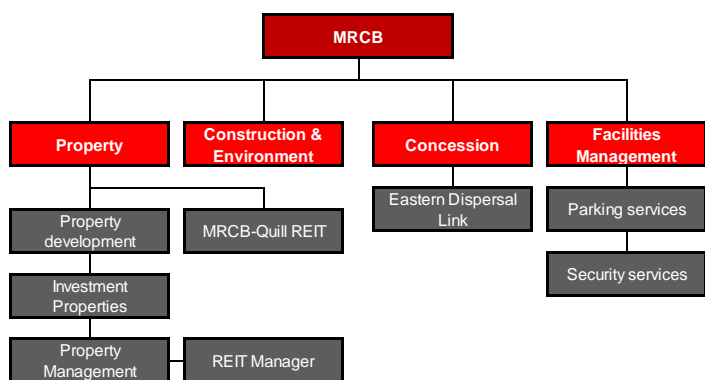
Source: Macquarie Research, March 2017

Fig 10 Potential listing structure (2)



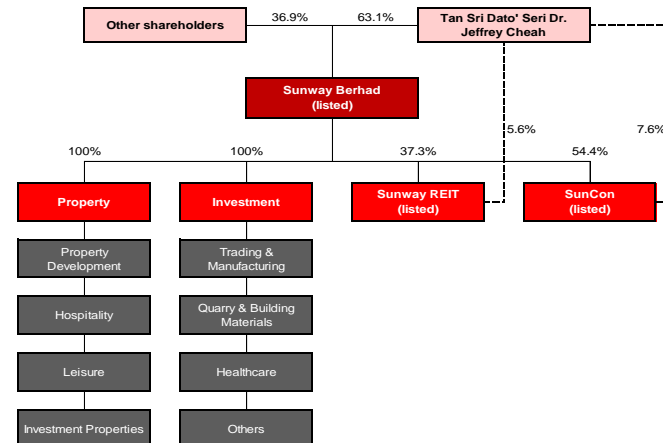
Source: Macquarie Research, March 2017

Fig 11 Current structure of MRCB



Source: Company data, Macquarie Research, March 2017

Fig 12 Current structure of Sunway Berhad



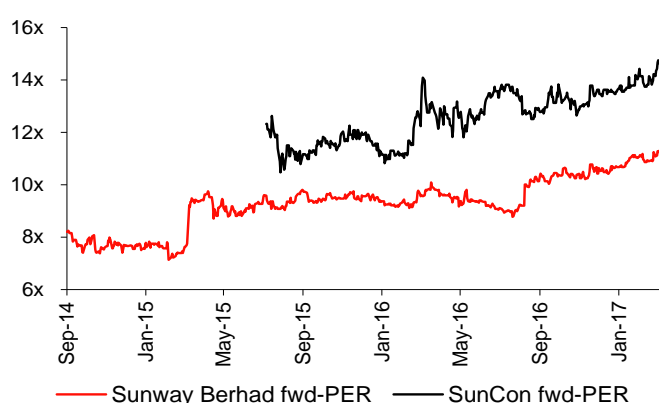
Source: Company data, Macquarie Research, March 2017

Sunway Berhad unlocked the value of SunCon post-listing

SunCon was listed on the Main Board of Bursa Malaysia on 27 July 2015, with a market cap of RM1.55bn. Upon listing, SunCon's multiple jumped to 12.3x, while its parent company – Sunway Berhad maintained its multiple then at 9.6x. Over the course of SunCon's listing, YTD, its market cap has grown by 50% vs. 6% for Sunway Berhad, over the same period.

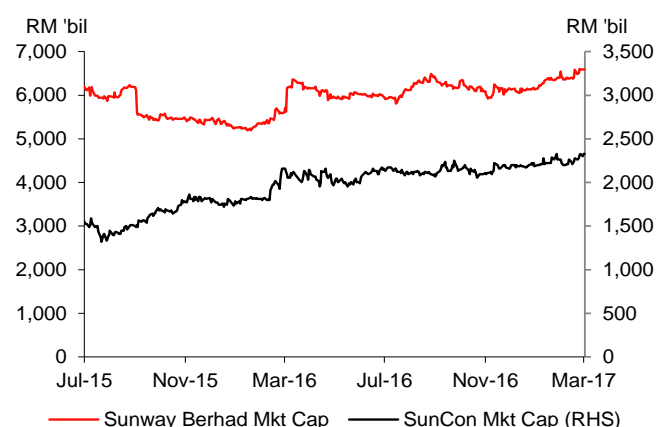
SunCon's listing was a success story whereby management has managed to unlock the value of its construction division, by breaking up the property and construction divisions into two listed entities. Since listing, SunCon has continued to receive the orderbook support from Sunway Berhad, registering fresh orders of at least RM500mn each FY.

