

"Upgrade to HOLD as share price has corrected below our TP"

Share price performance



	1M	6M	12M
Absolute (%)	(19.5)	(38.6)	(32.6)
Rel KLCl (%)	(18.1)	(44.0)	(38.6)

	BUY	HOLD	SELL
Consensus	3	2	1

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	4,467.5
MCap (RMm/US\$m)	1,385/356
Avg daily vol (m)	4.1
52-wk range (RM)	0.3-0.6
Est free float	40.3%
Stock Beta	1.43
Net cash/(debt)	(1,888.77)
ROE (CY26E)	1.1
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good	Yes
Constituent	
FBM EMAS (Top)	Top 26-50%
ESG Rank	

Key Shareholders

EPF	36.2%
Gapurna Sdn Bhd	15.5%
LTH	5.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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MRCB (MRC MK)

HOLD (upgrade)

Up/Downside: +13%

Price Target: RM0.35

Previous Target (Rating): RM0.35 (Sell)

A gestation year

- MRCB's FY25 core earnings of RM24.7m (-61% yoy) were above our but below consensus expectations due to release of profits for the LRT3 in 4Q25
- Both core divisions went through a gestation period in 2025, but an inflection is likely towards 2027E
- Upgrade our call to HOLD but keep target price (TP) at RM0.35; prefer to stay on sidelines due to lofty valuations

Above expectations

MRCB's FY25 core net profit (CNP) of RM24.7m (-61.2% yoy) was above our forecast but trailed consensus. We exclude a RM22.6m one-off disposal gain from CSB Development sale in 1Q25 to derive CNP. The positive variance against our estimate was driven by the construction segment's 4Q25 operating profit of RM81.6m (+473% qoq, +279% yoy), following the release of final account profits as LRT3 nears physical completion. On a full-year basis, revenue declined 27% yoy to RM1.2bn, hampered by weak performance across both core divisions. Construction progress was sluggish as major contracts – ie, the reinstated LRT3 stations and the Shah Alam Stadium redevelopment (KSSA) remain in the early design and mobilisation phases. Property revenue similarly underperformed due to a lower inventory of completed units and the ongoing gestation of its Australian ventures.

A largely stagnant year in 2025

MRCB's outstanding construction order book stands at RM5.7bn with RM5.5bn in new wins for 2025. However, replenishment fell short of our RM7bn target, primarily due to delays in the KL Sentral redevelopment project (c. RM1bn), which remains at the negotiation stage and is not expected to commence this year. Notably, no new contracts were secured in 2H25. The tender book expanded to RM8.4bn (from RM6.9bn), likely reflecting the inclusion of the Penang LRT contractor package, though we expect the bidding environment to be highly competitive. Management is guiding for RM4bn in new wins for 2026E. Within the property segment, unbilled sales were stagnant at RM1.4bn, as 96% of the value is tied to Australian projects, which only permit recognition upon physical completion. For 2026, the group plans RM2.2bn in local launches, with a sales target of RM900m split equally between domestic and Australian developments.

Upgrade to HOLD call but keep TP at RM0.35

Post-results, we raise 2026-27E earnings by 6-24% after incorporating order book replenishment assumption of RM2bn (vs RM1bn previously) for 2026E. We believe the reinstated LRT3 stations and KSSA project will start contributing in 2027-28E, coupled with recognition of Australian property revenue. We maintain our TP at RM0.35 based on 40% discount to RNAV and upgrade our call to HOLD after share price corrected below our TP. We see limited downside to share price given earnings is likely to fare better ahead, but valuations remain too lofty for us. Key upside/downside risks: execution, macro conditions.

Earnings and Valuation Summary

FYE 31 Dec	2024	2025	2026E	2027E	2028E
Revenue (RMm)	1,645.4	1,197.8	1,776.3	1,856.6	2,759.7
EBITDA (RMm)	192.4	120.6	141.3	143.6	186.5
Pretax profit (RMm)	75.0	73.2	77.7	101.6	115.5
Net profit (RMm)	63.7	47.3	52.5	67.8	77.5
EPS (sen)	1.4	1.1	1.2	1.5	1.7
PER (x)	21.8	29.3	26.4	20.4	17.9
Core net profit (RMm)	63.7	24.7	52.5	67.8	77.5
Core EPS (sen)	1.4	0.6	1.2	1.5	1.7
Core EPS growth (%)	(37.0)	(61.2)	112.4	29.1	14.3
Core PER (x)	21.8	56.0	26.4	20.4	17.9
Net DPS (sen)	1.0	1.0	1.0	1.0	1.0
Dividend Yield (%)	3.2	3.2	3.2	3.2	3.2
EV/EBITDA	9.5	17.0	24.1	21.0	24.6
Chg in EPS (%)			5.5	23.5	new
Affin/Consensus (x)			0.8	0.9	new

