"Continues to be a soft year"

Share price performance

	1M	3M	12M
Absolute (%)	-14.4	-17.8	-21.0
Rel KLCI (%)	-14.4	-19.3	-21.6

	BUY	HOLD	SELL
Consensus	4	2	1

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	4,467.5
Mkt cap (RMm)/(US$m)	1854/448.8
Avg daily vol - 6mth (m)	8.3
52-wk range (RM)	0.37-0.57
Est free float	40.3%
Stock Beta	1.65
Net cash/(debt) (RMm)	(1,661.1)
ROE (2025E)	0.4%
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%
Norges Bank	3.5%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Malaysian Resources Corp (MRC MK)

SELL (maintain)
Up/Downside: -16%

Price Target: RM0.35
Previous Target (Rating): RM0.45 (HOLD)

Below expectations – early stage drag persists

- **9M25 core earnings came in at RM6.2m, below expectations as both core segments remained soft**
- **Major infrastructure projects and Australian properties continue to face a gestation period this year, meaningful rebound likely nearer towards 2027E**
- **Cut 2025-27E earnings by 30-63% as we push back revenue recognition for property sales and construction works. Maintain our SELL call with lower RNAV-based TP of RM0.35 (40% discount to RNAV)**

Below expectations

MRC reported 9M25 core earnings of RM6.2m, a 90% yoy decline and below both our and consensus expectations. This figure excludes the RM22.6m disposal gain from CSB Development in 1Q25. Revenue fell about 35% yoy, with construction down 34% and property down 50%. The construction slowdown reflects major projects nearing completion while newer jobs, including the reinstated LRT3 stations and Kompleks Sukan Shah Alam (KSSA), are still early in their progress billings. Property development was weak due to lower completed-unit inventory and ongoing gestation for its Australian projects. On a quarterly basis, core earnings fell 66.1% qoq and 42% yoy, driven by a sharp drop in construction revenue, which declined 28% yoy.

Earnings for 2025E likely to remain subdued

MRC's unbilled order book remains steady at c. RM6bn, vs RM6.3bn last quarter (excluding the RM11bn Bukit Jalil contract). No new wins were recorded this quarter, though YTD wins are still strong at RM5.5bn, largely from the reinstated LRT3 stations and the KSSA project, both of which will take time to reach meaningful billing. Tender prospects are unchanged, with flood-mitigation, road and infrastructure packages in the pipeline. On the property side, unbilled sales stand at RM1.4bn, with around 95% tied to Australian projects that will only be recognised upon completion, implying a two to three-year gestation period. Looking to 2026, MRCB plans RM2.6bn in local project launches, which should help ease the current drag in its property development segment.

Maintain our SELL call; unchanged TP of RM0.45

Post the earnings miss, we cut 2025–27E earnings by roughly 30–62% to reflect slower recognition in both property sales and construction works. Our RNAV-based TP is reduced to RM0.35 after pushing back property revenue assumptions. We maintain our SELL call, as valuations remain unattractive. Key upside risks are stronger-than-expected construction replenishment and a rebound in property sales.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	2,537.5	1,645.4	1,246.7	1,937.9	2,232.5
EBITDA (RMm)	279.3	186.7	109.5	148.7	176.0
Pretax profit (RMm)	134.2	75.0	24.8	63.6	85.2
Net profit (RMm)	101.0	63.7	38.9	41.7	53.9
EPS (sen)	2.3	1.4	0.4	0.9	1.2
PER (x)	18.4	29.1	113.1	44.5	34.4
Core net profit (RMm)	101.0	63.7	16.4	41.7	53.9
Core EPS (sen)	2.3	1.4	0.4	0.9	1.2
Core EPS growth (%)	55.8	(37.0)	(74.3)	154.2	29.4
Core PER (x)	18.4	29.1	113.1	44.5	34.4
Net DPS (sen)	1.0	1.0	1.0	1.0	1.0
Dividend Yield (%)	2.4	2.4	2.4	2.4	2.4
EV/EBITDA	9.3	11.2	15.0	29.1	21.6
Chg in EPS (%)			(62.3)	(33.5)	(29.1)
Affin/Consensus (x)			0.4	0.6	0.6

