HLIB Research
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Brian Chin
brianchin@hlib.hongleong.com.my
(603) 2083 1722

Malaysian Resources Corporation

Starting inline

1Q26 core PATAMI of RM3.5m was within our expectation. Orderbook stood at RM5.6bn, mainly comprising KSSA project and LRT3 reinstatement works. Management is aiming for RM2bn wins in FY26, backed by a RM10bn tenderbook. On property, MRCB aims to launch new projects in Malaysia with a RM2.2bn GDV to rebuild its domestic unbilled sales. It targets a sales tally of RM800m in 2026. Recalibrated our model and reintroduce FY26/27/28f earnings at RM33.7m/RM72.3m/RM107.9m. Maintain BUY with a higher SOP driven TP of RM0.50.

BUY (Maintain)

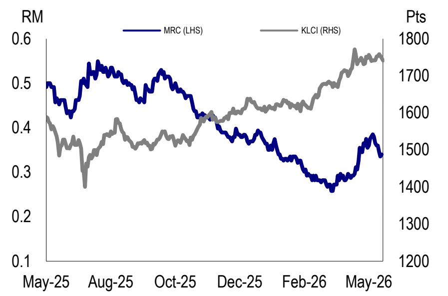
Target Price:	**RM0.50**
Previously:	**RM0.43**
Current Price:	**RM0.34**

Capital upside	47.1%
Dividend yield	2.9%
Expected total return	50.0%

Sector coverage: Construction

Company description: MRCB is primarily involved in property development (with a niche in TODs) and construction.

Share price



Historical return (%)	1M	3M	12M
Absolute	11.5	1.5	-32.7
Relative	12.0	3.6	-39.6

Stock information

Bloomberg ticker	MRC MK
Bursa code	1651
Issued shares (m)	4,468
Market capitalisation (RM m)	1,519
3-mth average volume ('000)	21,557
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

EPF	36.2%
Gapurna	15.5%
LTH	5.3%

Earnings summary

FYE (Dec)	FY25	FY26f	FY27f
PATMI - core (RM m)	24.7	33.7	72.3
EPS - core (sen)	1.1	0.8	1.6
P/E (x)	32.1	45.1	21.0

Broadly inline. MRCB recorded 1QFY26 results with revenue of RM319.2m (-14% QoQ, +46% YoY) and core earnings of RM3.5m (-81% QoQ, YoY: -RM14m). We deem the results within our (11%) but below consensus full year estimates (7%) as we anticipate sequential earnings improvement in the coming quarters driven by accelerating progress across key construction projects in 2H26. No adjustments made in deriving core numbers.

QoQ. Core net profit dipped 81% mainly due to higher construction profit in 4Q25 as LRT3 project was nearing full completion alongside positive margin recalibration in the preceding quarter. Also, the KSSA redevelopment and LRT3 reinstatement works had yet to pick up meaningfully as both are still in their early stages.

YoY. The group returned to black with core earnings of RM3.5m (1Q25: -RM14m) thanks to surge in EBIT contribution from construction (3.8x YoY; completion of the LRT3 project and positive progress in flood mitigation packages). However, earnings were partially offset by an abnormally high effective tax rate of over 60%, mainly due to RM2m in deferred tax expenses and RM0.9m in prior-year under provision.

Construction. Outstanding orderbook stood at RM5.6bn, mainly comprising (i) LRT3 reinstatement (RM2bn) and (ii) KSSA redevelopment (RM3bn), among other infra works. MRCB has received NTP for the LRT3 reinstatement works with progress expected to accelerate from 2H26. Coupled with further progress in KSSA redevelopment, this should support stronger construction revenue in the coming quarters. Management is aiming for RM2bn wins in FY26 backed by a RM10bn tenderbook comprising Penang LRT jobs, Penang Airport expansion and various infra projects. The timeline for the conversion of KL Sentral redevelopment (RM1bn) remains uncertain at this juncture.

Property. MRCB recorded sales of RM82m in 1Q26 (driven by MARIS), bringing its unbilled sales to RM1.5bn (96% derived from Australia). Take-up rate for Australian projects have been encouraging at 92% and 49% for Maris and Vista, respectively, though revenue is only recognisable upon handover in FY28-29. To fill the revenue void, MRCB plans to launch RM2.2bn GDV worth of projects in Malaysia to rebuild its unbilled sales. Management targets a sales tally of RM800m in 2026. Nonetheless, we believe its property segment will only see profitability from FY27 onwards with limited unbilled sales recognisable in FY26.

Forecast. Due to change in covering analyst, we recalibrated our model and reintroduce FY26/27/28f earnings at RM33.7m/RM72.3m/RM107.9m.

