Malaysian Resources Corporation
(MRC MK/BUY/RM0.31/Target: RM0.39)

2Q26: Below Expectations, But Several Positive Developments Anchoring Growth Prospects

2Q26 Results

Year to 31 Dec	2Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg
Revenue	**174.5**	**(45.3)**	**(41.4)**	**493.7**	**(4.3)**
- Property Development	48.8	19.7	71.1	89.6	20.2
- Construction	103.3	(60.0)	(58.4)	361.2	(9.9)
- Others	22.5	9.6	6.8	42.9	6.0
EBIT	**55.2**	**66.4**	**99.9**	**88.4**	**53.7**
- Property Development	(7.4)	16.0	(161.7)	(16.3)	(309.7)
- Construction	(56.1)	(245.1)	(490.6)	(17.4)	(178.2)
- Others	118.7	3,376.1	9,836.6	122.2	344.7
PBT	**12.6**	**38.3**	**285.4**	**21.7**	**167.1**
PATAMI	**14.5**	**314.5**	**(3.8)**	**18.0**	**(23.9)**
Core PATAMI/(LATAMI)	**(59.5)**	**(1,801.6)**	**(495.0)**	**(56.0)**	**(336.8)**
Margins	%	+/- ppt	+/- ppt	%	+/- ppt
EBIT - Property Development	(15.3)	6.5	(57.6)	(18.2)	(28.7)
EBIT - Construction	(54.3)	(69.3)	(60.1)	(4.8)	(10.4)
PBT	7.2	4.4	6.1	4.4	2.8
PATAMI	8.3	7.2	3.2	3.6	(0.9)
Core PATAMI	(34.1)	(35.2)	(39.2)	(11.3)	(15.9)

Source: MRCB, UOB Kay Hian

Key Financials

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net Turnover	1,198	1,170	1,897	1,921
Net Profit (Adjusted)	47	(10)	66	69
EPS (sen)	1.1	(0.2)	1.5	1.6
PE (x)	43.7	n.a.	21.7	20.6
PB (x)	0.4	0.2	0.1	0.0

Highlights

- **Below expectations.** Malaysia Resources Corporation (MRCB) reported a 2Q26 net profit of RM14.5m (+315% qoq; -4% yoy) and revenue of RM175m (-45% qoq, +41% yoy). 2Q26 core earnings declined yoy, mainly dragged by the construction segment's lower progress billing (LRT3 completed in mid-May, while newly-secured projects are at their early stages). Furthermore, the property segment's earnings were also much lower due to due to higher operating and marketing expenses relating to new project launches.
- **1H26 earnings were below our and consensus expectations,** with core losses of RM56m falling short of our and consensus full-year earnings forecasts of RM40m.
- **Property development segment: Earnings weakness may only see better improvement towards 4Q26-27.** The property development segment posted operating losses (LBIT) of RM7.4m (from RM12.1m EBIT in 2Q25) despite higher revenue of RM49m (+71% yoy) in 2Q26. The stronger revenue mainly reflects stronger sales of completed unsold units in Sentral Suites, VIVO 9 Seputeh, TRIA 9 Seputeh, and Alstonia, besides ongoing projects including Residensi Tujuh and Adonis. Nevertheless, LBIT of RM7.4m (from RM12.1m EBIT in 2Q25) mainly stems from higher operating and marketing expenses relating to new project launches. In 1H26, the group recorded property sales of RM150.8m (-67% yoy), with 75% from ongoing projects and 25% from completed projects.
- Near-term earnings may gradually improve with better sales of unsold projects under development and completed unsold units (total value of RM601.3m). Although the group's unbilled sales surged to RM1,485.7m (1Q26: RM1,467.9m), we think that the bulk of these unbilled sales are from the Australian projects (VISTA, Gold Coast) which can only be booked in late-26 or early-27 upon project completion. Positively, the group also targets to launch several new property projects with a total GDV of RM1.9b in 2026, which shall contribute positively to the property segment's earnings moving forward.
- **Construction segment: Lower progress billings and earnings following LRT3 completion.** On the other hand, the construction division recorded LBIT of RM56.1m (from RM14.4m EBIT in 2Q25) in tandem with lower revenue of RM103m (-58% yoy) in 2Q26. This mainly reflects lower progress billings as the LRT3 project is near completion, while the reinstatement of 5 LRT3 stations and other infrastructure works are still in the design phase.
- As of 2Q26, the group had an unbilled construction orderbook of RM5.5b and tenderbook of RM11b. Total orderbook also stood tall at RM18.1b. These will continue to support earnings and provide long-term growth opportunities.
- **Better earnings outlook in 2027-28.** Notably, MRCB has seen several positive developments such as: a) securing the RM3.03b Penang LRT Mutiara Line system turnkey contract in Aug 26; b) developing a 65MW IT load capacity AI data centre (DC) in Bukit Jalil with an estimated gross development cost of RM2.1b; and c) disposal of seven land parcels at Cyberjaya for RM419m, with RM81.4m disposal gain.

Earnings Revision/Risk

- **Cut our 2026 earnings forecasts,** from RM40m core net profit into RM10m core net losses, after lowering progress billing and EBIT margin assumptions for both the construction and property segments.
- **Raise our 2027-28 earnings forecasts by 57% and 50% respectively** as we increased our construction progress billings to reflect higher revenue from the recently secured Penang LRT contract and interest savings following the disposal of the group's seven Cyberjaya land parcels.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of RM0.39 (from RM0.32).** Our target price is based on a 25% discount to our SOTP valuation of RM0.52/share, implying 33x 2027F PE (five-year mean).

Analysts

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