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	YoY % chg	Comment
Revenue	**426.3**	**297.8**	**310.0**	**4.1**	**(27.3)**	**1,274.7**	**826.0**	***(35.2)***	9M25: Lower yoy, mainly due to lower construction (-34% yoy) and property (-50% yoy) revenue.
Op costs	(393.5)	(277.5)	(286.1)	3.1	(27.3)	(1,118.9)	(759.2)	*(32.1)*	
EBITDA	**32.8**	**20.2**	**23.9**	**18.1**	**(27.1)**	**155.8**	**66.8**	***(57.1)***	
EBITDA margin (%)	*7.7*	*6.8*	*7.7*	*0.9ppt*	*0.0ppt*	12.2	8.1	*(4.1ppt)*	
Depreciation	(10.4)	(10.3)	(11.0)	6.9	6.0	(32.1)	(32.3)	*0.7*	
EBIT	**22.4**	**10.0**	**12.9**	**29.7**	**(42.4)**	**123.7**	**34.5**	***(72.1)***	Lower PBT in tandem with lower revenue for both core segments
EBIT margin (%)	*5.3*	*3.3*	*4.2*	*0.8ppt*	*(1.1ppt)*	*9.7*	*4.2*	*(5.5ppt)*	
Int expense	(31.9)	(27.7)	(26.0)	(6.0)	(18.3)	(82.7)	(81.2)	*(1.8)*	
Int and other inc	9.1	17.0	33.0	94.9	261.5	20.5	44.8	*118.2*	
Associates	2.6	4.1	3.6	(10.5)	38.6	8.1	11.0	*36.2*	
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	**2.3**	**3.3**	**23.6**	**621.4**	**911.4**	**69.6**	**31.7**	***(54.5)***	
Tax	6.3	11.5	(18.4)	n.m	n.m	(6.8)	(3.1)	*(53.7)*	
Tax rate (%)	*2,143.1*	*1,440.2*	*92.3*	*n.m*	*n.m*	11.0	15.2	*4.2ppt*	
Minority interests	0.2	0.3	(0.1)	n.m	n.m	0.2	0.2	*44.2*	
Net profit	**8.9**	**15.1**	**5.1**	**(66.1)**	**(42.3)**	**63.0**	**28.8**	***(54.4)***	
EPS (sen)	0.0	0.3	0.1	(67.6)	266.7	1.4	0.6	*(54.6)*	
Core net profit	**8.9**	**15.1**	**5.1**	**(66.1)**	**(42.3)**	**63.0**	**6.2**	***(90.2)***	Below expectations, excludes exceptional items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	*YoY % chg*
Engineering & construction	342.2	248.2	246.5	(0.7)	(28.0)	984.8	647.4	*(34.3)*
Property development & investment	65.1	28.5	43.9	53.8	(32.6)	234.5	118.4	*(49.5)*
Building services	14.4	16.5	15.1	(8.5)	4.7	41.8	46.5	*11.4*
Investment holding & others	4.6	4.6	4.6	1.9	0.0	0.0	0.0	*n.m*
Total	**426.3**	**297.8**	**310.0**	**4.1**	**(27.3)**	**1,274.7**	**826.0**	***(35.2)***

Source: Affin Hwang, Company

Fig 3: Segmental operating profit

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	*YoY % chg*
Engineering & construction	39.1	14.4	14.2	(0.7)	(63.6)	144.9	36.5	*(74.8)*
Property development & investment	(2.3)	12.1	12.3	1.8	(629.0)	(16.8)	20.1	*(219.3)*
Building services	1.3	0.7	(2.3)	n.m	n.m	6.5	0.0	*(99.3)*
Investment holding & others	(12.1)	(7.1)	(11.3)	59.8	(6.9)	(10.8)	0.4	*(104.0)*
Total	**25.9**	**20.1**	**12.9**	**(35.7)**	**(50.2)**	**123.7**	**57.1**	***(53.9)***

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	11.4	5.8	5.8	(0.0)	(5.6)	14.7	5.6	*(9.1)*
Property development & investment	(3.6)	42.3	28.0	(14.3)	31.6	(7.2)	17.0	*24.1*
Building services	8.9	4.3	(15.6)	(19.9)	(24.5)	15.5	0.1	*(15.4)*
Total	**6.1**	**6.7**	**4.2**	**(2.6)**	**(1.9)**	**9.7**	**6.9**	***(2.8)***

Source: Affin Hwang, Company

Fig 5: RNAV and target price

Segment	New value (RMm)	Old value (RMm)	Change (%)
Property development	2,200	2,950	(25)
Property investment	1,083	1,083	0
Construction	160	160	0
Car Park & REIT	435	435	0
Total	**3,877**	**4,627**	**(16)**
Net cash/(debt)	(1,257)	(1,257)	0
RNAV	**2,621**	**3,370**	**(22)**
No. of shares	4,468	4,468	0
RNAV / share	**0.59**	**0.75**	**(22)**
Target price @ 40% discount	**0.35**	**0.45**	**(22)**

Source: Affin Hwang forecasts

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AFFIN HWANG INVESTMENT BANK

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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