Maintain BUY, TP: RM0.50. Post model revamp and imputing FY25 audited figures, we maintain **BUY** with a higher SOP driven TP of **RM0.50** (from RM0.43). Key rerating catalysts: Penang infra job wins and MRT3 newsflow; Downside risks: margins, execution and property sales slowdown.

Figure #1 Quarterly results comparison

FYE Dec	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)
Revenue	218.2	371.8	319.2	*(14.2)*	*46.3*
EBIT	6.4	71.3	37.9	*(46.8)*	*493.4*
Finance cost	(27.4)	(33.6)	(33.8)	*0.7*	*23.2*
Share of JVs and associates	3.3	3.8	5.0	*32.1*	*50.8*
PBT	(17.7)	41.5	9.1	*(78.1)*	*(151.3)*
PAT	(14.0)	18.5	3.5	*(81.1)*	*(125.0)*
Core PATMI	(14.0)	18.6	3.5	*(81.2)*	*(125.0)*
Reported PATMI	8.6	18.6	3.5	*(81.2)*	*(59.3)*
Core EPS (sen)	(0.3)	0.4	0.1	*(81.2)*	*(125.0)*
EBIT margin (%)	2.9	19.2	11.9		
PBT margin (%)	(8.1)	11.2	2.9		
PATMI margin (%)	(6.4)	5.0	1.1		

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Figure #2 SOP valuation for MRCB

Sum of Parts	RM m	PE (x) / WACC	Value to MRCB	Per Share
Construction - FY26 earnings	40	10	400	0.09
Property development - NPV of profits		10%	600	0.13
Investment property - fair value			1,732	0.39
Stake in Sentral REIT at RM0.72 TP	861	28%	240	0.05
Sum of parts			**2,972**	**0.67**
Discount			-25%	(0.17)
Target price			**2,229**	**0.50**

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Financial forecasts

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	999	658	1,237	1,240	1,341
Receivables	2,236	2,682	2,777	3,100	2,159
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**	**9,780**	**10,324**	**9,613**
Debts	2,259	2,549	2,749	3,149	2,949
Payables	1,529	1,619	1,753	1,875	1,309
Others	626	669	669	669	669
Liabilities	**4,414**	**4,837**	**5,171**	**5,693**	**4,928**
Shareholder's equity	4,615	4,619	4,608	4,635	4,699
Minority interest	5	2	1	(4)	(13)
Equity	**4,620**	**4,621**	**4,609**	**4,631**	**4,685**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profit before taxation	75	73	45	122	191
Depreciation & amortisatio	49	39	45	46	48
Changes in working capital	(378)	(545)	(55)	(367)	298
Taxation	(11)	(26)	(10)	(44)	(75)
Others	(10)	(68)	-	-	-
CFO	**(275)**	**(527)**	**25**	**(243)**	**462**
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)**	**100**	**32**	**137**
Forex	(2)	(1)	-	-	-
Others	51	(43)	480	(30)	(36)
Beginning cash	972	999	658	1,237	1,240
Ending cash	999	658	1,237	1,240	1,341

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**1,645**	**1,198**	**1,541**	**2,085**	**2,330**
EBIT	146	101	128	217	289
Associates & JV	11	15	22	24	25
Profit before tax	**75**	**73**	**45**	**122**	**191**
Tax	(11)	(26)	(10)	(44)	(75)
Net profit	**64**	**47**	**35**	**78**	**117**
Minority interest	0	0	(1)	(5)	(9)
PATMI (reported)	64	47	34	72	108
Exceptionals	-	(23)	-	-	-
PATMI (core)	**64**	**25**	**34**	**72**	**108**

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	1.4	1.1	0.8	1.6	2.4
P/E (x)	23.9	32.1	45.1	21.0	14.1
DPS (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield	2.9%	2.9%	2.9%	2.9%	2.9%
BVPS (RM)	1.0	1.0	1.0	1.0	1.1
P/B (x)	0.3	0.3	0.3	0.3	0.3
EBITDA margin	11.9%	11.7%	11.2%	12.6%	14.4%
EBIT margin	8.9%	8.4%	8.3%	10.4%	12.4%
PBT margin	4.6%	6.1%	2.9%	5.8%	8.2%
Net margin	3.9%	4.0%	2.2%	3.5%	4.6%
ROE	1.4%	1.0%	0.7%	1.6%	2.3%
ROA	0.7%	0.5%	0.4%	0.7%	1.1%
Net gearing	27.3%	40.9%	32.8%	41.2%	34.2%

Assumptions

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

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Hong Leong Investment Bank Berhad (10209-W)
Level 28, Menara Hong Leong,
No. 6, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur
Tel: (603) 2083 1800
Fax: (603) 2083 1766

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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.
NOT RATED	Stock is not or no longer within regular coverage.

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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