MBSB RESEARCH

Tuesday 1st. September 2026

Corporate Update

# Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

ESG 3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM0.40**

## 2QFY26 Results Review - In line; 2HCY26 Outlook Fuelled by Solid Tender Pipeline

**Maintain BUY.** We are maintaining our **BUY** recommendation on MRCB with an unchanged **TP** of **RM0.40**, valuing the stock at a P/B ratio of 0.39x, which is +1SD above its three-year mean. We anticipate further momentum from major civil infrastructure works such as the Penang Mutiara Line STC, five reinstated LRT3 stations and the Shah Alam Sports Complex in FY26. Beyond transportation, MRCB is actively pursuing climate adaptation initiatives, including flood mitigation, renewable energy, and water infrastructure projects, reinforcing its long-term growth prospects. Meanwhile, MRCB is developing a RM2.1b, 65MW AI-ready data centre in Bukit Jalil under a proposed 10-year lease, marking its maiden foray into digital infrastructure while unlocking value from its landbank through recurring rental income.

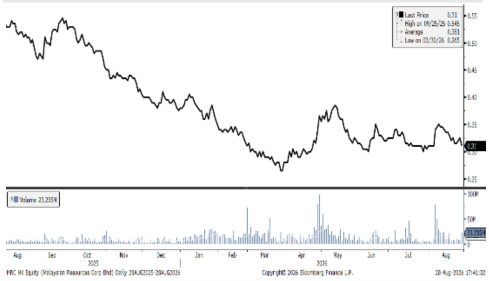
**Largely within expectations; supported by strong sequential earnings recovery.** Malaysian Resources Corporation Bhd (MRCB) recorded core PATAMI of RM14.6m (+2.9%yoy; +332.1%qoq) in 2QFY26, despite revenue falling -41.4%yoy/-45.3%qoq to RM174.5m. The sharp sequential earnings recovery was underpinned by stronger operating profit and a tax credit, partly offset by higher finance costs. Meanwhile, reported PATAMI came in at RM14.5m (-3.8%yoy; +314.5%qoq), which included a RM114.9m remeasurement gain following the acquisition of the remaining 80% stake in Bukit Jalil Sentral Property Sdn Bhd (BJSP), largely offset by losses from the ECE and property divisions. For 1HFY26, core PATAMI fell -21.1%yoy to RM18.0m, accounting for 47.0% and 45.2% of our and consensus full year estimates respectively, which we deem largely within expectations.

**Engineering, construction and environment slipped into losses.** ECE revenue plunged -58.4%yoy to RM103.3m in 2QFY26, while the division recorded an operating loss of RM56.1m versus a RM14.4m profit in 2QFY25. This brought 1HFY26 ECE revenue to RM361.2m (-9.9%yoy) and operating loss to RM17.4m. Apart from softer recognition as LRT3 reached 100% physical completion, 1HFY26 earnings were weighed by a RM28.5m ECL provision on contract assets for completed projects and RM10.4m write-off of previously capitalised stamp duty following the termination of a project management contract with BJSP. Meanwhile, KSSA reached 10.0% physical and 6.3% financial progress at Jun-26, while the five reinstated LRT3 stations remained in design stage with construction targeted to start in Sep-26.

**Property remained loss-making despite better top-line.** Property revenue surged +71.1%yoy to RM48.8m in 2QFY26, but the division posted an operating loss of RM7.4m versus a RM12.1m profit a year ago, mainly reflecting operating and marketing expenses ahead of new launches. 1HFY26 property sales reached RM150.8m, of which RM109.4m came from MARIS, with cumulative sales at RM604.7m or 92% of GDV and 93% of units sold. Unbilled property sales remained sizeable at RM1.49b, with Vista and MARIS accounting for 97%, although earnings from both Australian projects will only be booked upon completion and handover.

| RETURN STATISTICS | |
|---|---|
| Price @ 28th Aug 2026 (RM) | 0.31 |
| Expected share price return (%) | +29.0 |
| Expected dividend yield (%) | +3.2 |
| Expected total return (%) | +32.3 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 3.3 | 2.5 |
| 3 months | -4.6 | -3.9 |
| 12 months | -36.7 | -41.8 |

**INVESTMENT STATISTICS**

| FYE Dec | 2026E | 2027F | 2028F |
|---|---|---|---|
| Revenue | 1,317.6 | 1,515.2 | 1,666.7 |
| EBIT | 126.49 | 148.49 | 163.34 |
| Profit Before Tax | 72.47 | 98.49 | 108.34 |
| Core PATAMI | 38.2 | 42.4 | 46.7 |
| Core EPS | 0.9 | 0.9 | 1.0 |
| DPS | 1.0 | 1.0 | 1.0 |
| Dividend Yield | 3.2 | 3.2 | 3.2 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,725.88 |
| Issued shares (m) | 4467.51 |
| Estimated free float (%) | 40.03 |
| Market Capitalisation (RM'm) | 1,384.93 |
| 52-wk price range | RM0.26 - RM0.55 |
| 3-mth average daily volume (m) | 13.27 |
| 3-mth average daily value (RM'm) | 4.33 |
| Top Shareholders (%) | |
| Employees Provident Fund Board | 36.21 |
| Gapurna Sdn Bhd | 15.48 |
| Lembaga Tabung Haji | 5.35 |

