

31 May 2024

Buy

Price
 RM0.70

Target Price
 RM0.88 (from RM0.73)

Market Data

Bloomberg Code	MRC MK
No. of shares (m)	4,467.5
Market cap (RMm)	3,104.9
52-week high/low (RM)	0.74 / 0.29
Avg daily turnover (RMm)	15.0
KLCI (pts)	1,604.3

Source: Bloomberg, CIMB Securities

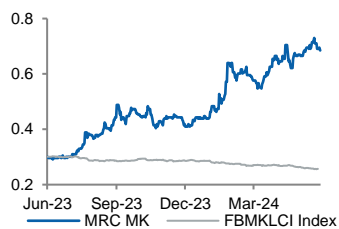
Major Shareholder (%)

EPF	(36.2%)
Gapurna	(15.5%)
Lembaga Tabung Haji	(5.6%)
Free Float	42.7

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	16.2	61.9	123.0
Rel Market (%)	12.3	45.8	95.1



Source: Bloomberg, CIMB Securities

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Malaysian Resources Corporation

Building momentum

We maintain our Buy call on MRCB with a higher SOTP-based TP of RM0.88. This reflects a stronger upturn in contract newsflow, as several project catalysts worth up to RM5bn could unfold from 2H24 onwards – i.e. five reinstated LRT 3 stations; KL Sentral Expansion and KSSA. We also believe that MRCB stands to gain the most, if the main terminus for the proposed HSR shifts to KL Sentral.

Financial Highlights

FYE Dec	2022	2023	2024F	2025F	2026F
Revenue (RMm)	3,205.1	2,514.1	1,837.4	1,744.1	2,319.8
Core net profit (RMm)	64.8	(66.2)	14.9	60.2	81.1
Core EPS (Sen)	1.7	(1.0)	0.6	1.6	2.0
EPS growth (%)	nm	nm	nm	>100	27.4
DPS (Sen)	1.0	1.0	1.0	1.0	1.0
Core PE (x)	19.8	nm	108.7	44.5	34.9
Div yield (%)	3.0	2.7	1.4	1.4	1.4
ROE (%)	1.4	2.2	0.3	1.3	1.8
Net Gearing (%)	33.6	18.1	29.9	0.0	0.0
PBV(x)	0.3	0.4	0.7	0.7	0.7

Source: Company, CIMB Securities

Returns to the black in 1Q24

MRCB reported a small core profit of RM3m in 1Q24, as revenue slipped 36% yoy. Nevertheless, this set of numbers represented a stark improvement over the preceding quarter, which saw the group incurring core losses of RM64m. Comparing on a yoy basis, core profits fell 64%. This was largely attributable to the completion of Sentral Suites and TRIA @ 9 Seputeh in the previous corresponding period. At 20% of our full-year forecast, we deem its 1Q24 results to be broadly in line, but below consensus estimates (5%). More importantly, we expect sequential earnings momentum to pick-up in the remaining three quarters. As with the previous FY's, the group did not declared any dividends during the quarter under review.

Targeting RM5bn worth of new jobs

MRCB reaffirmed its target to secure RM5bn worth of construction opportunities, which are pending finalization of their respective contractual terms. For us, the nearest job prospect could come from the five reinstated LRT 3 stations, which are due to come online by 2027. We estimate the overall contract value for these stations to be worth in excess of RM2bn, as its scope could be expanded to include two depots and rolling stocks. Likewise, NST reported that work to redevelop KL Sentral (~RM1bn) is poised to kick off by year-end. As for the redevelopment of Shah Alam Stadium (KSSA) worth ~RM1bn, demolition works has commenced. To note, the group's active tenderbook stands at RM2.5bn, and excludes the abovementioned projects. This is backed by an outstanding orderbook of RM15.3bn.

Ramping up its property launches

For the first four months of 2024, MRCB sold RM382m worth of properties (+240% yoy; 1Q24 - RM268m). As for pre-sales, MRCB is aiming to launch RM3.6bn worth of new properties (unbilled sales: RM387m). Among the key project launches for this year is The Symphony Centre in Auckland, which makes up 36% of total pre-sales. For FY25F, it is lining up another RM1.7bn worth of new launches. As for its latest two launches, VISTA Surfers Paradise chalked up a commendable take-up rate of 29% as of last month, although the group's marketing campaigns were only ramped up late last year. By the same token, Residensi Tujoh @ Kwasa Damansara City Centre (launched in September 2023) has achieved a sales rate of 10% after promotional efforts commenced in January 2024.

Exhibit 1: Financial results

YE 31 Dec (RM m)	1Q23	1Q24	% YoY	4Q23	1Q24	% QoQ
Turnover	742.2	476.2	(35.8)	668.8	476.2	(28.8)
EBIT	42.5	34.6	(18.6)	(72.3)	34.6	<i>n/m</i>
Interest Expense	(27.9)	(23.9)		(25.9)	(23.9)	
Interest Income	5.5	6.0		5.6	6.0	
Pre-Exceptionals Profit	20.1	16.6		(92.6)	16.6	
Exceptionals	0.0	0.0		167.2	0.0	
Pre-Associates/JV Profit	20.1	16.6		74.6	16.6	
Associates/JVs	0.5	2.3		5.2	2.3	
Pretax Profit	20.6	19.0	(7.7)	79.7	19.0	(76.2)
Taxation	(12.0)	(16.0)		0.4	(16.0)	
Minority Interest/disct.ops	(0.1)	0.1		0.2	0.1	
Net Profit	8.5	3.0	(64.5)	80.2	3.0	(96.3)
Core Net Profit	8.5	3.0	(64.5)	(87.0)	3.0	<i>n/m</i>
Core EPS (sen)	0.2	0.1		(1.9)	0.1	
Gross DPS (sen)	0.0	0.0		1.0	0.0	
BV/share (RM)	1.02	1.03		1.03	1.03	
EBIT Margin (%)	5.7	7.3		(10.8)	7.3	
Pretax Margin (%)	2.8	4.0		11.9	4.0	
Effective Tax (%)	58.2	84.4		(0.4)	84.4	
Segmental Breakdown (RM m)						
Turnover						
Construction	458.5	360.3	(21.4)	398.7	360.3	(9.6)
Property development & investment	268.0	98.1	(63.4)	252.4	98.1	(61.1)
Infrastructure & concession	0.0	0.0	<i>n/m</i>	0.0	0.0	<i>n/m</i>
Facilities management & parking	12.3	13.3	8.3	14.1	13.3	(5.5)
Investment holding & Others	3.5	4.5	28.1	3.7	4.5	21.4
Total	742.2	476.2	(35.8)	668.8	476.2	(28.8)
EBIT						
Construction	7.2	17.8	145.9	(0.2)	17.8	<i>n/m</i>
Property development & investment	33.3	11.2	(66.3)	113.2	11.2	(90.1)
Infrastructure & concession	0.0	0.0	<i>n/m</i>	0.0	0.0	<i>n/m</i>
Facilities management & parking	(0.1)	3.8	<i>n/m</i>	0.9	3.8	<i>n/m</i>
Investment holding & Others	9.3	19.6	111.1	(186.4)	19.6	<i>n/m</i>
Total	42.5	34.6	(18.6)	(72.3)	34.6	<i>n/m</i>
EBIT margin (%)						
Construction	1.6	4.9		(0.1)	4.9	
Property development & investment	12.4	11.5		44.8	11.5	
Infrastructure & concession	<i>n/m</i>	<i>n/m</i>		<i>n/m</i>	<i>n/m</i>	
Facilities management & parking	(0.9)	28.3		6.4	28.3	
Investment holding & Others	<i>n/m</i>	<i>n/m</i>		<i>n/m</i>	<i>n/m</i>	
Total	5.7	7.3		(10.8)	7.3	