Fig 13 SunCon was given higher multiple compared to its parent since point of listing



Source: Bloomberg, Macquarie Research, March 2017

Fig 14 Since SunCon's listing – SunCon mkt cap grew by 50% vs. Sunway Berhad's at 6%



Source: Bloomberg, Macquarie Research, March 2017

Fig 15 SunCon's abridged financial statement FY12-16

RM 'mil	FY12*	FY13*	FY14*	FY15	FY16
Revenue	1,448	1,840	1,881	1,917	1,789
EBIT	48	42	120	136	150
Associate and JV Income	29	45	30	0	0
PBT	82	90	151	141	154
Tax	-18	-24	-26	-13	-30
PAT	55	67	125	127	124
PAT margin (%)	3.8%	3.6%	6.6%	6.6%	6.9%

* FY12-14 accounts are pro-forma accounts of SunCon prior to listing

Source: Company data, Macquarie Research, March 2017

Appendices

Below, we highlight the paragraphs in the [Equity Guidelines](#), with regards to the potential listing of MRCB Construction.

1) Chain Listing (Paragraph 5.09)

Chain listing is a term used to describe a situation where a subsidiary or a holding company of a corporation already listed on the Main Market or the ACE Market is seeking listing on its own. In such a situation, the following requirements must be met:

- a) The applicant must be involved in a distinct and viable business of its own;
- b) The relationship between the applicant and all the other corporations within the holding company's group must not give rise to intra-group competition or conflict-of-interest situations;
- c) The applicant must demonstrate that it is independent from the already-listed corporation and other corporations within the group in terms of its operations, including purchases and sales of goods, management, management policies and finance;
- d) The already-listed corporation must—
 - i. have a separate autonomous and sustainable business of its own;
 - ii. after excluding its interest in the applicant, **meet the profit requirements as set out in paragraph 5.02(a)(i)**;
 - iii. after excluding its interest in the applicant, have a healthy financial position, with—
 - A. **sufficient level of working capital** to fund its continuing operations for at least 12 months from the date of submission to the SC; and
 - B. **positive cash flow from operating activities** based on latest audited financial statements at the time of submission to the SC; and
 - iv. have continuity of substantially the same management for at least three full financial years prior to submission to the SC;
- e) Where a holding company of an already-listed corporation is seeking listing, the applicant must meet the requirements for listing without taking into account the contributions, in terms of revenue, profit or otherwise, from its already-listed subsidiary company;
- f) The **chain listing must not detrimentally affect the interests of the shareholders** of the already-listed corporation;
- g) The board of directors of the already-listed corporation must make a statement on the rationale for the chain listing exercise; and
- h) The **shareholders of the already-listed corporation should be given an assured entitlement to any offering of existing or new shares** in the applicant. The percentage of shares in the applicant to be allocated to the assured entitlement tranche should be determined by the directors of the already listed corporation and all shareholders of the already-listed corporation should be treated equally.

2) Routes for listing (Paragraph 5.02)

An applicant whose core business is not that of infrastructure project must satisfy either the profit test or market capitalisation test. An applicant whose core business is that of infrastructure project must satisfy the infrastructure project corporation test.

