Monday 25th. May 2026

Corporate Update

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

4 Stars

SHARIAH Compliant

FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM0.40**

1QFY26 Results Review: Lackluster Earnings; Poised for Better 2H26

Maintain BUY. We reiterate 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 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.

Core PATAMI dragged by taxation. Malaysian Resources Corporation Bhd (MRCB) recorded a revenue of RM319.2m (+46.3%yoy) in 1QFY26 while core earnings slumped -59.4%yoy to RM3.5m. The stronger topline and PBT growth were mainly driven by the engineering, construction and environment (ECE) division, although core PATAMI was affected by higher finance costs and taxation. Core earnings were below expectations, accounting for 9.2% and 6.7% of our and consensus full-year estimates respectively.

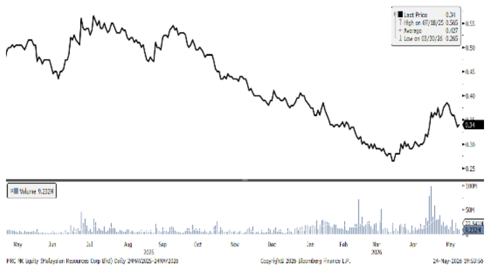
Engineering, construction and environment. The division remained the key earnings driver, with revenue surging +69%yoy to RM257.9m while operating profit jumped more than 3x to RM38.6m in 1QFY26. The stronger performance was mainly contributed by the LRT3 project and the Kompleks Sukan Shah Alam (KSSA) redevelopment project, alongside contributions from Muara Sg Pahang Phase 3, Sungai Langat Phase 2 flood mitigation works and the PLUS highway widening project. Contributions from the reinstatement of five LRT3 stations remained minimal pending commencement of construction works following the Notice to Proceed (NTP) received during the quarter.

Property development & investment. The division remained loss-making, recording an operating loss of -RM8.9m in 1QFY26 vs -RM4.3m in 1QFY25, while revenue declined -11.3%yoy to RM40.8m due to the depletion of completed inventories in Sentral Suites, VIVO 9 Seputeh, TRIA 9 Seputeh and Alstonia. Property sales stood at RM82.0m in 1QFY26, mainly driven by MARIS in Gold Coast, which has achieved cumulative sales of RM570.8m or 92% of GDV. Unbilled property sales stood at RM1.5b, with 96% are contributed by the Vista and Maris projects in Australia which are expected to complete around late-2028 and 2030, respectively. MRCB also maintained its planned FY26 launches worth RM2.2b GDV, comprising projects in 9 Seputeh, KL Sentral, PJ Sentral and Bukit Rahman Putra.

Construction orderbook remains supportive. MRCB has an unbilled orderbook of RM5.6b as at Mar-26, providing earnings visibility over the medium term. The group secured RM5.5b worth of jobs in 2025, including the reinstatement of five LRT3 stations (RM2.4b) and KSSA redevelopment (RM2.9b). Meanwhile, its current tender book stands at RM10.0b, while projects under negotiation amount to RM1.0b, mainly relating to the redevelopment of KL Sentral Station.

RETURN STATISTICS	
Price @ 22 May 2026 (RM)	0.34
Expected share price return (%)	+17.6
Expected dividend yield (%)	+2.9
Expected total return (%)	+20.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.3	6.7
3 months	28.3	3.6
12 months	-32.7	-39.6

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	1,317.6	1,383.4	1,452.6
EBIT	126.49	135.58	142.36
Profit Before Tax	72.47	89.92	94.42
Core PATAMI	38.2	38.7	40.7
Core EPS	0.9	0.9	0.9
DPS	1.0	1.0	1.0
Dividend Yield	2.9	2.9	2.9

KEY STATISTICS	
FBM KLCI	1,712.67
Issued shares (m)	4467.51
Estimated free float (%)	40.31
Market Capitalisation (RM'm)	1,518.95
52-wk price range	RM0.26 - RM0.57
3-mth average daily volume (m)	21.56
3-mth average daily value (RM'm)	6.94
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35

Analyst

Ming San Soong

soong.ms@mbsb.com

FY26 Outlook. Management guided for at least RM2.0b of new construction job wins in FY26, supported by an active RM10.0b tender book spanning transportation infrastructure, water infrastructure, flood mitigation, power transmission and industrial infrastructure works. Meanwhile, property contributions are likely to remain subdued, with FY26 property sales targeted at around RM800m as the group is running low on completed inventories while new launches in Malaysia will only begin progressively from 2HCY26 onwards.

Impact from building material cost inflation. Management expects potential margin erosion led by Middle East tensions is at around 3%. In view of the current condition, the group is implementing mitigation measures including early procurement, price lock-ins, subcontractor pass-through arrangements and value engineering. Management also noted that broader government support measures may be considered if cost inflation worsens materially.

Net gearing increased to 0.46x in 1QFY26 from 0.41x in FY25, mainly due to higher borrowings following the completion of the acquisition of the remaining 80% stake in Bukit Jalil Sentral Property Sdn Bhd in Apr-26. The acquisition gives MRCB full control over its strategic Bukit Jalil landbank, estimated at RM2.3b, while the group's remaining undeveloped GDV stood at RM23.3b. Management expects gearing to rise further towards 0.7x-0.8x as property investments ramp up.

Earnings estimates and TP. We are making no changes to our FY26E/FY27F earnings estimates and we maintain our TP of RM0.40, valuing the stock at a P/B ratio of 0.39x, which is +1SD above its three-year mean.

MRCB: 1QFY26 RESULTS SUMMARY

All in RM'm unless stated otherwise	**Quarterly Results**				
Income Statement	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**
Revenue	319.2	371.8	218.2	**-14.2%**	**46.3%**
Expenses	(300.6)	(341.5)	(222.0)	**-12.0%**	**35.4%**
Other operating income	19.4	41.0	32.8	**-52.7%**	**-41.1%**
Profit/(Loss) from operations	37.9	71.3	29.0	**-46.8%**	**30.8%**
Finance costs	(33.8)	(33.6)	(27.4)	**0.7%**	**23.2%**
Share of results of associates	4.6	3.9	3.6	**18.2%**	**28.1%**
Share of results of joint ventures	0.3	(0.2)	(0.3)	**317.9%**	**206.6%**
Profit/(Loss) before tax	9.1	41.5	4.9	**-78.1%**	**87.5%**
Income tax expense	(5.6)	(23.0)	3.7	**-75.6%**	**249.5%**
Loss for the financial period	3.5	18.5	8.6	**-81.1%**	**-59.4%**
PATAMI	3.5	18.6	8.6	**-81.2%**	**-59.3%**
Core PATAMI	3.4	17.3	8.6	**-80.5%**	**-60.7%**

Source: Company, 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	1,383.4	1,452.6
EBIT (RM'm)	173.0	173.1	126.5	135.6	142.4
Pre-tax profit (RM'm)	75.0	73.2	72.5	89.9	94.4
PATAMI (RM'm)	63.7	47.3	38.2	38.7	40.7
Core PATAMI (RM'm)	63.7	32.3	38.2	38.7	40.7
FD EPS (sen)	1.4	0.7	0.9	0.9	0.9
Dividend (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	2.9	2.9	2.9	2.9	2.9
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**

Source: Bloomberg, MBSBR

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	75.0	73.2	72.5	89.9	94.4
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%

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.
The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such. While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.
The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.
The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad. The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report. This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB INVESTMENT BANK (formerly known MIDF 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