Results Note | **RM0.505 @ 27 August 2025**

"A soft 1H25 amid soft core segments"

Share price performance

	1M	3M	12M
Absolute (%)	-6.5	-1.9	-4.7
Rel KLCI (%)	-9.7	-5.8	-0.9

	BUY	HOLD	SELL
Consensus	4	2	1

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	4,467.5
Mkt cap (RMm)/(US$m)	2256.1/532.7
Avg daily vol - 6mth (m)	8.6
52-wk range (RM)	0.37-0.66
Est free float	40.3%
Stock Beta	1.67
Net cash/(debt) (RMm)	(1,547.4)
ROE (2025E)	1.2%
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM EMAS (Top 200) ESG Rank	Top 26-50%

Key Shareholders

EPF	36.2%
Gapurna Sdn Bhd	15.5%
Lembaga Tabung Haji	5.4%
KWAP	2.6%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Malaysian Resources Corp (MRC MK)

SELL (maintain)
Up/Downside: -10.4%

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

Below expectations – teething pains

- **1H25 core earnings came in at RM1.1m, below expectations as both core segments slowed down**
- **Both the construction and property segments are only likely to see meaningful earnings rebound in 2026-27E and beyond, as major infrastructure projects and Australian properties face a gestation period this year**
- **Cut 2025-27E earnings by 7-18% to account for lower property sales and slower progress billings for its construction segment; maintain our SELL call with unchanged TP of RM0.45 (40% discount to RNAV)**

Below expectations

MRC's 1H25 core earnings came in at only RM1.1m (-98% yoy), below consensus and our 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 39% yoy as both the construction (-38% yoy) and property (-56% yoy) segment revenue declined. Major construction projects were at the tail-end, with new wins not yet contributing meaningfully. The property segment continues to face a gestation period as its Australian projects can only see revenue recognition upon completion of construction of the buildings. On a quarterly basis, core earnings dipped 71% yoy, dragged mainly by the construction segment which saw operating profit decline by 84% yoy.

Earnings for 2025E likely to remain subdued

MRC's current unbilled order book is at c. RM6.3bn (excluding the RM11bn Bukit Jalil contract). Despite YTD wins being strong at RM5.6bn, most wins were from major projects like the reinstated LRT3 stations and the Shah Alam Stadium, which will only see substantial contribution over the next two years. Upcoming tender prospects remain largely unchanged, including flood mitigation and roadworks. On the property side, while unbilled sales remain robust at RM1.1bn, c. 92% of it is from Australian projects, which faces the aforementioned gestation period. Therefore, we foresee earnings this year to be soft, with subsequent recovery in 2026-27E.

