Malaysian Resources Corporation

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Newsbreak

DC land sale in Cyberjaya

MRCB has entered into a conditional SPA to dispose of seven parcels of land, measuring 48.8 acres in Cyberjaya to Digital Cosmos Malaysia Sdn Bhd for a cash consideration of RM419m. The deal is expected to yield a handsome net disposal gain of RM81m. Of the total disposal proceeds, RM350m will be used repay Sukuk which are due in 12 months, lowering its net gearing to 0.31x (from 0.41x). In our view, this frees up MRCB's gearing headroom to execute its RM8bn orderbook on hand and fund its DC ventures. Maintain our forecasts and BUY rating with an unchanged SOP-TP of RM0.50.

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BUY (Maintain)

Target price (TP):	**RM0.50**
Previous TP:	**RM0.50**
Current price:	**RM0.345**

Capital upside	44.9%
Dividend yield	0.0%
Total expected return	44.9%

Sector classification

Construction

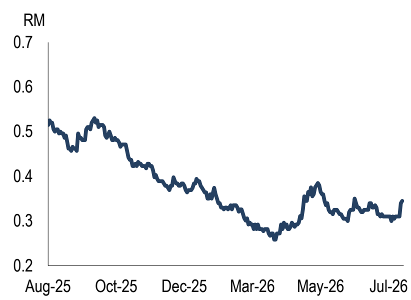
Company description

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)	1,541
3M average volume ('000)	14,070
Shariah compliant	Yes
FTSE Russell ESG rating	★★★

Core earnings summary

FYE Dec	FY25	FY26f	FY27f
PATMI (RM m)	24.7	33.9	76.0
EPS (sen)	0.6	0.8	1.7
P/E (x)	62.5	45.5	20.3

NEWSBREAK

MRCB has entered into a conditional SPA to dispose of seven parcels of land, measuring 48.8 acres in Cyberjaya to Digital Cosmos Malaysia Sdn Bhd for a cash consideration of RM419m. The existing parcels measuring 36.7 acres under MRCB's ownership, are currently undergoing a surrender and re-alienation exercise, which will see the land consolidated under a single freehold title and enlarged to 45.8 acres upon completion.

Digital Cosmos is principally involved in the development and operation of data centres (DC). The disposal is slated for completion by 4Q27, subject to fulfilment of all CPs, including regulatory approvals for the land transfer, approval from the Data Centre Task Force with at least 182MW of approved power capacity, confirmation from TNB on the availability of such power supply, among others.

HLIB's VIEW

Reaping a handsome gain. Recall, MRCB bought the seven parcels of land from Cyberview (MoF-owned) for RM287.8m in Mar-25. Just over a year later, MRCB is disposing of the land for RM419m (RM210psf), which is expected to yield a handsome net disposal gain of RM81m. That said, the economics are significantly enhanced by the surrender and re-alienation exercise, which enlarges the saleable land area by 9.15 acres to 45.81 acres. As a reference, Equinix acquired a 3.53-acre DC site from Cyberview for RM23m in Jul-24 at an implied c.RM150psf. The higher transacted price is also reflective of the appreciation in Cyberjaya land values over the past two years, particularly for DC-viable sites with access to ample power capacity.

Restoring gearing headroom. Of the RM419m disposal proceeds, RM350m will be used repay Sukuk which are due in 12 months, lowering MRCB's net gearing to 0.31x (from 0.41x). Based on a 5% interest rate assumption, we estimate annual interest cost savings of c.RM17.5m. The remaining proceeds will be utilised for working capital, tax and expenses related to the disposal. However, we have reservations on the durability of earnings uplift arising from interest savings, as MRCB may need to gear up again given its relatively modest RM661m cash balance against sizeable working capital requirements to execute its RM8bn orderbook on hand. This is further compounded by the funding requirements for its RM2.1bn Bukit Jalil DC project.

Forecast. Unchanged, pending completion of the conditional disposal. In any case, we deem the disposal gain to be exceptional and one-off in nature.

