# MRCB (MRC MK)

**SELL (downgrade)**
*Up/Downside: -12%*

**Price Target: RM0.30**
*Previous Target (Rating): RM0.35 (Hold)*

*"1Q26 results below expectations on property development loss"*

## High interest expense burden

- **Malaysian Resources Corp's (MRCB) 1Q26 results were below market and our expectations, mainly due to property development loss incurred**
- **Core net profit fell 81% qoq to RM3.5m in 1Q26, mainly due to lower construction earnings as its Klang Valley LRT Line 3 (LRT3) project is at the tail end**
- **The acquisition completion of the remaining 80% stake in Bukit Jalil Sentral Property (BJSP) for RM1.49bn will increase interest expense and drag bottom line into the red. We downgrade our call to SELL with lower TP of RM0.30**

### Dragged by property development loss

MRCB reported core net profit of RM3.5m in 1Q26, comprising 7% of full-year consensus and our previous forecasts of RM52.2-52.5m. Revenue jumped 46% yoy to RM319m in 1Q26, mainly due to higher construction revenue as the LRT3 progress billings accelerated but was 14% qoq lower. Core earnings fell 81% qoq on lower construction earnings (EBIT margin contracted to 15% in 1Q26 from 30% in 4Q25) as the LRT3 project is at the tail end and remaining retention profit to be recognised has reduced substantially. The 1Q26 results showed a turnaround from a core net loss of RM14m in 1Q25. Property losses eased to RM8.9m in 1Q26 from RM29.9m in 4Q25 but higher than the RM4.3m loss in 1Q25.

### High interest expense

Net gearing increased to 46% at end-1Q26 from 27% at end-1Q25 due to higher working capital requirements. MRCB completed the acquisition of the remaining 80% stake in BJSP from the Employees Provident Fund (EPF) for RM1.49bm on 20 April 2026. We estimate this will increase its net gearing to 78% as the acquisition is debt financed. The development of the prime 76.14-acre land in Bukit Jalil owned by the wholly-owned subsidiary BJSP will likely see a gestation period and execution risks. Factoring in the higher interest expense, we now core net losses of RM6m/RM25m/RM10m in 2026E/27E/28E respectively. But we assume exceptional gain of RM113m to offset core loss and lift net profit to RM107m in 2026E. There is upside risks to our forecasts if MRCB is able to partially sell land parcels or form joint ventures to develop the land (no land sales assumed in our revised forecasts).

### Downgrade to SELL call

We expect MRCB's earnings to be volatile going forward due to the high interest expense burden and there are execution risks accelerating the development of the BJSP land. Remaining order book of RM5.6bn and unbilled property sales of RM1.5bn (mostly Australian property sales that are recognised as revenue on completion) is expected to contribute to earnings in the long run. Slow start to the year with property sales of RM82m but MRCB has maintained target sales of RM900m in 2026. We cut our target price to

### Earnings and Valuation Summary

| FYE 31 Dec (RMm) | 2024 | 2025 | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| Revenue (RMm) | 1,645.4 | 1,197.8 | 1,188.1 | 1,460.4 | 1,994.4 |
| EBITDA (RMm) | 192.4 | 120.6 | 113.9 | 125.8 | 153.9 |
| Pretax profit (RMm) | 75.0 | 73.2 | 106.8 | (31.5) | (10.5) |
| Net profit (RMm) | 63.7 | 47.3 | 107.1 | (25.0) | (10.3) |
| EPS (sen) | 1.4 | 1.1 | 2.4 | (0.6) | (0.2) |
| PER (x) | 23.9 | 32.1 | 14.2 | NA | NA |
| Core net profit | 63.7 | 24.7 | (6.3) | (25.0) | (10.3) |
| Core EPS (sen) | 1.4 | 0.6 | (0.1) | (0.6) | (0.2) |
| Core EPS growth (%) | (37.0) | (61.2) | NA | 298.9 | (58.7) |
| Core PER (x) | 23.9 | 61.4 | NA | NA | NA |
| Net DPS (sen) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Dividend Yield (%) | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| EV/EBITDA (x) | 10.0 | 17.7 | 34.5 | 38.7 | 38.0 |
| | | | | | |
| Chg in core EPS (%) | | | NA | NA | NA |
| Affin/Consensus (x) | | | 2.1 | NA | NA |