Maintain our SELL call with unchanged TP of RM0.45

Post-results, we cut earnings by 7-18% for 2025-27E to account for lower property sales and slower progress billings for its major construction contracts. We maintain our SELL call with unchanged TP of RM0.45, based on 40% discount to RNAV, as PER valuations remain unattractive. 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	1,713.5	2,257.7	2,540.7
EBITDA (RMm)	279.3	186.7	139.5	161.7	176.0
Pretax profit (RMm)	134.2	75.0	63.5	93.6	116.8
Net profit (RMm)	101.0	63.7	43.5	62.7	76.0
EPS (sen)	2.3	1.4	1.0	1.4	1.7
PER (x)	22.3	35.4	51.9	36.0	29.7
Core net profit (RMm)	101.0	63.7	43.5	62.7	76.0
Core EPS (sen)	2.3	1.4	1.0	1.4	1.7
Core EPS growth (%)	55.8	(37.0)	(31.7)	44.1	21.3
Core PER (x)	22.3	35.4	51.9	36.0	29.7
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	18.3	26.7	23.1
Chg in EPS (%)			-17.5	-7.1	-12.6
Affin/Consensus (x)			0.9	0.9	0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg	Comment
Revenue	**372.2**	**218.2**	**297.8**	**36.5**	**(20.0)**	**848.4**	**516.0**	**(39.2)**	1H25: Lower yoy, mainly due to lower construction (-38% yoy) and property (-56% yoy) revenue.
Op costs	(296.0)	(205.7)	(277.5)	**35.0**	**(6.2)**	(728.8)	(473.1)	(35.1)	
EBITDA	**76.1**	**12.5**	**20.2**	**61.4**	**(73.4)**	**119.5**	**42.9**	**(64.1)**	
EBITDA margin (%)	*20.5*	*5.7*	*6.8*	*1.0ppt*	*(13.7ppt)*	*14.1*	*8.3*	*(5.8ppt)*	
Depreciation	(12.9)	(11.0)	(10.3)	(6.9)	(20.1)	(21.7)	(21.3)	(1.8)	
EBIT	**63.3**	**1.5**	**10.0**	**565.2**	**(84.3)**	**97.8**	**21.6**	**(77.9)**	Lower PBT in tandem with lower revenue for both core segments
EBIT margin (%)	*17.0*	*0.7*	*3.3*	*2.7ppt*	*(13.7ppt)*	*11.5*	*4.2*	*(7.3ppt)*	
Int expense	(26.9)	(27.4)	(27.7)	0.9	2.8	(50.8)	(55.1)	8.5	
Int and other inc	8.9	4.9	17.0	246.4	90.0	14.9	11.7	(21.2)	
Associates	3.1	3.3	4.1	22.8	30.0	5.5	7.4	35.1	
Exceptional items	0.0	22.6	0.0	n.m	n.m	0.0	22.6	n.m	
Pretax profit	**48.4**	**4.9**	**3.3**	**(32.7)**	**(93.2)**	**67.3**	**8.1**	**(87.9)**	
Tax	2.9	3.7	11.5	206.9	293.5	(13.1)	15.3	(216.6)	
Tax rate (%)	*(6.5)*	*(242.7)*	*1,440.2*	*n.m*	*n.m*	*19.4*	*(187.9)*	*n.m*	
Minority interests	(0.1)	(0.0)	0.3	n.m	n.m	(0.1)	0.3	n.m	
Net profit	**51.2**	**8.6**	**15.1**	**75.4**	**(70.6)**	**54.2**	**23.7**	**(56.3)**	
EPS (sen)	1.2	0.1	0.3	385.7	(70.4)	1.2	0.5	(56.2)	
Core net profit	**51.2**	**(14.0)**	**15.1**	**n.m**	**(70.6)**	**54.2**	**1.1**	**(98.1)**	Below expectations, excludes exceptional items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg
Engineering & construction	282.3	152.7	248.2	62.6	(12.1)	642.6	400.9	(37.6)
Property development & investment	71.3	46.0	28.5	(38.0)	(60.0)	169.4	74.5	(56.0)
Building services	14.1	15.0	16.5	9.8	16.9	27.4	31.5	14.9
Investment holding & others	4.5	4.5	4.6	1.2	1.3	9.0	9.0	0.8
Total	**372.2**	**218.2**	**297.8**	**36.5**	**(20.0)**	**848.4**	**516.0**	**(39.2)**

Source: Affin Hwang, Company

Fig 3: Segmental operating profit

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg
Engineering & construction	88.0	7.9	14.4	81.2	(83.7)	105.8	22.3	(78.9)
Property development & investment	(25.7)	(4.3)	12.1	(381.0)	(146.9)	(14.5)	7.8	(153.6)
Building services	1.4	1.7	0.7	(57.7)	(49.9)	5.2	2.4	(53.9)
Investment holding & others	(0.4)	18.8	(7.1)	(137.6)	1,491.9	1.4	11.7	766.3
Total	**63.3**	**24.1**	**20.1**	**(16.7)**	**(68.3)**	**97.8**	**44.2**	**(54.8)**

Source: Affin Hwang, Company

Fig 4: Segmental operating profit margin

FYE 31 Dec (%)	2Q24	1Q25	2Q25	QoQ ppt	YoY ppt	6M24	6M25	YoY ppt
Engineering & construction	31.2	5.2	5.8	0.6	(25.4)	16.5	5.6	(10.9)
Property development & investment	(36.1)	(9.3)	42.3	51.7	78.5	(8.6)	10.4	19.0
Building services	10.1	11.2	4.3	(6.9)	(5.7)	18.9	7.6	(11.3)
Total	**17.0**	**11.0**	**6.7**	**(4.3)**	**(10.3)**	**11.5**	**8.6**	**(3.0)**

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

This report is printed and published by:
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