Malaysian Resources Corp (MRC MK)

SELL (downgrade)
Up/Downside: -10.4%

Price Target: RM0.45
Previous Target (Rating): RM0.45 (HOLD)

"1Q25 in the red as construction and property revenue plunged"

Share price performance

	1M	3M	12M
Absolute (%)	9.8	13.5	-27.3
Rel KLCI (%)	11.7	18.1	-23.0

	BUY	HOLD	SELL
Consensus	4	3	-

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	4,467.5
Mkt cap (RMm)/(US$m)	2,256.1/530.8
Avg daily vol - 6mth (m)	9.1
52-wk range (RM)	0.37-0.70
Est free float	38.3%
Stock Beta	1.78
Net cash/(debt) (RMm)	(1,262)
ROE (2025E)	1.2%
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 26-50%
ESG Rank	

Key Shareholders

EPF	36.2%
Gapurna Sdn Bhd	15.5%
Lembaga Tabung Haji	5.4%
KWAP	3.9%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Below expectations – still in a transitional phase

- **Fell to core net loss of RM14m in 1Q25; below expectations as revenue fell and property segment incurred losses**
- **While YTD order book replenishment has been robust, meaningful earnings contribution will likely be recognised in 2026-27E; property segment will continue to go through a gestation period for Australian projects**
- **Cut 2025E earnings by 7% but lift 2026–27E by 3-6% on higher RM7bn order book assumption. Downgrade our call to SELL on recent share price strength and rich PER, with unchanged TP of RM0.45 (40% discount to RNAV)**

Below expectations

MRC's fell into the red in 1Q25, recording a core net loss of RM14m; below our and consensus expectations. Note that we stripped out a one-off gain on disposal of RM22.6m for the sale of its subsidiary CSB Development Sdn Bhd. Revenue contracted by 54% yoy and 41% qoq to RM218.2m, as both the construction (-58% yoy) and property (-53% yoy) segments dragged. Major construction projects were at the tail-end, with the LRT3 Phase 1 at 97% progress billings, while major new wins have not contributed meaningfully yet. The property segment remained in the red this quarter with operating losses of RM4.3m, as the Australian projects continue to go through a gestation period (revenue recognition on completion). It also booked unabsorbed tax losses from the Penang Sentral project in 1Q25, barring which the results would have been weaker.

Construction earnings likely to meaningfully pick up in 2026-27E

We estimate MRC's current unbilled order book to be around c. RM6bn (excluding the RM11bn Bukit Jalil contract), and YTD replenishment has been strong at RM5.6bn. Upcoming projects in the pipeline include the c. RM1bn KL Sentral redevelopment project. MRC is tendering for the Penang Airport Expansion, several flood mitigation projects and some road projects in Perak. On the property side, while unbilled sales remain strong at RM753.6m, the VISTA project in Australia makes up c. 89% of total. Recognition of revenue for Australian projects can only begin upon physical completion and handover of units to purchasers, which we estimate to be in 2026-27. Therefore, earnings will be largely driven by the construction segment in the near term.