a) Profit test

i. Profit requirements

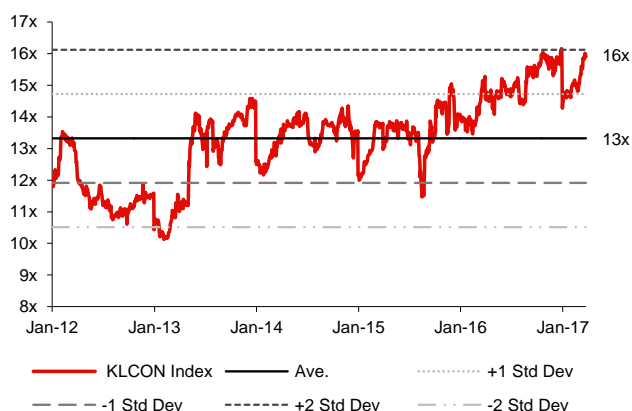
The applicant must have an uninterrupted profit of three to five full financial years based on **audited financial statements** prior to submission to the SC, with an **aggregate after-tax profit of at least RM20 million** and an **after-tax profit for the most recent financial year of at least RM6 million**. In fulfilling the profit requirements, contributions from associated companies must not exceed those of subsidiary companies.

ii. Operating history

The applicant or the corporation within the group which is the single largest contributor to the after-tax profits for the most recent three full financial years, on an average basis, based on audited financial statements, **must have been operating in the same core business** over at least the **profit track record period prior to submission to the SC**.

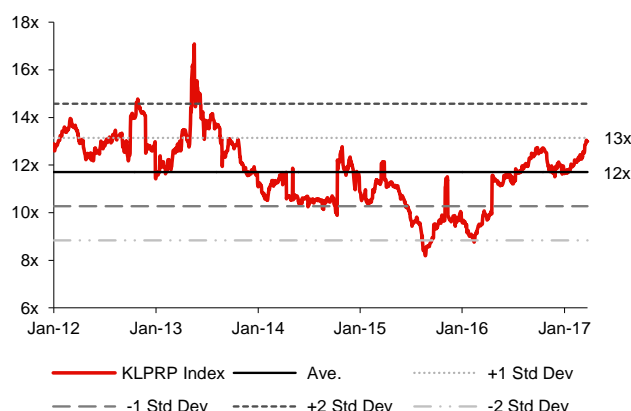
(Source: Securities Commission Malaysia, Last update: 19 January 2017)

Fig 16 KL Construction Index fwd-PER trades at 16x



Source: Bloomberg, Macquarie Research, March 2017

Fig 17 KL Property Index fwd-PER trades at 13x



Source: Bloomberg, Macquarie Research, March 2017

Fig 18 MRCB's new order wins in FY16

Project	Contract Value (RM 'mil)	Completion Year	Progress as at end FY16 (%)	Outstanding Orderbook as at FY16 end	Type
Giant Hypermarket - Kajang	57	2017	6.7%	53	Building works
Shell station - Dengkil	4	2017	2.4%	4	Building works
MRT2 V210 Package	648	2021	3.9%	623	Infra
Sungai Pahang Rehabilitation Phase 3	189	2018	12.8%	165	Environment
Kwasa Damansara PDP	112	TBD	0.0%	112	Building works
PR1MA Kajang	196	2019	0.0%	196	Building works
PR1MA Brickfields	355	2020	0.0%	355	Building works
Total	1,561			1,508	

Source: Company data, Macquarie Research, March 2017

Fig 19 MRCB's outstanding orderbook (as at end FY16)

Project	Contract Value (RM 'mil)	Start Year	Completion Year	Progress	Outstanding Orderbook (RM 'mil)	Job Type
NPE bridge	127	2015	2021	57.7%	54	Infra
LRT Extension - Ampang Line	1,068	2011	2016	97.0%	32	Infra
Johor land tower	185	2015	2018	41.8%	108	Building works
Aman Desaru	126	2015	2018	54.2%	58	Building works
Desaru Convention Centre	61	2015	2017	23.2%	47	Building works
Desa Desaru	212	2015	2017	24.5%	160	Building works
Westin Desaru	212	2015	2017	26.4%	156	Building works
Giant Hypermarket - Setapak	53	2014	2016	89.6%	5	Building works
132kv UGC Damansara City	33	2014	2016	90.1%	3	Infra
Bukit Tarek - Project BTCB	36	2015	2016	61.1%	14	Infra
Project LGNG - Lenggeng extension	50	2015	2018	19.5%	40	Infra
Substation UIAM, Kuantan	23	2014	2016	100.0%	0	Infra
IHTL Kg. Cempaka Lilo - KJ	15	2014	2016	88.1%	2	Infra
IH - Tg. Bin	8	2014	2016	100.0%	0	Infra
Giant Hypermarket - Kajang	57	2016	2017	6.7%	53	Building works
Double CCT 500kv Transmission Line (Jabi to Serting)	122	2015	2018	4.8%	116	Infra
Shell station - Dengkil	4	2016	2017	2.4%	4	Building works
Kwasa Utama - C8 Development	2,648	2016	2027	0.0%	2,648	Building works
Kwasa Utama - Management Fee	187	2015	2027	0.0%	187	Building works
MRT2 V210 Package	648	2016	2021	3.9%	623	Infra
Sungai Pahang Rehabilitation Phase 3	189	2016	2018	12.8%	165	Environment
LRT3 PDP	270	2015	2020	0.0%	270	Infra
Kwasa Damansara PDP	112	2016	TBD	0.0%	112	Building works
PR1MA Kajang	196	2016	2020	0.0%	196	Building works
PR1MA Brickfields	355	2016	2020	0.0%	355	Building works
Total	6,997				5,408	

