



## Company report

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# DRB-HICOM

(DRB MK EQUITY, DRBM.KL)

3 June 2020

*Acquires remaining 49% stake in MCV*

## BUY

Price: RM1.62  
Fair Value: RM1.87

*Rationale for report: Company update*

YE to Dec	FY19	FY20F	FY21F	FY22F
FD Core EPS (sen)	7.3	9.6	12.1	13.7
PE (x)	22.2	16.8	13.4	11.9

Source: AmInvestment Bank Bhd

Quick Take

- We maintain our BUY recommendation on DRB-Hicom with an unchanged SOP-based FV of RM1.87/share.
- DRB-Hicom is buying out the remaining 49% equity stake in Media City Ventures Sdn Bhd (MCV) from related party Enigma Permata Sdn Bhd for RM100mil cash.
- MCV's key asset and business is Media City Development Sdn Bhd (100%-owned), which is primarily engaged in construction, operation and maintenance of infrastructure and broadcast system via a concession agreement with the government. The concession agreement is for 23 years (starting 20 March 2012), undertaking the privatization of the development of new office buildings, including broadcasting studios and auditorium for the Ministry of Information, Communication and Culture.
- The transaction values MCV in its entirety at RM204.1mil, at a slight premium to its net assets of RM194.8mil. Based on MCV's 1Q2020 net profit of RM12.05mil, the stake is effectively being transacted at 4.2x P/E, which we deem attractive.
- We are positive on the acquisition which appears to be earnings accretive. Assuming an interest cost of 5%, the acquisition will boost DRB-Hicom's FY20F earnings by 10%. We shall impute this into our forecasts upon the completion of the deal, which is expected to be within a month. Maintain BUY.

## EXHIBIT 1: SOP VALUATION

	Stake	Method	Value (RM mil)
<b><u>Automotive division</u></b>			
Proton	50.1%	FY18 Book Value of 1.0x	1,647.3
Automotive Distribution		Based on FY21 PE of 3x	512.4
Deftech		Based on CY18 P/E of 5x	354.9
<b><u>Services</u></b>			
Puspakom		FY18 Book Value of 1.0x	1,050.2
Bank Muamalat	70.0%	FY18 Book Value of 0.4x	644.0
Pos Malaysia	53.5%	FY18 Book Value of 0.64x (inhouse estimates)	662.9
<b><u>Property, asset and construction</u></b>			
		FY18 Book Value	2603.6
<b>Sub-total</b>			<b>7,475.3</b>
Less: Net debt/(cash)			(1,461.6)
<b>Total</b>			<b>6,013.6</b>
Number of shares			1,933.2
<b><u>SOP/share</u></b>			<b>3.11</b>
SOP discount			40%
Fair value			<b>1.87</b>

Source: Company, AmlInvestment Bank Bhd

TABLE 1 : VALUATION MATRIX

YE 31 Dec	FY18	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	12,477.0	10,563.3	14,589.5	14,641.0	15,373.1
Core net profit (RM mil)	159.9	141.3	186.3	233.9	264.2
FD Core EPS (sen)	8.3	7.3	9.6	12.1	13.7
FD Core EPS growth (%)	(344.0)	(11.6)	31.8	25.6	13.0
Consensus Net Profit (RM mil)	-	-	-	338.8	290.8
DPS (sen)	3.0	3.0	3.0	3.0	3.0
PE (x)	19.6	22.2	16.8	13.4	11.9
EV/EBITDA (x)	7.5	9.5	7.0	6.6	7.0
Div yield (%)	1.9	1.9	1.9	1.9	1.9
ROE (%)	1.7	5.2	2.7	3.3	3.6
Net Gearing (%)	71.1	54.8	67.6	63.7	61.0

Source: Company, AmlInvestment Bank Bhd estimates

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