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**Malaysian property launches gathering pace from 2HFY26.** Lunar Residence at 9 Seputeh, with RM473m GDV, was launched in Jul-26, while a further RM1.4b of launches are planned for the remainder of FY26. These comprise Kolektif at KL Sentral with RM205m GDV, Tower 1 at PJ Sentral with RM700m GDV and Tower 5 at PJ Sentral with RM482m GDV, bringing FY26 planned launches to RM1.86b. However, near-term property earnings should remain modest given the low completed inventory base and the time required for these new launches to translate into meaningful revenue recognition.

**Penang LRT STC as the key job win YTD; tender pipeline remains sizeable.** In Aug'26, MRCB-Theta Edge JV secured the RM3.03b Penang LRT Mutiara Line systems package, with MRCB holding a 90% stake. The 68.8-month contract covers railway systems including trains, signalling, trackwork, power supply, telecommunications and ticketing systems, lifting FY26 job wins to RM3.0b and construction order book to RM8.5b. This has already surpassed management's earlier FY26 replenishment guidance of at least RM2.0b. Meanwhile, MRCB's open tender book stood at RM11.0b, spanning the KL Sentral Station redevelopment, Penang Airport expansion, Penang LRT civil works, water and river infrastructure, power transmission, roads, public facilities and data centre/industrial infrastructure.

**Bukit Jalil DC commercial terms a key near-term watch.** Following the completion of the RM1.58b acquisition of the remaining 80% of BJSP in Apr-26, MRCB signed a collaboration agreement in Jun-26 to develop a 65MW AI-ready data centre in Bukit Jalil with an estimated gross development cost of RM2.1b. BJSP will own and master-develop the facility, while Perintis Akal is proposed as the operator and long-term tenant under a 10-year lease. Definitive agreements are targeted for 3QFY26, with full completion by 4QFY27, potentially establishing a new recurring-income stream for the group. Assuming a 3%-5% yield on cost, we estimate the data centre could generate recurring rental income of RM63m-RM105m p.a. upon full build-up and stabilisation.

**Asset monetisation progressing, albeit elevated gearing.** Net gearing climbed to 0.83x in 2QFY26 from 0.46x in 1QFY26 and 0.41x at end-FY25, as total debt rose to RM4.13b following the funding of the BJSP acquisition. Cash and bank balances concurrently fell to RM330m from RM658m at end-FY25. Balance sheet pressure should partly ease through asset recycling, with MRCB proposing to dispose of its Cyberjaya land for RM419.1m, carrying an estimated pro forma gain of RM81.4m, although completion is only expected by 4QFY27.

**Earnings estimates and TP.** We make no changes to our FY26E earnings forecasts but raise our FY27F earnings forecasts by 5%, as we expect more job wins from the solid tender book of RM11.0b. We maintain our **BUY** recommendation and **TP** of **RM0.40**, based on 0.39x P/BV, representing +1SD above its three-year mean.

## MRCB: 2QFY26 RESULTS SUMMARY

| All in RM'm unless stated otherwise | Quarterly Results | | | | | Cumulative | | |
|---|---|---|---|---|---|---|---|---|
| **Income Statement** | **2QFY26** | **1QFY26** | **2QFY25** | **QoQ** | **YoY** | **6MFY26** | **6MFY25** | **YoY** |
| Revenue | 174.5 | 319.2 | 297.8 | **-45.3%** | **-41.4%** | 493.7 | 516.0 | **-4.3%** |
| Expenses | (246.4) | (300.6) | (287.6) | **-18.0%** | **-14.3%** | (547.0) | (509.6) | **7.3%** |
| Other operating income | 123.3 | 19.4 | 16.7 | **+>100%** | **+>100%** | 142.6 | 49.5 | **+>100%** |
| Profit/(Loss) from operations | 51.4 | 37.9 | 26.9 | **35.5%** | **91.0%** | 89.3 | 55.9 | **59.8%** |
| Finance costs | (43.7) | (33.8) | (27.7) | **29.3%** | **57.7%** | (77.5) | (55.1) | **40.5%** |
| Share of results of associates | 4.3 | 4.6 | 4.1 | **-7.8%** | **4.8%** | 8.9 | 7.7 | **15.8%** |
| Share of results of joint ventures | 0.6 | 0.3 | (0.0) | **76.2%** | **+>100%** | 0.9 | (0.3) | **+>100%** |
| Profit/(Loss) before tax | 12.6 | 9.1 | 3.3 | **38.3%** | **+>100%** | 21.7 | 8.1 | **+>100%** |
| Income tax expense | 1.9 | (5.6) | 11.5 | **->100%** | **83.2%** | (3.7) | 15.3 | **+>100%** |
| Loss for the financial period | 14.5 | 3.5 | 14.8 | **+>100%** | **-1.7%** | 18.0 | 23.4 | **-22.9%** |
| PATAMI | 14.5 | 3.5 | 15.1 | **+>100%** | **-3.8%** | 18.0 | 23.7 | **-23.9%** |
| Core PATAMI | 14.6 | 3.4 | 14.2 | **+>100%** | **2.9%** | 18.0 | 22.8 | **-21.1%** |