Source: Company data, Macquarie Research, March 2017

Fig 20 Breakdown of MRCB's property RNAV

Project	Stake	RNAV (RM 'mil)	Remaining Landbank (acres)	Remaining GDV (RM 'mil)
Sentral Residences	51%	7	-	-
Lot F	100%	292	6	2,993
MBSB Tower - PJ Sentral	100%	0	-	-
MylPO Tower - PJ Sentral	100%	0	-	-
Tower 1 - PJ Sentral	100%	61	2	819
Tower 5 - PJ Sentral	100%	0	1	507
PKNS Tower - PJ Sentral	100%	20	2	183
Cyberjaya City Centre	70%	448	45	5,350
Kwasa Sentral	70%	709	64	8,000
Suria Subang	100%	60	3	402
Selbourne 2	100%	30	2	198
KL Sports City	85%	1,063	93	14,610
9 Seputeh	100%	98	10	1,540
Sentral Suites	100%	167	5	1,413
Semarak City	100%	252	27	3,163
German Embassy Land	100%	145	2	1,012
SOCSO building - Putrajaya	100%	21	-	-
Total Central Region		3,374	262	40,190
Penang Sentral Ph 1 to 3A	100%	114	-	-
Penang Sentral Ph 4 to 7	100%	183	10	1,800
Batu Feringgi	100%	32	3	322
Bandar Seri Iskandar	70%	34	11	723
Total Northern Region		363	24	2,845
Pulai Land	100%	53	68	770
Total Southern		53	68	770
Burwood	100%	0	-	-
Total International		0	0	0
Total Property RNAV		3,790	354	43,805
Discount to RNAV		40%		
RNAV		2,274		

Source: Company data, Macquarie Research, March 2017

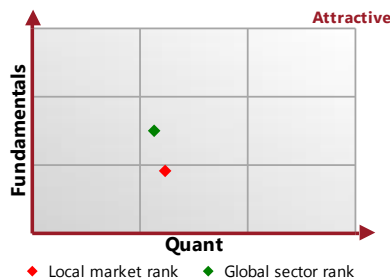
Macquarie Quant View

The quant model currently holds a neutral view on MRCB. The strongest style exposure is Price Momentum, indicating this stock has had strong medium to long term returns which often persist into the future. The weakest style exposure is Profitability, indicating this stock is not efficiently converting investments to earnings; proxied by ratios like ROE or ROA.

1187/1900

Global rank in Capital Goods

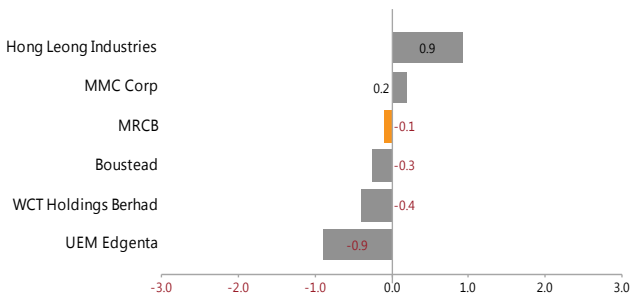
% of BUY recommendations 67% (6/9)
Number of Price Target downgrades 2
Number of Price Target upgrades 4