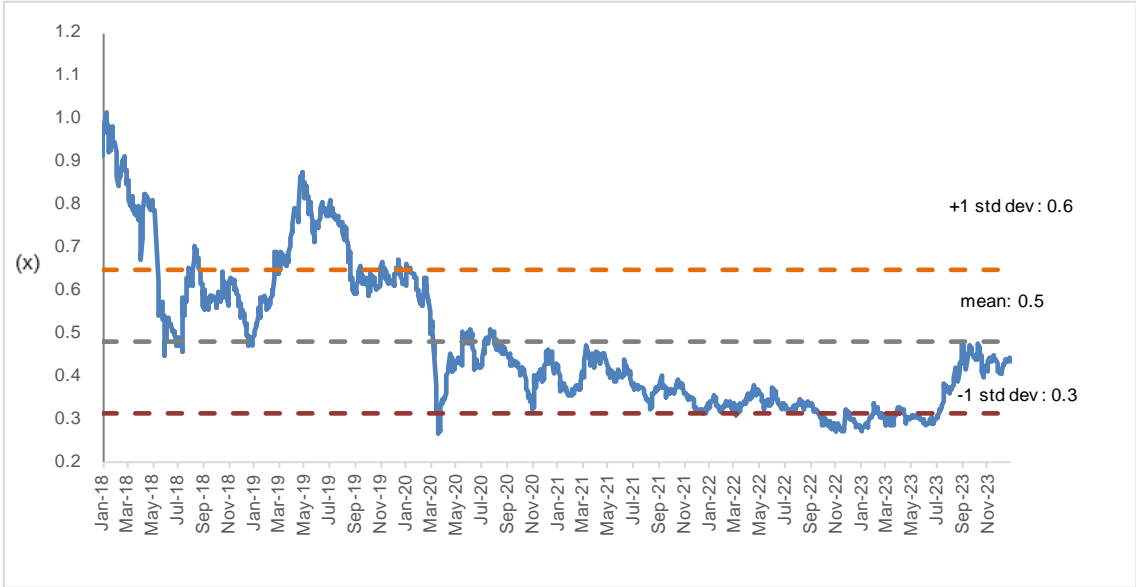
Source: Company, CIMB Securities

Exhibit 2: Valuation model

Divisions/Operations	Size (acres)	Value (RM)		Method	% of NAV	Effective stake (%)
		psf	m /share			
Landbank						
Suria Subang	3.3	300	43.6	0.01	Market value	
Selbourne 2, Shah Alam	2.4	200	20.6	0.00	Market value	
Metro Spectacular, Jln. Putra (51%)	10.1	300	67.0	0.01	Market value	
Bukit Beruntung	1.4	180	10.8	0.00	Market value	
Ipoh Raya	832.3	5	181.3	0.04	Market value	
Sub-total	849.4		323.4	0.07		4.5
Development properties						
Development projects			5,330.3	1.09	NPV @ 9%	100.0
Sub-total			5,330.3	1.09		74.3
Investment properties						
		NLA/room bays	Value (RM) m	/share	Method	Effective stake (%)
Menara MRCB, Shah Alam		216,000	25.0	0.01	NPI@7.25%	100.0
Plaza Alam Sentral, Shah Alam		433,349	93.7	0.02	NPI@7.25%	100.0
Kompleks Sentral, Segambut Industrial Park		484,689	43.4	0.01	NPI@7%	100.0
Ascott Sentral (Lot 348), KL Sentral		143 rooms	78.7	0.02	RM0.6m/room	100.0
Sub-total			240.8	0.05		3.4
Property management						
Quill Capita Management (QCM)			91.3	0.02	NPI@7%	41.0
Sub-total			91.3	0.02		1.3
Construction & Facilities Management						
Construction			721	0.15	12x FY24F net profit	
Facilities management			213.0	0.04	Net book value as of FY22	
Bukit Jalil Sentral Management Contract			48.8	0.01	NPV@7.5%	
Sub-total			983.0	0.20		13.7
Listed-investments						
Sentral REIT			267.8	0.05	Market Value	27.8
Sub-total			267.8	0.05		3.7
Others			222.6	0.05	Net book value as of FY22	
Sub-total			222.6	0.05		3.1
Gross NAV			7,459.3	1.52		
Net cash/(debt)			(829.5)	(0.17)	As of 31 December 2023	(11.6)
Proceeds from ESOS/warrant conversions			548.1	0.11	Warrants B exercise price: RM1.25	7.6
Total NAV			7,177.9	1.46		100.0
FD no of shares			4,906.0			
NAV/share			1.46			
TP (less: 40% discount)			0.88			
Share price as of 30 May 2024			0.70			
Upside (%)			26.3			
FY24F Yield (%)			1.4			
Total Return (%)			27.7			
Discount to NAV (%)			(52.5)			

