Malaysian Resources Corporation

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Results Review: 2QFY26

Going through transitory pains

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MRCB recorded 1HFY26 core net loss of RM58m. The results were well below our and street forecasts due to unexpected losses in 2Q26 driven by shortfall in construction revenue and increased finance costs. The group slipped into red with core net loss of RM61.5m in 2Q26, dragged by 60% plunge in construction revenue as LRT3 construction project reached full completion while recognition of newer projects remained sluggish, coupled with elevated operating costs. We pencil in a core net loss of RM54m for FY26 and cut FY27/28 forecasts by 29%/21%. Downgrade the stock to HOLD with a lower SOP driven TP of RM0.28 (from RM0.50).

Below estimates. MRCB recorded 2QFY26 results with revenue of RM174.5m (-45% QoQ, -41% YoY) and core net loss of RM61.5m (1Q26: RM3.5m, 2Q25: RM15.1m), bringing 1HFY26 core net loss to RM58m (1H25: core profit of RM1.1m). The results were significantly below our and consensus profit forecasts of RM33.9m and RM39.8m respectively – due to unexpected losses in 2Q26 driven by shortfall in construction revenue and increased finance costs. 2Q26 core net loss was arrived after adjusting for (i) remeasurement gain of RM114.9m after the acquisition of remaining 80% interest in Bukit Jalil Sentral Property, (ii) RM28.5m expected credit loss provision on contract assets and (iii) RM10.4m write-off of previously capitalised stamp duty post termination of a project management contract.

QoQ. Core bottom line slipped into red with core net loss of RM61.5m, mainly dragged by a 60% plunge in construction revenue as LRT3 construction project reached 100% completion while recognition of newer projects remained sluggish, coupled with elevated operating costs, resulting in a RM56m operating loss in construction segment (vs EBIT of RM39m). The dismal performance was aggravated by continued losses in its Property segment at RM7.4m and increased finance costs (+29%).

YoY/FYTD. The group inked core net loss of RM61.5m/RM58m in 2Q26/1H26 (vs core net profit of RM15.1m/RM1.1m SPLY). The group slipped into red as construction segment sank into losses due to the aforementioned reasons. In addition, despite higher revenue in the property segment (+71% YoY/+20% FYTD), the segment incurred operating losses of RM7.4m/RM16.3m due to increased opex and marketing expenses in preparation for new project launches, while 1H25 saw a write-back of cost provisions related to completed projects.

Construction. Outstanding orderbook stood at RM8.5bn, mainly comprising (i) LRT3 reinstatement (RM2bn) and (ii) KSSA redevelopment (RM2.9bn) and its recently secured Penang LRT Systems package (RM3.0bn). Physical progress for its existing jobs remains slower-than-expected as KSSA progress stood at 10% which is still undergoing earthworks and subsequently entering piling works in the near-term. Meanwhile, the LRT3 stations reinstatement works are still at the design stage, with physical works only commencing in Sep 2026. Penang LRT Systems works will only see some revenue recognition in late-2027. As such, we expect the construction segment to remain depressed in the coming quarters, as newer projects take time to ramp up while overhead costs remain elevated. Its RM10bn tenderbook comprises Penang LRT civil works, Penang Airport expansion and various infra projects. Notably, MRCB is now bidding for external data centre (DC) jobs.

Property. MRCB recorded sales of RM151m in 1H26 (driven by MARIS), bringing its unbilled sales to RM1.5bn (97% derived from Australia). Take-up rate for Australian projects has been encouraging at 92% and 49% for Maris and Vista respectively, though revenue is only recognisable upon handover in FY29-30. To fill the revenue void, MRCB plans to launch RM1.9bn GDV worth of projects in Malaysia to replenish its unbilled sales.