*Source: MBSBR*

## FINANCIAL SUMMARY

| Profit or Loss (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Revenue (RM'm) | 1,645.4 | 1,197.8 | 1,317.6 | 1,515.2 | 1,666.7 |
| EBIT (RM'm) | 173.0 | 173.1 | 126.5 | 148.5 | 163.3 |
| Pre-tax profit (RM'm) | 75.0 | 73.2 | 72.5 | 98.5 | 108.3 |
| PATAMI (RM'm) | 63.7 | 47.3 | 38.2 | 42.4 | 46.7 |
| Core PATAMI (RM'm) | 63.7 | 32.3 | 38.2 | 42.4 | 46.7 |
| FD EPS (sen) | 1.4 | 0.7 | 0.9 | 0.9 | 1.0 |
| Dividend (sen) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Dividend yield (%) | 2.9 | 2.9 | 3.2 | 3.2 | 3.2 |

| Balance Sheet (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Fixed assets | 713.2 | 731.1 | 745.7 | 760.6 | 775.8 |
| Intangible assets | 123.8 | 167.0 | 167.0 | 167.0 | 168.0 |
| **Non-current assets** | **5,598.1** | **5,659.2** | **5,673.8** | **5,688.7** | **5,705.0** |
| Cash | 999.2 | 500.0 | 501.0 | 500.0 | 501.0 |
| Trade receivables | 1,212.2 | 2,810.1 | 2,810.1 | 2,277.5 | 2,632.6 |
| **Current assets** | **3,435.9** | **4,534.6** | **4,535.6** | **4,001.9** | **4,358.0** |
| Trade payables | 1,412.1 | 1,873.4 | 1,873.4 | 1,719.6 | 1,822.1 |
| Short-term debt | 580.7 | 869.8 | 870.8 | 870.8 | 871.8 |
| **Current liabilities** | **2,077.1** | **3,273.7** | **3,303.4** | **2,723.5** | **3,094.8** |
| Long-term debt | 1,678.3 | 1,646.0 | 1,647.0 | 1,647.0 | 1,648.0 |
| **Non-current liabilities** | **2,336.7** | **2,303.9** | **2,304.9** | **2,304.9** | **2,305.9** |
| Share capital | 4,356.1 | 4,356.1 | 4,356.1 | 4,356.1 | 4,356.1 |
| Retained earnings | 260.1 | 260.1 | 244.9 | 306.2 | 306.2 |
| **Equity** | **4,620.2** | **4,616.2** | **4,601.0** | **4,662.3** | **4,662.3** |

| Cash Flow (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| PBT | 75.0 | 73.2 | 72.5 | 98.5 | 108.3 |
| **Operating cash flow** | **-275.3** | **-277.2** | **-277.9** | **-260.4** | **-255.9** |
| Capital expenditure | -128.3 | 25.1 | 26.1 | -25.7 | 8.5 |
| **Investing cash flow** | **-53.2** | **100.3** | **101.3** | **49.5** | **83.7** |
| Debt raised/(repaid) | 457.8 | -30.7 | -29.7 | 132.5 | 24.0 |
| **Financing cash flow** | **304.9** | **-183.6** | **-182.6** | **-20.5** | **-128.9** |
| **Net cash flow** | **-23.6** | **-360.5** | **-359.2** | **-231.4** | **-301.2** |
| **Beginning cash flow** | **900.0** | **874.6** | **514.1** | **154.8** | **-76.6** |
| **Ending cash flow** | **874.6** | **514.1** | **154.8** | **-76.6** | **-377.8** |

| Profitability Ratios (%) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| EBIT margin | 10.5% | 14.5% | 9.6% | 9.8% | 9.8% |
| PBT margin | 4.6% | 6.1% | 5.5% | 6.5% | 6.5% |
| PAT margin | 3.9% | 4.0% | 2.9% | 2.8% | 2.8% |
| Core PAT margin | 3.9% | 2.7% | 2.9% | 2.8% | 2.8% |

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### MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

**STOCK RECOMMENDATIONS**

| | |
|---|---|
| BUY | Total return is expected to be >10% over the next 12 months. |
| TRADING BUY | The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow. |
| NEUTRAL | Total return is expected to be between -10% and +10% over the next 12 months. |
| SELL | Total return is expected to be <-10% over the next 12 months. |
| TRADING SELL | The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow. |

**SECTOR RECOMMENDATIONS**

| | |
|---|---|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |

**ESG RECOMMENDATIONS*** - source Bursa Malaysia and FTSE Russell

| | |
|---|---|
| ☆☆☆☆ | Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆☆ | Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆ | Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆ | Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology