

"Earnings disappoint as property segment remains in the red"

Share price performance



	1M	3M	12M
Absolute (%)	-7.1	-12.4	-23.3
Rel KLCI (%)	-8.7	-11.4	-24.7

	BUY	HOLD	SELL
Consensus	5	2	-

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	4,467.5
Mkt cap (RMm)/(US\$m)	2,055.1/462.1
Avg daily vol - 6mth (m)	12.7
52-wk range (RM)	0.44-0.74
Est free float	38.3%
Stock Beta	1.84
Net cash/(debt) (RMm)	(1,257)
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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Malaysian Resources Corp (MRC MK)

HOLD (maintain)

Up/Downside: -1.6%

Price Target: RM0.45

Previous Target (Rating): RM0.52 (HOLD)

Below expectations; growing pains

- Core net profit declined 37% yoy to RM63.7m in 2024, below expectations as losses from the property segment dragged earnings
- Gestation period for property segment likely to persist, with earnings expected to be supported by the construction segment until it launches new properties
- We revise down our earnings forecasts by 8-28% in 2025-26E and lower our target price (TP) to RM0.45, based on 40% discount to reduced RNAV after inputting higher net debt; maintain our HOLD call

Below expectations

MRC's 2024 core earnings came in at RM63.7m (-37% yoy), coming in below expectations at only 80-90% of consensus and our forecasts. Earnings were dragged by losses in the property segment due to unbilled sales mainly made up of the VISTA project on the Gold Coast, which revenue is recognised on completion. Full-year revenue contracted by 35% yoy as both the construction (-26% yoy) and property development (-61%) segments recorded lower revenues. On a sequential basis, 4Q24 revenue saw a decline of 46% yoy and 13% qoq, with core earnings coming in at only RM0.6m (-99% yoy, -93% qoq). We attribute the weak results to slow construction order book replenishment during the year, and protracted revenue recognition for its property unbilled sales.

Earnings to be buoyed by construction segment

MRC's unbilled order book currently stands at RM17.2bn, after including the award of reinstated works for 5 LRT3 stations. Tender book diminished to RM1.6bn from RM3bn in the previous quarter, likely due to some tenders in Kelantan not coming to fruition. MRC is expected to continue pursuing the Penang Airport Expansion, and Segment 3 of the Penang LRT once the tender opens. On the property side, the VISTA project in Gold Coast Australia makes up 97% of the RM631m unbilled sales. However, revenue can only be recognised upon physical completion and handover of units to purchasers which is expected to be between 2026-2027 assuming beginning of construction in 2024. Therefore, we are expecting the property segment to continue delivering soft results till then, and 2025-27E earnings will largely hinge on the successful replenishment of its construction order book.

Maintain HOLD call with lower TP of RM0.45

Following the earnings disappointment, we cut earnings by 8-28% for 2025-26E and introduce our new forecasts for 2027E (core EPS +26% yoy assuming lumpy overseas property earnings recognition). MRC is currently going through a transition period, and the property segment may see a long gestation period before it sufficiently supplements the construction segment. Following the cut in earnings and accounting for the higher net debt in our RNAV estimate, our TP is reduced to RM0.45 (based on 40% discount to RNAV), and we maintain our HOLD call as the share price is close to our revised TP.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,537.5	1,645.4	2,041.6	2,049.8	2,354.3
EBITDA (RMm)	279.3	186.7	160.6	166.1	181.6
Pretax profit (RMm)	134.2	75.0	82.5	97.5	125.5
Net profit (RMm)	101.0	63.7	56.8	65.4	82.1
EPS (sen)	2.3	1.4	1.3	1.5	1.8
PER (x)	20.3	32.3	36.2	31.4	25.0
Core net profit (RMm)	101.0	63.7	56.8	65.4	82.1
Core EPS (sen)	2.3	1.4	1.3	1.5	1.8
Core EPS growth (%)	55.8	(37.0)	(10.8)	15.2	25.6
Core PER (x)	20.3	32.3	36.2	31.4	25.0
Net DPS (sen)	1.0	1.0	1.0	1.0	1.0
Dividend Yield (%)	2.2	2.2	2.2	2.2	2.2
EV/EBITDA	10.0	11.9	18.0	21.2	20.7

Chg in EPS (%)

-8.1

-27.5

New

Affin/Consensus (x)

0.8

0.7

NA

Source: Company, Bloomberg, Affin Hwang forecasts

Awarded the contract for Reinstatement Works of 5 LRT3 stations

MRC today announced that it has been awarded a contract worth RM2.5bn for the construction of 5 reinstated stations, including the construction of 2 EV bus depots, supply of Light Rail Vehicles and construction of other related infrastructure and system works. The project is expected to be completed within 48 months from the commencement date. We are positive on this development, being a much-needed win for the construction segment. The project will underpin earnings in 2025-26E.

Key risks to our HOLD call

Up/downside risks to our HOLD call include: i) better/lower than expected construction order book replenishment, ii) better/lower than expected property sales.

