

▶ **MMC CORP BHD**

	2011	2012E	2013E	2014E
REVENUE (RM mil)	9336.8	10148.5	10333.1	10533.6
NET PROFIT (RM mil)	334.5	413.8	477.7	517.5
EPS (sen)	11.0	13.6	15.7	17.0
PER (x)	26.9	21.7	18.8	17.4

Tunnelling contract boosts MMC's construction orderbook

▶ **Recommendation: Add**
FAIR Value: RM3.14
 by Affin Investment Bank
 Bhd (March 21)

MMC-Gamuda JV Get Tunnelling Contract

In a press statement on Tuesday, MRT Corp Sdn Bhd announced that the MMC Corp Bhd-Gamuda Bhd joint-venture (JV) has won the bid for the tunnelling contract valued at RM8.2b for the Sungai Buloh-Kajang (SBK) line of the Klang Valley mass rapid transit (KVMRT).

MRT Corp further added that the decision was made during the One Stop Procurement Committee meeting chaired by the Prime Minister Datuk Seri Mohd Najib Razak on Monday after the JV offered the most competitive price compared to tenders submitted by Hyundai-Gadang-Chengal Jaya Joint Venture, Taisei Corp, Sinohydro Group Ltd, and the China Railway Group Ltd.

Tunnelling Contract Awarded

The award of the RM8.2b tunnelling contract, scheduled for completion in mid-2017, to the MMC-Gamuda JV has been widely expected and therefore did not come as a surprise.

The JV initiated the KVMRT project and in addition to completing SMART, has done extensive preliminary works, including design, alignments and soil tests, for the KVMRT, thereby giving it a strong competitive advantage.

This award came after the appointment of the JV as Project Delivery Partner in February 2012 at a fee of 6% of the aggregate of all the awarded works contracts for the SBK line.

Contract to Raise FY13-14 Forecasts by 13%-16%

With only RM2.1b still outstanding from the Double Tracking project, the tunnelling contract has provided more vis-

ibility on MMC's construction-related earnings from FY13.

A straight line approach would imply tunnelling works billings of RM820m in CY12, RM1,640m pa in CY13-CY16 and RM820m in CY17. We estimate billings of RM500m in the start-up CY12, RM1.4m in CY13, RM1.8m pa in CY14-16, and RM900m in CY17 — to be split equally between MMC and Gamuda.

Based on a pretax margin of 12% and our estimated billings as well as taking into account earlier assumed new contract wins, the tunnelling contract is expected to boost MMC's FY13 and FY14 net profit by RM27.4m and R2M19.6m to RM583.3m and RM605.8m, respectively. FY12 net profit forecast is unchanged.

Overall, we are positive on the tunnelling contract award. Maintain 'Add' with an unchanged RNAV-based fair value of RM3.14/share.