

### UOBKH HIGHLIGHTS

## MMC Corporation (MCC MK/BUY/RM0.71/Target: RM1.05)

2Q20: In Line, Higher Volume In PTP Cushions Shortfall From Construction And Other Ports

Year to 31 Dec	2Q20 (RMm)	2Q19 (RMm)	qoq % chg	yoy % chg	1H20 (RMm)	yoy % chg	Remarks	Year	EPS (sen)	Revision (%)	DPS (sen)	PE (x)
Revenue	990.7	1,230.2	(8.8)	(19.5)	2,077.5	(12.5)	Lower container volume except for PTP and lower construction progress billing.	2020F	8.0	-	4.0	8.8
EBITDA	504.0	466.0	2.6	8.2	995.0	12.0	Lower operating expenses.	2021F	8.8	-	4.0	8.0
EBIT	231.9	224.9	12.3	3.1	438.4	4.2		2022F	8.3	-	4.0	8.5
Associates	70.0	67.0	(1.7)	4.5	141.2	8.2	Better Malakoff contribution in the quarter.					
Pre-tax Profit	128.1	131.9	11.6	(2.9)	242.9	10.2						
Tax	(38.2)	(50.3)	(8.5)	(23.9)	(80.0)	8.4						
Net Profit	77.4	67.2	33.7	15.1	135.2	12.0						
Core Net Profit	77.4	67.2	59.2	15.1	126.4	4.5	Earnings driven by higher PTP volumes, lower opex and land sale of RM5m from Senai Airport.					
<b>Segmental</b>												
<b>Revenue</b>												
Transport & logistics	728	802	(9.1)	(9.2)	1,529	(3.4)						
Engineering & const	242	402	(8.3)	(39.8)	506	(31.6)						
Others	21	26	(4.5)	(19.2)	43	(15.7)						
<b>Pre-tax Profit</b>												
Transport & logistics	96	119	(22.0)	(19.3)	219	(1.4)						
Energy & utilities	48	29	17.1	65.5	89	48.3						
Engineering & const	60	68	(1.6)	(11.8)	121	1.7						
Others	(76)	(84)	(30.9)	(9.5)	(186)	2.8						
<b>Margin (%)</b>												
	(%)	(%)	+/- ppt	+/- ppt	(%)	+/- ppt						
EBIT	23.4	18.3	4.4	5.1	21.1	3.4						
Core Net Profit	7.8	4.1	3.4	3.7	6.1	1.7						

Source: MMC, UOB Kay Hian

### STOCK IMPACT

- MMC Corporation's (MCC) 2Q20 core net profit came in at RM77.4m (+15% yoy, +59% qoq) on the back of higher Port of Tanjung Pelepas (PTP) container volume, RM5m gains on sale of Senai Airport landbank, better associate earnings and lower operating expenses. This brings 1H20 core net profit to RM126.4m (+5% yoy), accounting for 51% of our full-year forecast of RM245m. We expect lower construction progress billing in 2H20 and keep to our forecast at this juncture.
- Top-line contracted 20% yoy and 9% qoq on the back of lower container volumes handled in Johor Port, Penang Port and Northport as well as lower construction progress billings from the underground KVMRT-SSP line. This was partly cushioned by higher PTP container volume in the quarter. Net profit, however, rose 15% yoy and 59% qoq despite lower revenue, thanks to: a) higher PTP contribution; b) lower opex; and b) RM5m gains on disposal of Senai Airport landbank.

### EARNINGS REVISION

- No change to our earnings estimates.

### RECOMMENDATION

- **Maintain BUY and SOTP-based target price of RM1.05, based on a 65% discount to our SOTP valuation of RM9.2b, or RM3.00/share.** At our fair value, the stock trades at 12x 2021 EPS. Share price has retraced significantly since Jan 20 and the holding company discount has widened to 75% of our SOTP target price (vs the average of 40% in the past five years). Our target price factors in: a) a 65% holding company discount due to earnings uncertainty and a lack of re-rating catalyst as the port listing is likely to be deferred; and b) minimal earnings contribution from the engineering division post MRT2 contract. Positively, we understand that the construction orderbook stands at RM6.9b and will be able to weather the group up to 2022, even without new contract wins.

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