

07 March 2018 | Corporate Update

MMC Corporation Berhad

Extension of concession for Northport

Maintain BUY

Unchanged Target Price (TP): RM2.72


INVESTMENT HIGHLIGHTS

- **Concession extended for 30 years**
- **Interim privatisation agreement was previously signed**
- **No changes to our valuation**
- **Maintain BUY with unchanged TP of RM2.72 per share**

Concession extended. On 6th March 2018, MMC Corp's subsidiary, Northport (Malaysia) Bhd (NMB) entered into a new privatisation agreement (NPA) with the Government of Malaysia (GOM) and Port Klang Authority (PKA). The NPA granted NMB a further 30-year concession to operate North Port and South Port in Port Klang from 1st December 2013 to 30th November 2043.

Interim privatisation agreement was signed four years ago. To recall, the port concession for NMB expired on 30th November 2013. NMB later signed an interim privatisation agreement with the GOM and PKA on 28th March 2014 to manage port activities until a NPA was signed yesterday. Hence, there is another 26 years left before the concession ends.

No changes to valuation. This concession extension has a retrospective effect from FY13. The company was confident (as stated in its annual report FY16) that the NPA would be approved and has implemented NMB's amortisation policy of intangible assets on the basis that NMB will continue to manage port activities over the expected concession period of 30 years since November 2013. We have previously factored this into our model hence, no changes are made in our valuation for NMB.

Maintain BUY with unchanged TP of RM2.72 per share based on our sum-of-parts (SOP) valuation. Our BUY call is mainly predicated on: (i) potential listing of its ports assets, (ii) expected synergies from full acquisition of Penang Ports and (iii) healthy construction order book of > RM10b. 

RETURN STATS	
Price (6 March 2018)	RM1.79
Target Price	RM2.72
Expected Share Price Return	+52.0%
Expected Dividend Yield	+2.0%
Expected Total Return	+54.0%

STOCK INFO	
KLCI	1,848.37
Bursa / Bloomberg	2194 / MMC MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	3,045.06
Market cap. (RM'm)	5,450.65
Price over NA	0.69
52-wk price Range	RM1.77 - RM2.63
Beta (against KLCI)	0.69
3-mth Avg Daily Vol	0.54m
3-mth Avg Daily Value	RM1.08m
Major Shareholders (%)	
Seaport Terminal	51.76
PNB	20.25
LTH	7.66

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue (RM'm)	5,056.9	4,627.4	4,160.1	4,790.1	4,904.9
EBIT (RM'm)	2,406.6	911.7	703.6	847.2	890.2
Pre-tax Profit (RM'm)	1,969.5	672.7	451.7	580.9	691.9
Core PATAMI (RM'm)	255.4	312.4	254.9	441.5	525.8
EPS (sen)	8.4	10.3	7.4	14.5	17.3
EPS growth (%)	(47)	(70)	(59)	96	19
PER (x)	21.3	17.4	24.2	12.3	10.4
Net Dividend (sen)	3.8	4.0	0	4.0	4.0
Net Dividend Yield (%)	2.1	2.2	-	2.0	2.0

DAILY PRICE CHART



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Table 1: SOP Valuation

Assets	Total Value (RM mil)	% Stake	Value	Value per share	Remarks
Energy & Utilities					
Malakoff	5,300.00	37.6	1,992.80	0.65	Consensus TP of RM1.06
Gas Malaysia	4,494.00	30.9	1,388.65	0.46	MIDF Fair Value of RM3.50
Aliran Ihsan Resources Berhad	487.00	100	487.00	0.16	Takeover price
Ports & Logistics					
PTP	4,284.54	70	2,999.18	0.98	DCF @ WACC: 7%, Perpetual Growth: 1%
Johor Port	2,409.41	100	2,409.41	0.79	DCF @ WACC: 7%, Perpetual Growth: 1%
NCB Holdings Berhad	2,417.81	100	2,417.81	0.79	DCF @ WACC: 7%, Perpetual Growth: 1%
Penang Port	431.00	49	431.00	0.14	Acquisition price
SMART Tunnel	598.79	50	299.40	0.10	DCF @ WACC: 7%, Perpetual Growth: 2%
Senai airport	580.00	100	580.00	0.19	Acquisition price @ 2009
Engineering & Construction					
Construction services	838.72	100	838.72	0.28	PER @ 11x FY18 PAT
MMC-Gamuda MRT2 (PDP)	865.34	50	432.67	0.14	DCF
Phase 1 Pan Borneo Sabah (PDP)	502.41	20	125.60	0.04	DCF
Others					
Senai Development Land - Airport City	2,130.35	100	2,130.35	0.70	2,718 acres @ RM18 psf
Tanjung Bin Land	1,768.10	100	1,768.10	0.58	2,255 acres @ RM18 psf
Net Debt (Estimate)			(4,587.84)	(1.51)	Company level debt
Total Value (RM mil)	27,310.24		13,792.32	4.50	
No of shares				3,045.10	
Value per Share				4.53	
Discount (%)				40%	Conglomerate discount
Fair Value per Share (RM)				2.72	

Source: 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 <i>rise</i> 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 <i>fall</i> 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.