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.
 Two rankings: Local market (Malaysia) and Global sector (Capital Goods)

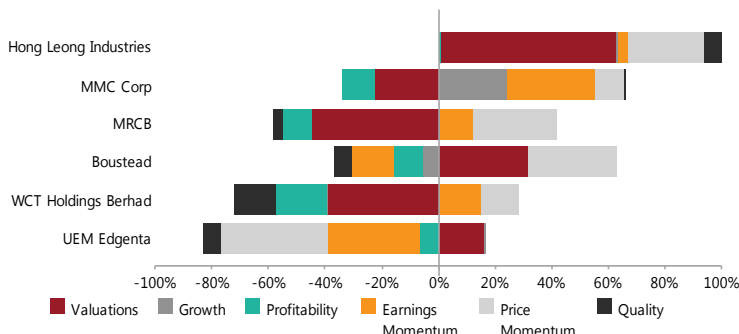
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



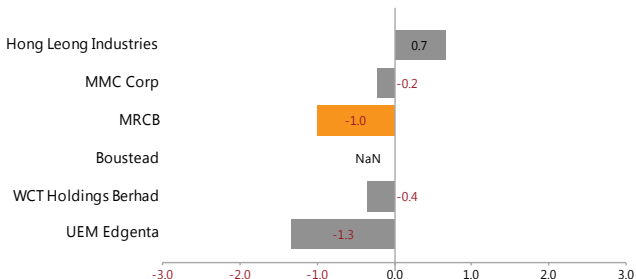
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



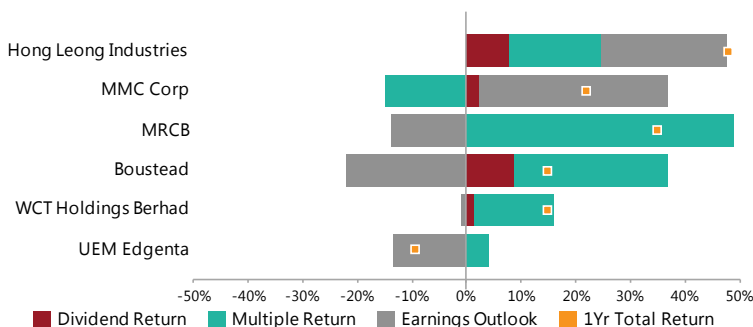
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



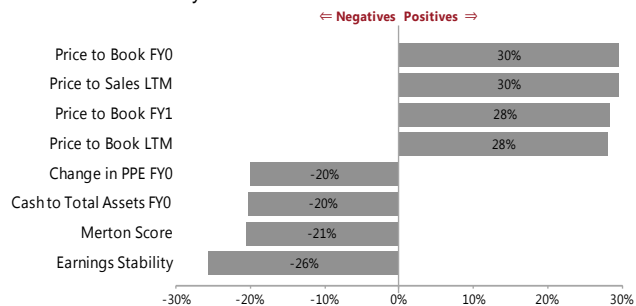
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



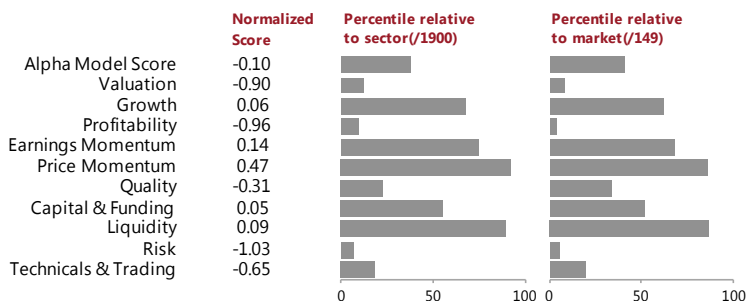
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpq@macquarie.com)

MRCB (MRC MK, Outperform, Target Price: RM2.00)