*Source: Company, Bloomberg, Affin Hwang forecasts*

### Share price performance


| | 1M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | 13.3 | (21.8) | (31.3) |
| Rel KLCI (%) | 13.5 | (26.0) | (38.6) |

| | BUY | HOLD | SELL |
|---|---|---|---|
| Consensus | 3 | 2 | 1 |

*Source: Bloomberg*

### Stock Data

| | |
|---|---|
| Sector | Construction |
| Issued shares (m) | 4,467.5 |
| MCap (RMm/US$m) | 1,519/383 |
| Avg daily vol (m) | 5.6 |
| 52-wk range (RM) | 0.3-0.6 |
| Est free float | 40.3% |
| Stock Beta | 1.43 |
| Net cash/(debt) | (2,124.98) |
| ROE (CY26E) | (0.1) |
| Derivatives | Yes |
| Shariah Compliant | Yes |
| FTSE4Good Constituent | Yes |

### Key Shareholders

| | |
|---|---|
| EPF | 36.2% |
| Gapurna Sdn Bhd | 15.5% |
| LTH | 5.4% |

*Source: Bloomberg, Affin Hwang, Bursa Malaysia*

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### Fig 1: Results Comparison

| FYE 31 Dec (RMm) | 4Q24 | 1Q25 | 3Q25 | 4Q25 | 1Q26 | Comments |
|---|---|---|---|---|---|---|
| **Revenue** | **370.7** | **218.2** | **310.0** | **371.8** | **319.2** | Higher yoy, mainly due to higher construction (+69% yoy) revenue but lower property (-11% yoy) revenue. But revenue is down qoq due to high base in 4Q25. |
| Op costs | (334.1) | (205.7) | (286.1) | (322.3) | (282.0) | |
| **EBITDA** | **36.6** | **12.5** | **23.9** | **49.5** | **37.1** | |
| *EBITDA margin (%)* | *9.9* | *5.7* | *7.7* | *13.3* | *11.6* | |
| Depreciation | (14.0) | (11.0) | (11.0) | (5.7) | (9.8) | |
| **EBIT** | **22.6** | **1.5** | **12.9** | **43.8** | **27.3** | Higher construction earnings (+388% yoy), partially offset by property development loss of RM8.9m. Lower qoq due to high earnings base in 4Q25 due to the recognition of higher profit margin for LRT3 project that is near the tail end. |
| *EBIT margin (%)* | *6.1* | *0.7* | *4.2* | *11.8* | *8.6* | |
| Int expense | (26.1) | (27.4) | (26.0) | (33.6) | (33.8) | Higher net debt led to higher interest expense yoy. |
| Int and other inc | 6.2 | 4.9 | 33.0 | 27.5 | 10.6 | |
| Associates | 2.7 | 3.3 | 3.6 | 3.8 | 5.0 | |
| Exceptional items | 0.0 | 22.6 | 0.0 | 0.0 | 0.0 | |
| **Pretax profit** | **5.4** | **4.9** | **23.6** | **41.5** | **9.1** | |
| Tax | (4.7) | 3.7 | (18.4) | (23.0) | (5.6) | |
| *Tax rate (%)* | *178.0* | *(242.7)* | *92.3* | *61.0* | *136.3* | Non-deductible expenses and timing differences led to the high tax rate. |
| Minority interests | (0.0) | (0.0) | (0.1) | 0.1 | 0.0 | |
| **Net profit** | **0.6** | **8.6** | **5.1** | **18.6** | **3.5** | Below expectations due to property development loss. |
| EPS (sen) | 0.0 | 0.1 | 0.1 | 0.4 | 0.1 | |
| **Core net profit** | **0.6** | **(14.0)** | **5.1** | **18.6** | **3.5** | Below expectations. Exclude exceptional items. |

*Source: Affin Hwang, Company*

### Fig 2: RNAV and target price

| Segment | New value (RMm) | Old value (RMm) | Change (%) |
|---|---|---|---|
| Property development | 3,825 | 2,188 | 75 |
| Property investment | 1,083 | 1,083 | 0 |
| Construction | 160 | 160 | 0 |
| Car Park & REIT | 435 | 435 | 0 |
| **Total** | **5,502** | **3,865** | **42** |
| Net cash/(debt) | (3,615) | (1,257) | 188 |
| **RNAV** | **1,887** | **2,609** | **(28)** |
| No. of shares | 4,468 | 4,468 | 0 |
| **RNAV / share** | **0.42** | **0.58** | **(28)** |
| **Target price @ 30% discount** | **0.30** | **0.35** | **(14)** |

*Source: Affin Hwang estimates*

# Important Disclosures and Disclaimer

**Equity Rating Structure and Definitions**

| | |
|---|---|
| **BUY** | Total return is expected to exceed +10% over a 12-month period |
| **HOLD** | Total return is expected to be between -5% and +10% over a 12-month period |
| **SELL** | Total return is expected to be below -5% over a 12-month period |
| **NOT RATED** | Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation |

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

| | |
|---|---|
| **OVERWEIGHT** | Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months |
| **NEUTRAL** | Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months |
| **UNDERWEIGHT** | Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months |



This report is printed and published by:
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