Fig 1: Results comparison

FYE 31 Dec (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	2023	2024	YoY % chg	Comment
Revenue	692.2	426.3	370.7	(13.0)	(46.4)	2,537.5	1,645.4	(35.2)	2024: Lower yoy, mainly due to lower construction (-26% yoy) and property (-61% yoy) revenue.
Op costs	(577.9)	(375.5)	(339.1)	(9.7)	(41.3)	(2,258.2)	(1,458.7)	(35.4)	
EBITDA	114.3	50.9	31.6	(37.8)	(72.3)	279.3	186.7	(33.2)	Dragged by losses in the property development segment
<i>EBITDA margin (%)</i>	<i>16.5</i>	<i>11.9</i>	<i>8.5</i>	<i>(3.4)</i>	<i>(8.0)</i>	<i>11.0</i>	<i>11.3</i>	<i>0.3ppt</i>	
Depreciation	(19.4)	(10.4)	(8.2)	(20.5)	(57.6)	(67.3)	(40.3)	(40.1)	
EBIT	94.9	40.5	23.4	(42.2)	(75.3)	212.0	146.4	(31.0)	
<i>EBIT margin (%)</i>	<i>13.7</i>	<i>9.5</i>	<i>6.3</i>	<i>(3.2ppt)</i>	<i>(7.4ppt)</i>	<i>8.4</i>	<i>8.9</i>	<i>0.5ppt</i>	
Int expense	(25.9)	(31.9)	(26.1)	(18.0)	1.0	(112.8)	(108.8)	(3.5)	Higher interest expense on increased net debt
Int and other inc	5.6	(8.9)	5.4	n.m	(3.1)	22.6	26.7	18.1	
Associates	5.2	2.6	2.7	4.2	(47.0)	12.4	10.8	(13.0)	
Exceptional items	0.0	0.0	0.0	n.m	n.m	5.4	5.4	0.0	
Pretax profit	79.7	2.3	5.4	131.6	(93.2)	134.2	75.0	(44.1)	
Tax	0.4	6.3	(4.7)	n.m	n.m	(33.2)	(11.5)	(65.3)	
<i>Tax rate (%)</i>	<i>(0.5)</i>	<i>2,143.1</i>	<i>178.0</i>	<i>n.m</i>	<i>n.m</i>	<i>24.7</i>	<i>15.3</i>	<i>(9.4ppt)</i>	
Minority interests	0.2	0.2	(0.0)	n.m	n.m	(0.1)	0.1	n.m	
Net profit	80.2	8.9	0.6	(92.9)	(99.2)	101.0	63.7	(37.0)	Below expectations, excludes exceptional items.
EPS (sen)	1.8	0.0	0.0	(66.7)	(99.4)	2.3	1.4	(36.7)	
Core net profit	80.2	8.9	0.6	(92.9)	(99.2)	101.0	63.7	(37.0)	

Source: Affin Hwang, Company

Fig 2: Segmental revenue

FYE 31 Dec (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	2023	2024	YoY % chg
Engineering & construction	398.7	342.2	298.2	(12.9)	(25.2)	1,736.6	1,283.0	(26.1)
Property development & investment	278.3	65.1	52.2	(19.9)	(81.3)	737.8	286.7	(61.1)
Building services	14.1	14.4	14.5	1.1	3.3	51.3	56.3	9.9
Investment holding & others	3.7	4.6	5.8	25.6	57.7	0.0	0.0	n.m
Total	694.7	426.3	370.7	(13.0)	(46.6)	2,525.7	1,626.0	(35.6)

Source: Affin Hwang, Company



Fig 3: Segmental operating profit

FYE 31 Dec (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	2023	2024	YoY % chg
Engineering & construction	(0.3)	39.1	21.5	(45.0)	n.m	87.3	166.4	90.5
Property development & investment	113.2	(2.3)	(0.8)	(65.3)	n.m	148.8	(17.6)	n.m
Building services	0.9	1.3	2.6	100.5	187.2	(2.4)	9.0	n.m
Investment holding & others	(5.8)	(12.1)	36.5	(400.9)	(727.7)	(8.8)	25.7	n.m
Total	107.9	25.9	59.8	130.6	(44.6)	225.0	183.5	(18.5)

Source: Affin Hwang, Company

Fig 4: Segmental operating profit margin

FYE 31 Dec (%)	4Q23	3Q24	4Q24	QoQ ppt	YoY ppt	2023	2024	YoY ppt
Engineering & construction	n.m	11.4	7.2	(4.2)	n.m	5.0	13.0	7.9
Property development & investment	12.4	n.m	n.m	n.m	n.m	20.2	n.m	n.m
Building services	4.2	8.9	17.7	8.8	13.5	NA	16.0	n.m
Total	15.0	6.1	16.1	10.0	1.1	8.9	11.2	2.3

Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segment	New value (RMm)	Old value (RMm)
Property development	2,950	3,140
Property investment	1,083	1,083
Construction	160	160
Car Park & REIT	435	435
Total	4,627	4,817
Net cash/(debt)	(1,257)	(915)
RNAV	3,370	3,902
No. of shares	4,468	4,468
RNAV / share	0.75	0.87
Target price @ 40% discount	0.45	0.52

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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