Corporate Update | Monday, 18 July 2022

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

Maintain BUY

Land swap for stadium job

***Unchanged* Target Price: RM0.44**

KEY INVESTMENT HIGHLIGHTS

- **MRCB has been appointed to undertake major refurbishment works for the Shah Alam Stadium**
- **The RM787m job will be on a PPP basis, funded via land swap(s) from the State Government**
- **MRCB's net gearing at 28.6% gives it headroom for further financing while management focusses on raising cash levels**
- **Maintain BUY with an unchanged TP of RM0.44**

Shah Alam Stadium refurbishment. Malaysian Resources Corporation Berhad (MRCB) has been appointed by the Selangor Government to undertake major refurbishment works for the Shah Alam Stadium. It was selected for the RM787m job from a list of 16 companies, based on its technical and financial capabilities.

Land swap. The project, which is scheduled to be completed in 2026, will be carried out on a public-private partnership basis which will require MRCB to bear the entire cost of the project which will be repaid by the state government via a land swap that will allow MRCB to carry out developments that would cover the cost of the stadium refurbishment.

Our thoughts. The Shah Alam Stadium refurbishment job is definitely right up MRCB's alley. Recall that back in Oct-15, the Group was tasked with the RM1.63b to "regenerate" the Bukit Jalil Stadium. The project then was also funded via three leasehold land swaps of 92.5 acres. Judging from MRCB's current financial strength with a net gearing of 28.6%, we opine that it has much headroom for further financing, if needed. One of the main focus for MRCB in FY22 is to raise its cash levels. While it is still unclear which land(s) will be transferred to MRCB, we are expecting it/them to be located in Shah Alam, which is positive for the Group for future developments, being the capital of Selangor. This would also boost MRCB's land bank, which currently stands at 1,007.82 acres with a gross development value (GDV) of RM33.35b.

Earnings estimates. We are maintaining our FY22-FY24F earnings estimates of RM75.5m-RM70.4m. We also reiterate our **TP of RM0.44**, which was derived by pegging the group's FY23 EPS of 1.5 to a target PER of 29.4x, which is -0.5 SD below its five-year mean.

Maintain BUY. The Shah Alam Stadium refurbishment project when completed, adds another feather to MRCB's hat. We are positive on management's focus this year, which is to raise its cash levels which will see the group intensifying its efforts to sell off unsold property units. A stronger cash position enables it to take on future public infrastructure projects that are likely to be self-funded or require upfront financing. We are also positive on MRCB's Ipoh Raya Integrated Park project that was

RETURN STATISTICS	
Price @ 31st May 2022 (RM)	**0.335**
Expected share price return (%)	**+31.3**
Expected dividend yield (%)	**+4.5**
Expected total return (%)	**+35.8**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.3	-1.7
3 months	-4.3	-6.6
12 months	-16.3	-10.1

KEY STATISTICS	
FBM KLCI	1,418.44
Syariah compliant	Yes
F4BGM Index	Yes
ESH Grading Band (Star rating)	☆☆☆
Issue shares (m)	4446.54
Estimated free float (%)	31.68
Market Capitalisation (RM'm)	1,496.62
52-wk price range	RM0.32 - RM0.43
Beta vs FBM KLCI (x)	1.19
Monthly velocity (%)	0
Monthly volatility (%)	29.27
3-mth average daily volume (m)	4.16
3-mth average daily value (RM'm)	1.53
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.71

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launched early last month. This marks the Group's diversification into the industrial and logistics development business. In total, the park will be a six-phased, 832.38 acre development in Simpang Pulai. The first phase, which is the development of the logistics hub, is expected to be completed by 2028. All factors considered, we are maintaining our **BUY** recommendation on MRCB.

INVESTMENT STATISTICS

FYE 31st December	2020A	2021A	2022E	2023F	2024F
Revenue (RM'm)	1,199.5	1,448.5	1,849.8	1,668.5	1,801.9
EBIT (RM'm)	41.4	171.82	99.7	90.1	97.3
Pre-tax profit (RM'm)	53.0	61.3	92.49	83.4	90.1
Normalised PATAMI (RM'm)	-1.0	16.1	75.5	68.1	70.4
FD EPS (sen)	0.0	1.4	1.7	1.5	1.6
Dividend (sen)	1.0	1.0	1.0	2.0	2.0
Dividend yield (%)	2.3	2.8	2.3	4.5	4.5

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	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.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology