

15 May 2013
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12-month upside potential

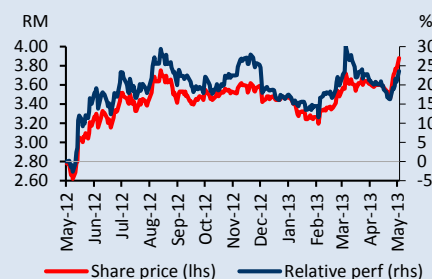
Target price	4.21
Current price (as at 14 May)	3.96
Capital upside (%)	6.3
Net dividends (%)	4.2
Total return (%)	10.5

Key stock information

Syariah-compliant?	No
Market Cap (RM m)	5,652.2
Shares outstanding (m)	1,427.3
Free float (%)	50.3
52-week high / low (RM)	3.96 / 2.62
3-mth avg volume ('000)	1,139.4
3-mth avg turnover (RM m)	4.1

Share price performance

	1M	3M	6M
Absolute (%)	10.0	21.3	12.8
Relative (%)	4.5	10.6	2.9

Share price chart


Source: Bloomberg

Multi-Purpose Holdings
Gaming
Bloomberg Ticker: MPU MK | Bursa Code: 3859
Buy

Disclosure of MPHB Cap's listing details

MPHB has yesterday provided further listing details of MPHB Cap, which is slated to be listed on the 25 June. We understand that the group will undertake a capital repayment exercise within three months post listing of MPHB Cap. We also wish to highlight that the listing of MPHB Cap will not lead to an automatic adjustment to MPHB's share price. **Maintain BUY with an unchanged target price of RM4.21. Nonetheless, we now foresee downside risk to MPHB's share price post ex-date on 27 May, although the capital repayment of 48.5sen in September could partially mitigate the downside risk. This is because we only ascribe a RM2.90 target price to MPHB's gaming operations.**

MPHB Cap slated to be listed on 25 June

- Multi-Purpose Holdings Bhd (MPHB) has yesterday provided further listing details with regards to its renounceable offer for sale of 715m ordinary shares in MPHB Capital (MPHB Cap) to the shareholders of MPHB on a 1-for-2 basis at an offer price of RM1.00.
- The ex-date for the offer for sale is 27 May. Other timelines for the proposed exercise are set out in Figure 1.
- MPHB Cap is slated to be listed on 25 June, which is within our expectation.

Listing nearing completion with capital repayment by September

- To recap, when MPHB unveiled its demerger exercise back in May last year, the proposed demerger exercise consists of four phases i.e. (i) internal reorganisation, (ii) offer for sale and subsequent listing, (iii) capital repayment and (iv) name change of MPHB to 'Magnum'.
- With the revelation of its listing details and MPHB Cap slated to be listed on 25 June, we observe that the group has nearly completed the first two phases of its demerger exercise.
- We understand that the group will undertake a capital repayment exercise within three months post listing of MPHB Cap i.e. by end Sep. As such, the net proceeds to be raised from the proposed offer for sale (estimated to be RM696.5m or 48.5sen for each MPHB share, after listing expenses) will be distributed back to its shareholders.
- The reason for the time lag between the listing of MPHB Cap and capital repayment is mainly due to the requirement to procure court's approval for capital repayment.

Listing of MPHB Cap has no downward adjustment to MPHB's share price

- We wish to highlight that the demerger is undertaken via an offer for sale (instead of distribution-in-specie), the listing of MPHB Cap will not lead to an automatic downward adjustment to MPHB's share price by Bursa Malaysia after the offer for sale ex-date on 27 May.
- On the other hand, the 48.5sen capital repayment by September will lead to MPHB's share price to be adjusted downward by such quantum.
- As such, the entire demerger exercise will only lead to a 48.5sen downward adjustment of MPHB's share price upon the ex-date of the capital repayment.

BUY maintained but expect downside risk to MPHB post MPHB Cap's listing

- We maintain our **BUY** recommendation for MPHB with an unchanged target price of **RM4.21**, based on our sum-of-parts (SOP) valuation.
- We will review our target price for MPHB upon the announcements of its 1QFY13 results, expected to be released on 23 May.
- Nonetheless, we now foresee downside risk to MPHB's share price post the offer for sale ex-date of MPHB Cap. As illustrated in Figure 2, we only ascribe a **RM2.90** target price to MPHB's gaming operations (excluding MPHB Cap). As such, the successful listing of MPHB Cap could lead to selling pressure on MPHB, although the impending capital repayment of 48.5sen could partially mitigate the downside risk to MPHB's share price.

**Figure 1 : Timeline of MPHB Cap offer for sale**

Ex-date	27 May
Entitlement date	29 May
Date for commencement of trading of the rights	30 May
Date for despatch of abridged prospectus and subscription forms	31 May
Date for cessation of trading of the rights	6 June
Date for announcement of final subscription result and basis of allotment of excess Rights Securities	17 June
Listing date of the Rights Securities	25 June

Source: Company

Figure 2 : SOP valuation of MPHB pre-merger

	RM m	RM/sh	Comments
Gaming operations			
Magnum Corporation	4,139.2	2.90	DDM, Ke@7.6%
MPHB Cap			
Multi-Purpose Insurans	609.8	0.43	2.5x P/BV
Multi-Purpose Credit Holdings	180.1	0.13	1.0x P/BV
Flamingo Hotels	130.0	0.09	BV
Pengerang land	469.0	0.33	RM2.32 psf
Balik Pulau land	153.7	0.11	RM17 psf
Jalan Imbi land	183.6	0.13	RM2,000 psf
Property JVs with Bandar Raya	488.1	0.34	DCF @ 10.5%
Property assets per share		<u>1.00</u>	
40% discount to property assets		0.60	
Investment securities	700.0	0.49	BV
Net liabilities on MPHB Cap	(267.9)	<u>(0.19)</u>	Alliance estimates
		<u>1.46</u>	
After 10% holding company discount on MPHB		1.31	
Number of shares	1,427.3		
SOP/share (RM)		4.21	

Source: Alliance Research

Figure 3 : Key financial data

FYE 31 Dec	FY10	FY11	FY12	FY13F	FY14F
Revenue (RM m)	3,616.4	3,526.0	3,414.1	3,699.5	3,905.8
EBITDA (RM m)	691.9	757.9	478.2	1,211.9	1,310.4
EBIT (RM m)	667.4	624.4	604.7	689.8	787.4
Pretax profit (RM m)	548.1	660.6	401.8	556.5	681.1
Reported net profit (RM m)	300.0	467.9	333.2	417.3	510.6
Core net profit (RM m)	300.6	284.5	149.8	417.3	510.6
EPS (sen)	27.9	36.8	23.3	29.2	35.8
Core EPS (sen)	27.9	22.4	10.5	29.2	35.8
Alliance / Consensus (%)				106.5	115.7
Core EPS growth (%)	-19.7	-19.9	-53.1	178.6	22.4
P/E (x)	13.9	16.7	35.5	13.3	10.8
EV/EBITDA (x)	8.1	8.4	12.6	5.3	4.7
ROE (%)	12.7	14.5	9.8	11.9	13.5
Net gearing (%)	86.0	31.0	20.8	50.5	0.0
Net DPS (sen)	6.8	11.3	12.0	16.8	17.1
Net dividend yield (%)	1.7	3.0	3.2	4.3	4.4
BV/share (RM)	2.22	2.24	2.37	2.46	2.65
P/B (x)	1.7	1.7	1.6	1.6	1.5

Source: Alliance Research, Bloomberg



DISCLOSURE

Stock rating definitions

- Strong buy - High conviction buy with expected 12-month total return (including dividends) of 30% or more
- Buy - Expected 12-month total return of 15% or more
- Neutral - Expected 12-month total return between -15% and 15%
- Sell - Expected 12-month total return of -15% or less
- Trading buy - Expected 3-month total return of 15% or more arising from positive newsflow. However, upside may not be sustainable

Sector rating definitions

- Overweight - Industry expected to outperform the market over the next 12 months
- Neutral - Industry expected to perform in-line with the market over the next 12 months
- Underweight - Industry expected to underperform the market over the next 12 months

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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