Downgrade to SELL after a share price rebound, with unchanged TP of RM0.45

Post-results, we cut earnings by 7% for 2025, while simultaneously raising 2026-27E earnings by 3-6% after increasing our order book replenishment assumption for 2025 to RM7bn (RM3bn previously). We believe earnings may be tepid for this year, as the property segment continues to go through a gestation period, and progress billings for new construction projects remain slow in the beginning. Following the rebound in share price recently, we downgrade our call to SELL from Hold, with an unchanged RNAV-based TP of RM0.45, as we feel PER valuations remain rich. Upside risks to our SELL call are higher-than-expected construction order book replenishment and property sales.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,537.5	1,645.4	2,011.6	2,499.8	3,014.3
EBITDA (RMm)	279.3	186.7	154.6	172.1	196.0
Pretax profit (RMm)	134.2	75.0	76.7	100.5	132.4
Net profit (RMm)	101.0	63.7	52.7	67.5	86.9
EPS (sen)	2.3	1.4	1.2	1.5	1.9
PER (x)	22.3	35.4	42.8	33.4	26.0
Core net profit (RMm)	101.0	63.7	52.7	67.5	86.9
Core EPS (sen)	2.3	1.4	1.2	1.5	1.9
Core EPS growth (%)	55.8	(37.0)	(17.2)	28.0	28.8
Core PER (x)	22.3	35.4	42.8	33.4	26.0
Net DPS (sen)	1.0	1.0	1.0	1.0	1.0
Dividend Yield (%)	2.0	2.0	2.0	2.0	2.0
EV/EBITDA	10.6	12.6	19.0	24.8	22.9
Chg in EPS (%)			(7.1)	3.2	5.8
Affin/Consensus (x)			0.9	0.9	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	1Q23	4Q23	1Q24	QoQ % chg	YoY % chg	Comment
Revenue	**476.2**	**370.7**	**218.2**	**(41.1)**	**(54.2)**	Lower yoy, mainly due to lower construction (-58% yoy) and property (-53% yoy) revenue.
Op costs	(432.8)	(339.1)	(205.7)	**(39.3)**	**(52.5)**	
EBITDA	**43.4**	**31.6**	**12.5**	**(60.4)**	**(71.1)**	
EBITDA margin (%)	*9.1*	*8.5*	*5.7*	*(2.8)*	*(3.4)*	
Depreciation	(8.8)	(8.2)	(11.0)	33.9	24.9	
EBIT	**34.6**	**23.4**	**1.5**	**(93.6)**	**(95.7)**	Property development fell into the red, while construction earnings plunged 55% yoy
EBIT margin (%)	*7.3*	*6.3*	*0.7*	*(5.6ppt)*	*(6.6ppt)*	
Int expense	(23.9)	(26.1)	(27.4)	5.0	14.9	Higher net debt as it gears up for new property launches.
Int and other inc	6.0	5.4	4.9	(9.3)	(17.8)	
Associates	2.3	2.7	3.3	21.0	41.8	
Exceptional items	0.0	0.0	22.6	n.m	n.m	Stripped out RM22.6m one-off gain on disposal of a subsidiary.
Pretax profit	**19.0**	**5.4**	**4.9**	**(10.0)**	**(74.4)**	
Tax	(16.0)	(4.7)	3.7	(179.2)	(123.4)	
Tax rate (%)	*96.3*	*178.0*	*(242.7)*	*n.m*	*n.m*	Recognition of unabsorbed tax losses from Penang Sentral project.
Minority interests	0.1	(0.0)	(0.0)	(59.4)	(126.0)	
Net profit	**3.0**	**0.6**	**8.6**	**1,265.7**	**186.1**	Below expectations.
EPS (sen)	0.1	0.0	0.1	600.0	0.0	
Core net profit	**3.0**	**0.6**	**(14.0)**	**n.m**	**n.m**	Below expectations. Exclude exceptional items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue

FYE 31 Dec (RMm)	1Q24	4Q24	1Q25	QoQ % chg	YoY % chg
Engineering & construction	360.3	298.2	152.7	(48.8)	(57.6)
Property development & investment	98.1	52.2	46.0	(11.8)	(53.1)
Building services	13.3	14.5	15.0	3.2	12.8
Investment holding & others	4.5	5.8	4.5	(22.8)	0.3
Total	**476.2**	**370.7**	**218.2**	**(41.1)**	**(54.2)**

Source: Affin Hwang, Company

Fig 3: Segmental operating profit

FYE 31 Dec (RMm)	1Q24	4Q24	1Q25	QoQ % chg	YoY % chg
Engineering & construction	17.8	21.5	7.9	(63.2)	(55.4)
Property development & investment	11.2	(0.8)	(4.3)	432.8	n.m
Building services	3.8	2.6	1.7	(34.8)	(55.4)
Investment holding & others	1.8	36.5	18.8	(48.5)	945.5
Total	**34.6**	**59.8**	**24.1**	**(59.7)**	**(30.3)**

Source: Affin Hwang, Company

Fig 4: Segmental operating profit margin

FYE 31 Dec (%)	1Q24	4Q24	1Q25	QoQ ppt	YoY ppt
Engineering & construction	4.9	7.2	5.2	(2.0)	0.3
Property development & investment	11.5	n.m	n.m	n.m	n.m
Building services	28.3	17.7	11.2	(6.5)	(17.1)
Total	**7.3**	**16.1**	**11.0**	**(5.1)**	**3.8**

Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segment	New value (RMm)
Property development	2,950
Property investment	1,083
Construction	160
Car Park & REIT	435
Total	**4,627**
Net cash/(debt)	(1,257)
RNAV	**3,370**
No. of shares	4,468
RNAV / share	**0.75**
Target price @ 40% discount	**0.45**

Source: Affin Hwang forecasts

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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