Malaysian Resources Corporation
(MRC MK/HOLD/RM0.34/Target: RM0.32)

1Q26: Below Expectations

Highlights

- **Below expectations.** Malaysia Resources Corporation (MRCB) reported a 1Q26 core net profit of RM3.5m (-81% qoq; +125% yoy) and revenue of RM319.2m (-14% qoq, +46% yoy). 1Q26 earnings declined yoy, mainly dragged by the property segment's lower revenue following the depletion of unsold inventories available for sale, while new property developments projects were still in the planning stages. This offset the improvement of construction segment, lifted by better progress billing from the Kompleks Sukan Shah Alam redevelopment and LRT3 construction projects.
- 1Q26 earnings were below our and consensus expectations, making up only about 6% and 7% of our and consensus full-year forecasts respectively.
- **Property development segment: Earnings weakness may only see better improvement towards 2026-27.** The property development segment posted operating losses (LBIT) of RM8.9m (from RM4.3m losses in 1Q25) in tandem with lower revenue of RM41m (-11% yoy) in 1Q26. The weakness in results mainly reflects the depletion of unsold inventories, while new property developments projects such as Kolektif in KL Sentral, Parcel A in 9 Seputeh, Tower 5 (office building) and Tower 1 (residential) in PJ Sentral were still in the planning stages. In 1Q26, the group recorded property sales of RM82m (-11% yoy), with 87% from ongoing projects and 13% from completed projects.
- Near-term earnings may gradually improve with better sales of unsold projects under development and completed unsold units (total value of RM619.6m). Despite the group's unbilled sales surging to RM1,467.9m (4Q25: RM1,397.7m), we deem 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 RM2.2b in 2026, which will contribute positively to the property segment's earnings moving forward.
- **Construction segment: Lifted by higher progress billings.** On the other hand, the construction division recorded a higher EBIT of RM39m (+388% yoy) on the back of a higher revenue of RM258m (+69% yoy) in 1Q26. This mainly reflects higher progress billings from ongoing projects (mainly LRT3, KSSA redevelopment, Muara Sungai Pahang Phase 3 and Sungai Langat Phase 2 flood mitigation, and PLUS highway widening projecs).
- As of end-1Q26, the group had an unbilled construction orderbook of RM5.6b and tenderbook of RM10b. Total orderbook also stands tall at RM18.1b. These will continue to support earnings and provide long-term growth opportunities.

Earnings Revision/Risk

- **We cut our 2026 earnings forecast by 28%** as we lower our property sales assumptions and progress billing for the construction segment.
- **Maintain HOLD with a lower target price of RM0.32 (from RM0.34).** Our target price is based on a 25% discount to our SOTP valuation of RM0.47/share, implying 33x 2027F PE (five-year mean).

1Q26 Results

Year to 31 Dec	1Q26 (RMm)	qoq % chg	yoy % chg
Revenue	**319.2**	**(14.2)**	**46.3**
- Property Development	40.8	(49.9)	(11.3)
- Construction	257.9	(4.0)	68.9
- Others	20.5	(5.5)	5.1
EBIT	**33.2**	**(45.0)**	**11.1**
- Property Development	(8.9)	70.3	(106.2)
- Construction	38.6	(52.6)	388.0
- Others	3.4	(60.6)	(87.0)
PBT	**9.1**	**(78.1)**	**87.5**
PATAMI	**3.5**	**(81.2)**	**(59.3)**
Core PATAMI/(LATAMI)	**3.5**	**(81.2)**	**125.0**
Margins	%	+/- ppt	+/- ppt
EBIT - Property Development	(21.7)	14.9	(12.4)
EBIT - Construction	15.0	(15.4)	9.8
PBT	2.9	(8.3)	0.6
PATAMI	1.1	(3.9)	(2.8)
Core PATAMI	1.1	(3.9)	7.5

Key Financials

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net Turnover	1,198	1,347	1,443	1,467
Net Profit (Adjusted)	47	40	42	46
EPS (sen)	1.1	0.9	1.0	1.0
PE (x)	43.7	35.5	33.7	31.3
PB (x)	0.4	0.2	0.1	0.0

Source: MRCB, Bloomberg, UOB Kay Hian

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