Interim Results					Profit & Loss						
		2H/16A	1H/17E	2H/17E	1H/18E		2016A	2017E	2018E	2019E	
Net Property Income	m	1,324	1,027	1,255	911	Net Property Income	m	2,408	2,282	2,025	2,263
Development Income	m	0	0	0	0	Development Income	m	0	0	0	0
Other Revenue	m	0	0	0	0	Other Revenue	m	0	0	0	0
Total Revenue	m	1,324	1,027	1,255	911	Total Revenue	m	2,408	2,282	2,025	2,263
Management Fees	m	0	0	0	0	Management Fees	m	0	0	0	0
Other Expenses	m	-1,195	-887	-1,084	-762	Other Expenses	m	-2,172	-1,971	-1,694	-1,910
EBITDA	m	314	174	212	189	EBITDA	m	571	386	419	455
Dep & Amortisation	m	32	34	42	40	Dep & Amortisation	m	59	76	88	102
EBIT	m	282	140	171	149	EBIT	m	512	310	331	353
Net Interest Income	m	-84	-58	-71	-67	Net Interest Income	m	-152	-128	-148	-138
Associates	m	18	19	23	37	Associates	m	33	41	83	98
Exceptionals	m	45	-0	-0	0	Exceptionals	m	83	-1	0	0
Other Pre-Tax Income	m	0	0	0	0	Other Pre-Tax Income	m	0	0	0	0
Pre-Tax Profit	m	261	100	123	120	Pre-Tax Profit	m	475	223	267	313
Tax Expense	m	-40	-24	-29	-29	Tax Expense	m	-74	-54	-64	-75
Net Profit	m	221	76	93	91	Net Profit	m	402	169	203	238
Minority Interests	m	-28	-8	-10	-8	Minority Interests	m	-52	-19	-17	-38
Reported Earnings	m	192	68	83	84	Reported Earnings	m	350	151	186	200
Adjusted Earnings	m	147	68	83	84	Adjusted Earnings	m	267	151	186	200
EPS (rep)	sen	9.1	3.2	3.3	3.9	EPS (rep)	sen	17.9	6.5	8.1	9.3
EPS (adj)	sen	6.9	3.2	3.4	3.9	EPS (adj)	sen	13.7	6.5	8.1	9.3
EPS Growth yoy (adj)	%	30,819.8	-52.8	-51.5	22.8	EPS Growth (adj)	%	31,107.2	-52.1	24.1	15.1
						PE (rep)	x	9.2	25.2	20.2	17.6
						PE (adj)	x	12.0	25.1	20.2	17.6
EBITDA Margins	%	23.7	16.9	16.9	20.7	Total DPS	sen	2.8	2.8	2.8	2.8
EBIT Margins	%	21.3	13.6	13.6	16.4	Total Div Yield	%	1.7	1.7	1.7	1.7
Earnings Split	%	55.0	45.0	55.0	45.0	Basic Shares Outstanding	m	2,465	2,822	2,720	2,144
Revenue Growth	%	41.9	-5.2	-5.2	-11.3	Diluted Shares Outstanding	m	1,956	2,314	2,288	2,144
EBIT Growth	%	187.6	-39.4	-39.4	6.7						
Profit & Loss Ratios					Cashflow Analysis						
		2016A	2017E	2018E	2019E		2016A	2017E	2018E	2019E	
Revenue Growth	%	41.9	-5.2	-11.3	11.7	EBITDA	m	571	386	419	455
EBITDA Growth	%	135.7	-32.4	8.6	8.6	Tax Paid	m	-74	-54	-64	-75
EBIT Growth	%	187.6	-39.4	6.7	6.6	Chg in Working Capital	m	-323	-275	-184	177
EBITDA Margins	%	23.7	16.9	20.7	20.1	Net Interest Paid	m	-172	-128	-148	-138
EBIT Margins	%	21.3	13.6	16.4	15.6	Other	m	-340	0	0	0
Net Profit Margins	%	11.1	6.6	9.2	8.8	Operating Cashflow	m	-336	-71	23	420
Payout Ratio	%	20.1	42.1	33.9	29.5	Acquisitions	m	0	0	0	0
EV/EBITDA	x	10.1	15.6	13.3	10.4	Capex	m	-87	-145	-189	-246
EV/EBIT	x	11.2	19.0	16.1	12.7	Asset Sales	m	727	0	0	0
						Other	m	3	0	0	0
Balance Sheet Ratios					Investing Cashflow						
ROE	%	10.3	5.1	6.0	6.2	Investing Cashflow	m	643	-145	-189	-246
ROA	%	6.9	3.9	4.2	4.4	Dividend (Ordinary)	m	-77	-59	-59	-59
ROIC	%	8.4	4.5	4.6	4.5	Equity Raised	m	402	0	0	0
Net Debt/Equity	%	73.2	75.4	81.7	74.9	Debt Movements	m	-461	306	6	-135
Interest Cover	x	3.4	2.4	2.2	2.6	Other	m	83	83	83	83
Price/Book	x	1.4	1.5	1.4	1.1	Financing Cashflow	m	-53	330	29	-111
Book Value per Share		1.2	1.1	1.2	1.5	Net Chg in Cash/Debt	m	201	239	-225	34
						Free Cashflow	m	-423	-216	-166	174
					Balance Sheet						
		2016A	2017E	2018E	2019E		2016A	2017E	2018E	2019E	
Cash	m	722	879	571	522	Cash	m	722	879	571	522
Receivables	m	1,581	1,498	1,329	1,240	Receivables	m	1,581	1,498	1,329	1,240
Inventories	m	58	68	49	61	Inventories	m	58	68	49	61
Investments	m	520	400	393	386	Investments	m	520	400	393	386
Fixed Assets	m	438	500	640	823	Fixed Assets	m	438	500	640	823
Intangibles	m	253	253	313	313	Intangibles	m	253	253	313	313
Other Assets	m	4,181	4,399	4,607	4,781	Other Assets	m	4,181	4,399	4,607	4,781
Total Assets	m	7,752	7,996	7,903	8,127	Total Assets	m	7,752	7,996	7,903	8,127
Payables	m	1,748	1,575	1,333	1,513	Payables	m	1,748	1,575	1,333	1,513
Short Term Debt	m	806	839	1,039	889	Short Term Debt	m	806	839	1,039	889
Long Term Debt	m	2,131	2,404	2,209	2,224	Long Term Debt	m	2,131	2,404	2,209	2,224
Provisions	m	43	43	43	43	Provisions	m	43	43	43	43
Other Liabilities	m	0	0	0	0	Other Liabilities	m	0	0	0	0
Total Liabilities	m	4,727	4,861	4,624	4,669	Total Liabilities	m	4,727	4,861	4,624	4,669
Shareholders' Funds	m	2,926	3,018	3,145	3,286	Shareholders' Funds	m	2,926	3,018	3,145	3,286
Minority Interests	m	99	118	135	173	Minority Interests	m	99	118	135	173
Total S/H Equity	m	3,025	3,136	3,279	3,459	Total S/H Equity	m	3,025	3,136	3,279	3,459
Total Liab & S/H Funds	m	7,752	7,996	7,903	8,127	Total Liab & S/H Funds	m	7,752	7,996	7,903	8,127