HOLD (from Buy)

Target price (TP):	RM0.28
Previous TP:	RM0.50
Current price:	RM0.31

Capital upside	-9.7%
Dividend yield	0.0%
Total expected return	-9.7%

Sector classification

Construction

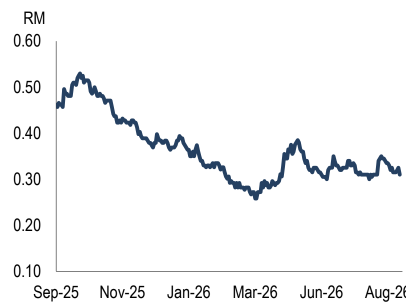
Company description

Malaysian Resources Corporation (MRCB) is primarily involved in property development (with a niche in TODs) and construction.

Major shareholders

EPF	36.2%
Gapurna	15.5%
LTH	5.4%

Share price chart



Stock information

Bloomberg ticker	MRC MK
Bursa stock code	1651
Issued shares (m)	4,468
Market capitalisation (RM m)	1,385
3M average volume ('000)	13,425
Shariah compliant	Yes
FTSE Russell ESG rating	★★★

Core earnings summary

FYE Dec	FY25	FY26f	FY27f
PATMI (RM m)	24.7	(53.6)	54.3
EPS (sen)	0.6	(1.2)	1.2
P/E (x)	56.1	n.m.	25.5

Nonetheless, we believe its property segment will only see profitability from FY27 onwards with limited unbilled sales recognisable in FY26.

Forecast. We pencil in a core net loss of RM54m for FY26 (from net profit of RM34m) and slashed FY27/28 forecasts by 29%/21% after imputing (i) slower progress assumptions for key projects and (ii) lower margin assumptions for both construction and property segments.

Downgrade to HOLD, TP: RM0.28. Post earnings adjustments, we downgrade the stock to a HOLD rating with a lower SOP driven TP of RM0.28 (from RM0.50) after factoring in lower earnings from both core segments and higher SOP discount. Near-term catalysts appear limited, with earnings recovery likely to remain sluggish despite its sizeable orderbook, given the long gestation period of recently secured projects before meaningful earnings recognition. This is compounded by lacklustre sales at its Malaysian property projects and limited unbilled sales available for near-term recognition. Key rerating catalysts: Penang infra job wins and MRT3 news flow.

Financial forecast table

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	999	658	1,488	1,362	1,336
Receivables	2,236	2,682	2,282	2,734	2,016
PPE	759	724	720	749	778
Investment properties	1,253	1,283	1,306	1,329	1,352
Others	3,492	3,711	3,245	3,245	3,245
Assets	**9,034**	**9,458**	**9,469**	**9,998**	**9,414**
Debts	2,259	2,549	2,749	3,149	2,949
Payables	1,529	1,619	1,520	1,642	1,220
Others	626	669	669	669	669
Liabilities	**4,414**	**4,837**	**4,938**	**5,461**	**4,838**
Shareholder's equity	4,615	4,619	4,521	4,530	4,576
Minority interest	5	2	11	8	0
Equity	**4,620**	**4,621**	**4,531**	**4,538**	**4,576**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profit before taxation	75	73	(62)	85	156
Depreciation & amortis	49	39	45	46	48
Changes in working ca	(378)	(545)	273	(480)	187
Taxation	(11)	(26)	-	(28)	(59)
Others	(10)	(68)	-	-	-
CFO	**(275)**	**(527)**	**256**	**(376)**	**331**
Net capex	(205)	(47)	(80)	(80)	(80)
Others	152	151	-	-	-
CFI	**(53)**	**104**	**(80)**	**(80)**	**(80)**
Changes in borrowings	457	290	200	400	(200)
Issuance of shares	-	-	-	-	-
Dividends paid	(45)	(45)	(45)	(45)	(45)
Others	(108)	(122)	-	-	-
CFF	**305**	**124**	**155**	**355**	**(245)**
Net cash flow	**(24)**	**(299)**	**331**	**(100)**	**7**
Forex	(2)	(1)	-	-	-
Others	51	(43)	499	(26)	(33)
Beginning cash	972	999	658	1,488	1,362
Ending cash	999	658	1,488	1,362	1,336

