

Flash Note



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

29 Oct 2018

MKH Bhd (MKH MK) : BUY

Mkt. Cap: US\$170m | 3m Avg. Daily Val: US\$0.07m

Last Traded Price (26 Oct 2018): RM1.22

Price Target 12-mth: RM1.70 (39% upside) (Prev RM1.70)

Shariah Compliant: Yes

Analyst

QUAH He Wei, CFA +603 2604 3966; hewei@alliancedbs.com

JV with Sunway

- JV with Sunway to develop a 5.28-acre land in Kajang
- Proposed RM540m mixed development to be constructed over 5 years
- Maintain Buy and RM1.70 TP

What's New

MKH Bhd (MKH) announced that it has entered into an agreement with Sunway Bhd to acquire a 40% stake in joint venture (JV) vehicle Daksina Harta Sdn Bhd for RM5m to jointly develop a 5.28-acre land in Kajang.

To recap, Sunway first bought the land in Aug 2017 for RM63 at an implied valuation of RM274 psf. We believe this is the base valuation for the JV.

The land is strategically located next to the Sg. Jernih MRT station in Kajang and will be a transit-oriented development. It also comes with a partially completed commercial development comprising a 3-storey retail podium, 10-storey car park podium, a 20-storey commercial tower and a 12-storey commercial tower. Construction will reach the roof top of the car park podium and both commercial blocks. We believe this is the reason for the relatively high valuation of RM274psf for the Kajang land which is typically priced below RM250psf.

The Sunway-MKH JV will be replacing the project with a mixed development (retail podium/commercial lots, serviced apartments/SOHO) worth RM540m gross development value (GDV) which will also have direct connectivity to the mass rapid transit (MRT) station. The proposed project will be developed over five years.

There is no change to our forecast as we believe the project may not take off in the near term. We reiterate our Buy rating on MKH given its decent earnings visibility with record-high property unbilled sales, as well as recurring income from its young and mature plantation estate and steady portfolio of investment properties in Kajang/Semenyih.

Forecasts and Valuation

FY Sep (RMm)	2017A	2018F	2019F	2020F
Revenue	1,069	1,013	1,000	990
EBITDA	285	259	244	247
Pre-tax Profit	193	179	160	158
Net Profit	130	120	107	105
Net Pft (Pre Ex.)	138	120	107	105
Net Pft Gth (Pre-ex) (%)	(7.9)	(12.7)	(10.9)	(2.4)
EPS (sen)	23.0	20.4	18.2	17.8
EPS Pre Ex. (sen)	24.3	20.4	18.2	17.8
EPS Gth Pre Ex (%)	(32)	(16)	(11)	(2)
Diluted EPS (sen)	23.0	20.4	18.2	17.8
Net DPS (sen)	5.17	4.28	4.28	4.28
BV Per Share (sen)	261	267	281	295
PE (X)	5.3	6.0	6.7	6.9
PE Pre Ex. (X)	5.0	6.0	6.7	6.9
P/Cash Flow (X)	12.2	1.5	4.5	4.0
EV/EBITDA (X)	4.3	3.6	3.8	3.7
Net Div Yield (%)	4.2	3.5	3.5	3.5
P/Book Value (X)	0.5	0.5	0.4	0.4
Net Debt/Equity (X)	0.3	0.1	0.1	0.1
ROAE (%)	9.5	7.9	6.7	6.2

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.



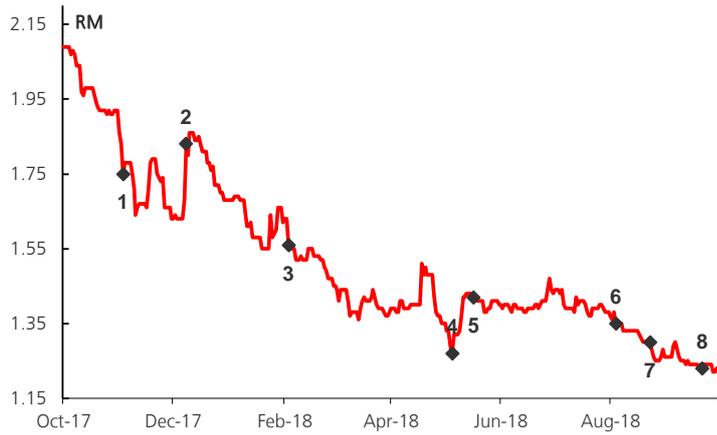
Kajang land

1 Transit Oriented Development



Source: Sunway

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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Wong Ming Tek, Executive Director

Published by
AllianceDBS Research Sdn Bhd (128540 U)
19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.
Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com