All figures in MYR unless noted.

Source: Company data, Macquarie Research, March 2017

Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions
<p>Macquarie - Australia/New Zealand Outperform – return >3% in excess of benchmark return Neutral – return within 3% of benchmark return Underperform – return >3% below benchmark return</p> <p>Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield</p> <p>Macquarie – Asia/Europe Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie – South Africa Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie - Canada Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie - USA Outperform (Buy) – return >5% in excess of Russell 3000 index return Neutral (Hold) – return within 5% of Russell 3000 index return Underperform (Sell)– return >5% below Russell 3000 index return</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 30–40% in a year.</p> <p>Low–medium – stock should be expected to move up or down at least 25–30% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year. * Applicable to Asia/Australian/NZ/Canada stocks only</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions – For quarter ending 31 December 2016

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	57.53%	50.72%	45.57%	42.28%	60.58%	52.79%	(for global coverage by Macquarie, 8.71% of stocks followed are investment banking clients)
Neutral	33.90%	33.97%	43.04%	50.11%	37.23%	35.62%	(for global coverage by Macquarie, 8.05% of stocks followed are investment banking clients)
Underperform	8.56%	15.30%	11.39%	7.61%	2.19%	11.59%	(for global coverage by Macquarie, 4.63% of stocks followed are investment banking clients)

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Date	Stock Code (BIB code)	Recommendation	Target Price
07-Nov-2016	MRC MK	Outperform	RM1.85

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