

UOBKH HIGHLIGHTS

MMC Corporation (MMC MK/BUY/RM0.78/Target: RM1.05)

4Q20: Above Expectations On PTP Recovery And Gain On Land Sale

Year to 31 Dec	4Q20 (RMm)	4Q19 (RMm)	qoq % chg	yoy % chg	2020 (RMm)	yoy % chg	Remarks	Year	EPS (sen)	Revision (%)	DPS (sen)	PE (x)
Revenue	1,293.4	1,092.6	15.6	18.4	4,489.4	(4.7)	Higher volume handled at PTP and Northport, higher progress billing for KVMRT-SSP Line and sale of land at Senai Airport City	2021F	8.8	-	4.0	8.8
EBITDA	631.0	593.0	27.0	6.4	2,122.0	7.2		2022F	9.2	-	4.0	9.2
EBIT	329.6	305.7	54.5	7.8	990.2	6.6		2023F	9.7	-	4.0	9.7
Associates	150.0	87.1	101.9	72.4	366.5	21.4						
Pretax Profit	278.8	181.4	125.3	53.8	645.5	23.7						
Tax	(72.3)	(105.4)	52.1	(31.4)	(199.8)	(9.8)						
Net Profit	179.1	68.1	194.0	163.2	375.3	47.1						
Core Net Profit	268.7	114.8	312.0	134.2	470.2	64.3	Above expectations on better-than-expected profit from PTP and gain from sale of land					
Segmental												
Revenue	1,293	1,093	15.6	18.4	4,489	(4.7)						
Transport & logistics	901	818	12.5	10.1	3,230	1.5						
Engineering & const	350	244	14.8	43.4	1,161	(18.3)						
Others	42	31	223.1	35.5	98	(9.3)						
Pre-tax Profit	279	181	125.0	53.8	646	23.7						
Transport & logistics	251	134	97.6	87.3	599	33.4						
Energy & utilities	33	97	13.8	(66.0)	155	(5.5)						
Engineering & const	146	56	160.7	160.7	322	11.4						
Others	(151)	(106)	71.6	42.5	(430)	13.2						
Margin (%)	(%)	(%)	+/- ppt	+/- ppt	(%)	+/- ppt						
EBIT	18.6	28.0	(0.5)	(9.4)	19.9	0.8						
Core Net Profit	13.8	10.5	8.0	3.3	8.4	2.9						

Source: MMC, UOB Kay Hian

RESULTS

- MMC Corporation's (MCC) 4Q20 core net profit came in higher-than-expected at RM269m (+134% yoy, +312% qoq) on the back of higher Port of Tanjung Pelepas (PTP) and North Port container volume, higher progress billing for KVMRT-SSP Line and gain on land sale at Senai Airport City (SAC). This was also aided by lower interest charges in the quarter and lower effective tax rate vs 3Q20 and 4Q19. This brings 2020 core net profit to RM470m, a surge of 64% yoy and is above expectations.
- 4Q20 revenue rose 18% yoy and 16% qoq to RM1,293m reflecting higher PTP and Northport container volumes as well as higher construction progress billings from the underground KVMRT-SSP line. There was also the positive impact of sale of land in SAC and lower interest charges in 4Q20. Consequently 4Q20 core net profit exceeded expectations, surging to RM269m.

STOCK IMPACT

- Pending management update, we maintain our earnings projection of a RM270m net profit for 2021.

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.** The 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. Key re-rating catalyst include winning MRT Line 3 (circle line), High Speed Rail project delivery partner and listing of the port assets (unlikely in the next two years).

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