

UOBKH HIGHLIGHTS

MMC Corporation (MMC MK/HOLD/RM1.12/Target: RM1.20)

1Q21: Above Expectations, Raised 2021 Net Profit By 18%

Year to 31 Dec	1Q21 (RMm)	4Q20 (RMm)	1Q20 (RMm)	qoq % chg	yoy % chg	Remarks	FY	EPS (sen)	Revision (%)	DPS (sen)	PE (x)
Revenue	1,143.7	1,293.4	1,086.8	(11.6)	5.2	Higher volume handled at PTP and Northport. Partly offset by lower work progress from KVMRT-SSP Line, lower passenger and cargo volumes at Senai Airport, and lower volume handled at Penang Port	2021F	10.4	18	4.0	10.7
EBITDA	556.0	631.0	491.0	(11.9)	13.2		2022F	10.2	18	4.0	11.0
EBIT	286.6	329.6	206.5	(13.1)	38.8	Lower finance costs of 16% yoy.	2023F	10.6	-	4.0	10.6
Associates	60.6	150.0	71.2	(59.6)	(14.9)	Lower contribution from Malakoff (higher O&M and lower international asset associate earnings)					
Pre-tax Profit	221.0	278.8	114.8	(20.7)	92.5						
Tax	(61.0)	(72.3)	(41.8)	(15.6)	46.0						
Net Profit	124.7	179.1	57.9	(30.4)	115.4	Includes an RM18.6m gain on sublease of land at PTP					
Core Net Profit	105.9	268.7	48.8	(60.6)	117.1	Above expectations, raised 2021 net profit by 18% to RM318m (from RM270m previously) to account for sustained port recovery					
Segment											
Revenue	1,144	1,293	1,087	(11.5)	5.2						
Transport & logistics	904	901	801	0.3	12.9	Recovery in volume at PTP and Northport. Offset by lower Penang Port volume.					
Engineering & const	229	350	264	(34.6)	(13.3)	Lower progress billing for KVMRT-SSP line.					
Others	11	42	22	(73.8)	(50.0)	Lower passenger volume from Senai Airport, offset by lower interest income					
Pre-tax Profit	221	279	115	(20.8)	92.2						
Transport & logistics	237	251	123	(5.6)	92.7						
Energy & utilities	34	33	42	3.0	(19.0)						
Engineering & const	50	146	61	(65.8)	(18.0)						
Others											
Margin											
	(%)	(%)	(%)	+/- ppt	+/- ppt						
EBIT	25.1	25.5	19.0	(0.4)	6.1						
Core Net Profit	9.3	20.8	4.5	(11.5)	4.8						

Source: MMC, UOB Kay Hian

RESULTS

- MMC Corporation's (MCC) 1Q21 core net profit was RM106m (+117% yoy, -61% qoq) on the back of higher Port of Tanjung Pelepas (PTP) and North Port container volume. This was partly offset by lower progress billing for the KVMRT-SSP Line, lower passenger volume at Senai Airport and lower volume handled at Penang Port. Sequentially, earnings were lower due to the absence of gain on land sale at Senai Airport City (SAC) booked in 4Q20. 1Q21 earnings were ahead of expectations, aided by continuous recovery in the ports division.

STOCK IMPACT

- Raise 2021 net profit forecast by 18% to account for better-than-expected cost control at the ports division.
- Consequently, we now project full-year 2021 net profit at RM318m (from RM269m).

RECOMMENDATION

- Maintain HOLD with a higher SOTP-based target price of RM1.20 (previously target price RM1.05).** With the recovery of ports earnings (second consecutive quarter since 4Q20), we narrow our holding company discount from 65% to 60% from our SOTP valuation of RM9.2b, or RM3.00/share. Potential listing of the ports (likely to happen only in 2023, given uncertain economic outlook) will help to narrow the holding company discount to its average of 40% in the past five years. Our target price factors in minimal earnings contribution from the engineering division post MRT2 contract. Key re-rating catalysts include winning MRT Line 3 (circle line), High Speed Rail project delivery partner and listing of the port assets (likely 2023/24).

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