Maintain BUY, TP: RM0.50. We maintain our BUY call with an unchanged SOP-TP of RM0.50. Key rerating catalysts: pick-up in construction earnings and MRT3 news flow; Downside risks: margins, execution and property sales slowdown.

Financial forecast table

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	999	658	1,234	1,185	1,282
Receivables	2,236	2,682	2,786	3,203	2,257
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**	**9,786**	**10,396**	**9,691**
Debts	2,259	2,549	2,749	3,149	2,949
Payables	1,529	1,619	1,758	1,943	1,378
Others	626	669	669	669	669
Liabilities	**4,414**	**4,837**	**5,177**	**5,761**	**4,996**
Shareholder's equity	4,615	4,619	4,608	4,639	4,710
Minority interest	5	2	1	(5)	(15)
Equity	**4,620**	**4,621**	**4,609**	**4,635**	**4,695**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profit before taxation	75	73	46	129	205
Depreciation & amortis	49	39	45	46	48
Changes in working ca	(378)	(545)	(59)	(422)	288
Taxation	(11)	(26)	(10)	(47)	(81)
Others	(10)	(68)	-	-	-
CFO	**(275)**	**(527)**	**21**	**(293)**	**460**
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)**	**96**	**(18)**	**135**
Forex	(2)	(1)	-	-	-
Others	51	(43)	480	(31)	(38)
Beginning cash	972	999	658	1,234	1,185
Ending cash	999	658	1,234	1,185	1,282

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**1,645**	**1,198**	**1,546**	**2,160**	**2,450**
EBIT	146	101	128	224	303
Associates & JV	11	15	22	24	25
Profit before tax	**75**	**73**	**46**	**129**	**205**
Tax	(11)	(26)	(10)	(47)	(81)
Net profit	**64**	**47**	**35**	**82**	**125**
Minority interest	0	0	(1)	(6)	(10)
PATMI (reported)	64	47	34	76	115
Exceptionals	-	(23)	-	-	-
PATMI (core)	**64**	**24.7**	**33.9**	**76.0**	**115.0**

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	1.4	0.6	0.8	1.7	2.6
P/E (x)	24.2	62.5	45.5	20.3	13.4
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	12.5	14.3
EBIT margin (%)	8.9	8.4	8.3	10.4	12.4
PBT margin (%)	4.6	6.1	2.9	6.0	8.4
Net margin (%)	3.9	4.0	2.2	3.5	4.7
ROE (%)	1.4	1.0	0.7	1.6	2.5
ROA (%)	0.7	0.5	0.4	0.8	1.1
Net gearing (%)	27.3	40.9	32.9	42.3	35.4

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	43	10	433	0.10
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			**3,005**	**0.67**
Discount			-25%	(0.17)
Target price			**2,253**	**0.50**

HLIB estimates

Figure #2 Expected gain arising from the disposal

The Proposed Disposal is expected to result in a pro forma gain on disposal to the Group, details of which are set out below:

		RM'000
Disposal Consideration		419,052
Less:	Audited net book value of the Original Lands as at 31 December 2025	(287,746)
Less:	Stamp duty, registration fee and professional fee directly related to acquisition of the Original Lands	(11,974)
Less:	Estimated expenses in relation to the Proposed Disposal	(12,224)
Less:	Estimated income tax arising from the expected gain from the Proposed Disposal	(25,706)
Pro forma gain on the Proposed Disposal		**81,402**

Bursa announcement, MRCB

Figure #3 Utilisation of disposal proceeds

Utilisation of proceeds

The Disposal Consideration to be raised from the Proposed Disposal is intended to be utilised by the Group in the following manner:

Details of utilisation	Time frame for utilisation#	RM'000
Repayment of borrowings [a]	Within 12 months	350,000
Working capital [b]	Within 12 months	31,122
Estimated income tax arising from the expected gain from the Proposed Disposal [c]	Within 24 months	25,706
Estimated expenses in relation to the Proposed Disposal [d]	Within 5 months	12,224
Total		**419,052**

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.
NON 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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