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**1,645**	**1,198**	**1,240**	**1,818**	**2,156**
EBIT	146	101	21	180	254
Associates & JV	11	15	22	24	25
Profit before tax	**75**	**73**	**(62)**	**85**	**156**
Tax	(11)	(26)	-	(28)	(59)
Net profit	**64**	**47**	**(62)**	**58**	**98**
Minority interest	0	0	8	(3)	(7)
PATMI (reported)	64	47	(54)	54	91
Exceptionals	-	(23)	-	-	-
PATMI (core)	**64**	**24.7**	**(53.6)**	**54.3**	**90.6**

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	1.4	0.6	(1.2)	1.2	2.0
P/E (x)	21.8	56.1	n.m.	25.5	15.3
DPS (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	3.2	3.2	3.2	3.2	3.2
BVPS (RM)	1.0	1.0	1.0	1.0	1.0
P/B (x)	0.3	0.3	0.3	0.3	0.3
EBITDA margin (%)	11.9	11.7	5.3	12.5	14.0
EBIT margin (%)	8.9	8.4	1.7	9.9	11.8
PBT margin (%)	4.6	6.1	(5.0)	4.7	7.2
Net margin (%)	3.9	4.0	(4.3)	3.0	4.2
ROE (%)	1.4	1.0	-1.2	1.2	2.0
ROA (%)	0.7	0.5	-0.6	0.6	0.9
Net gearing (%)	27.3	40.9	27.9	39.4	35.2

Assumptions

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Contracts secured	250	5,500	3,500	2,000	2,000
Property sales	836	927	800	1,000	1,000

Focus charts

Figure #1 SOP valuation for MRCB

Sum of Parts	RM m	PE (x) / WACC	Value to MRCB	Per Share
Construction - FY26 earnings	7	10	65	0.01
Property development - NPV of profits		10%	462	0.10
Investment property - fair value			1,732	0.39
Stake in Sentral REIT at RM0.72 TP	861	28%	240	0.05
Sum of parts			**2,499**	**0.56**
Discount			-50%	(0.28)
Target price			**1,249**	**0.28**

HLIB estimates

Figure #2 Results table

FYE Dec	2QFY25	1QFY26	2QFY26	*QoQ (%)*	*YoY (%)*	1H25	1H26	*YoY (%)*
Revenue	297.8	319.2	174.5	*(45.3)*	*(41.4)*	516.0	493.7	*(4.3)*
EBIT	26.9	37.9	(24.6)	*NM*	*NM*	33.3	13.3	*(60.0)*
Finance cost	(27.7)	(33.8)	(43.7)	*29.3*	*57.7*	(55.1)	(77.5)	*40.5*
Share of JVs and associates	4.1	5.0	4.9	*(2.1)*	*20.2*	10.8	14.8	*36.7*
PBT	3.3	9.1	(63.4)	*NM*	*NM*	(14.5)	(54.3)	*NM*
PAT	14.8	3.5	(61.5)	*NM*	*NM*	0.8	(58.0)	*NM*
Core PATMI	15.1	3.5	(61.5)	*NM*	*NM*	1.1	(58.0)	*NM*
Reported PATMI	15.1	3.5	14.5	*314.5*	*(3.8)*	23.7	18.0	*(23.9)*
Core EPS (sen)	0.3	0.1	(1.4)	*NM*	*NM*	0.0	(1.3)	*NM*
EBIT margin (%)	9.0	11.9	(14.1)			6.5	2.7	
PBT margin (%)	1.1	2.9	(36.3)			(2.8)	(11.0)	
PATMI margin (%)	5.1	1.1	(35.2)			0.2	(11.7)	

Bursa announcement, MRCB

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
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Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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