Source: Company, Bloomberg, Affin Hwang forecasts

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Fig 1: Results Comparison

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	2024	2025	YoY % chg	Comment
Revenue	370.7	310.0	371.8	19.9	0.3	1,645.4	1,197.8	(27.2)	2025: Lower yoy, mainly due to lower construction (-29% yoy) and property (-31% yoy) revenue.
Op costs	(334.1)	(286.1)	(322.3)	12.7	(3.5)	(1,453.0)	(1,077.2)	(25.9)	
EBITDA	36.6	23.9	49.5	107.0	35.2	192.4	120.6	(37.3)	Lower PBT in tandem with lower revenue for both core segments
<i>EBITDA margin (%)</i>	<i>9.9</i>	<i>7.7</i>	<i>13.3</i>	<i>5.6ppt</i>	<i>3.4ppt</i>	<i>11.7</i>	<i>10.1</i>	<i>(1.6ppt)</i>	
Depreciation	(14.0)	(11.0)	(5.7)	(47.9)	(59.0)	(46.1)	(42.3)	(8.1)	
EBIT	22.6	12.9	43.8	238.9	93.4	146.4	78.2	(46.5)	
<i>EBIT margin (%)</i>	<i>6.1</i>	<i>4.2</i>	<i>11.8</i>	<i>7.6ppt</i>	<i>5.7ppt</i>	<i>8.9</i>	<i>6.5</i>	<i>(2.4ppt)</i>	
Int expense	(26.1)	(26.0)	(33.6)	29.0	28.5	(108.8)	(114.8)	5.5	
Int and other inc	6.2	33.0	27.5	(16.6)	346.2	26.7	72.3	171.0	
Associates	2.7	3.6	3.8	3.8	38.1	10.8	14.8	36.7	
Exceptional items	0.0	0.0	0.0	n.m	n.m	0.0	22.6	n.m	Gain on disposal of CSB Development in 1Q25
Pretax profit	5.4	23.6	41.5	76.2	669.3	75.0	73.2	(2.5)	
Tax	(4.7)	(18.4)	(23.0)	25.1	385.9	(11.5)	(26.1)	127.4	
<i>Tax rate (%)</i>	<i>178.0</i>	<i>92.3</i>	<i>61.0</i>	<i>(31.3ppt)</i>	<i>(117.0ppt)</i>	<i>15.3</i>	<i>35.7</i>	<i>20.4ppt</i>	
Minority interests	(0.0)	(0.1)	0.1	n.m	n.m	0.1	0.3	126.6	
Net profit	0.6	5.1	18.6	262.9	2,849.4	63.7	47.3	(25.7)	
EPS (sen)	0.0	0.1	0.4	281.8	4,100.0	1.4	1.1	(25.9)	
Core net profit	0.6	5.1	18.6	262.9	2,849.4	63.7	24.7	(61.2)	Above expectations, excludes exceptional items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	2024	2025	YoY % chg
Engineering & construction	297.9	246.5	268.7	9.0	(9.8)	1,282.8	916.1	(28.6)
Property development & investment	53.8	43.9	81.4	85.5	51.4	288.3	199.8	(30.7)
Building services	14.5	15.1	15.3	1.5	5.2	56.3	61.8	9.8
Investment holding & others	4.5	4.6	6.4	37.8	42.5	0.0	0.0	n.m
Total	370.7	310.0	371.8	19.9	0.3	1,627.3	1,177.7	(27.6)

Source: Affin Hwang, Company

Fig 3: Segmental operating profit

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	2024	2025	YoY % chg
Engineering & construction	21.5	14.2	81.6	472.5	279.0	166.4	118.1	(29.0)
Property development & investment	(0.8)	12.3	(29.9)	n.m	>100	(17.6)	(9.8)	(44.6)
Building services	2.6	(2.3)	(0.4)	(82.7)	n.m	9.0	(0.4)	n.m
Investment holding & others	36.5	(11.3)	33.8	n.m	(7.4)	25.7	34.2	33.0
Total	59.8	12.9	85.1	559.0	42.3	183.5	142.2	(22.5)

Source: Affin Hwang, Company

Fig 4: Segmental operating profit margin

FYE 31 Dec (%)	3Q24	2Q25	3Q25	QoQ ppt	YoY ppt	9M24	9M25	YoY ppt
Engineering & construction	7.2	5.8	30.4	24.6	23.1	13.0	12.9	(0.1)
Property development & investment	n.m	28.0	n.m	n.m	n.m	n.m	n.m	n.m
Building services	17.7	n.m	n.m	12.9	n.m	16.0	n.m	n.m
Total	16.1	4.2	22.9	18.7	6.8	11.2	11.9	0.7

Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segment	RNAV (RMm)
Property development	2,200
Property investment	1,083
Construction	160
Car Park & REIT	435
Total	3,877
Net cash/(debt)	(1,257)
RNAV	2,621
No. of shares	4,468
RNAV / share	0.59
Target price @ 40% discount	0.35

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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