Source: Company, Bloomberg, CIMB Securities

Exhibit 3: Historical P/BV band



Source: Company, Bloomberg, CIMB Securities

Income Statement

FYE Dec (RMm)	2022	2023	2024F	2025F	2026F
Revenue	3,205.1	2,514.1	1,837.4	1,744.1	2,319.8
EBITDA	312.5	121.0	150.0	192.7	236.2
Depreciation/Amortisation	(82.9)	(76.2)	(75.3)	(78.2)	(81.1)
Operating income (EBIT)	229.6	44.8	74.7	114.5	155.1
Other income & associates	5.6	12.4	43.4	54.6	37.3
Net interest	(80.8)	(90.2)	(68.4)	(66.3)	(63.9)
Exceptional items	0.0	167.2	0.0	0.0	0.0
Pretax profit	154.3	134.2	49.7	102.7	128.6
Taxation	(100.8)	(33.2)	(29.2)	(34.5)	(37.8)
Minorities/pref dividends	11.3	(0.1)	(5.6)	(8.0)	(9.6)
Net profit	64.8	101.0	14.9	60.2	81.1
Core net profit	64.8	(66.2)	14.9	60.2	81.1

Balance Sheet

FYE Dec (RMm)	2022	2023	2024F	2025F	2026F
Fixed assets	778.9	733.9	734.4	732.6	728.5
Intangible assets	194.8	177.0	0.0	0.0	0.0
Other long-term assets	4,707.6	4,537.6	3,450.9	3,490.1	3,528.9
Total non-current assets	5,681.3	5,448.5	4,185.3	4,222.7	4,257.4
Cash & equivalent	465.6	871.3	0.0	0.0	0.0
Stock	785.2	510.4	0.0	0.0	0.0
Trade debtors	2,155.6	1,965.0	0.0	0.0	0.0
Other current assets	140.9	214.9	0.0	0.0	0.0
Total current assets	3,547.3	3,561.7	0.0	0.0	0.0
Trade creditors	1,806.0	1,820.4	0.0	0.0	0.0
Short-term borrowings	840.8	311.0	169.8	0.0	0.0
Other current liabilities	50.5	23.4	0.0	0.0	0.0
Total current liabilities	2,697.3	2,154.8	0.0	0.0	0.0
Long-term borrowings	1,215.9	1,490.5	1,192.7	0.0	0.0
Other long-term liabilities	778.7	765.1	50.8	50.8	50.8
Total long-term liabilities	1,994.6	2,255.6	1,243.5	50.8	50.8
Shareholders' funds	4,531.2	4,594.1	4,564.3	4,579.8	4,616.3
Minority interests	5.5	5.6	11.2	19.2	28.9

Cash flow Statement

FYE Dec (RMm)	2022	2023	2024F	2025F	2026F
Pretax profit	154.3	134.2	49.7	102.7	128.6
Depreciation/Amortisation	82.9	76.2	75.3	78.2	81.1
Net change in working capital	(88.5)	479.7	(63.8)	(112.7)	3.0
Others	(229.7)	(260.3)	(72.6)	(89.1)	(75.2)
Cash flow from operations	(80.9)	429.9	(11.4)	(20.9)	137.5
Capital expenditure	(82.4)	(50.9)	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	0.0	450.0	0.0	0.0	0.0
Others	135.8	20.8	0.0	0.0	0.0
Cash flow from investing	53.4	419.9	(100.0)	(100.0)	(100.0)
Debt raised/(repaid)	122.2	(255.2)	(113.0)	(163.0)	(163.0)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(44.7)	(44.7)	(44.7)	(44.7)	(44.7)
Others	(63.6)	(144.4)	0.0	0.0	0.0
Cash flow from financing	14.0	(444.3)	(157.7)	(207.7)	(207.7)
Net cash flow	(13.5)	405.5	(269.0)	(328.6)	(170.2)
Cash b/f	479.9	465.6	871.3	602.3	273.7
Cash c/f	465.6	871.3	602.3	273.7	103.5

Key Ratios

FYE Dec	2022	2023	2024F	2025F	2026F
Revenue growth (%)	>100	(21.6)	(26.9)	(5.1)	33.0
EBITDA growth (%)	>100	(61.3)	24.0	28.4	22.6
Pretax margins (%)	4.8	5.3	2.7	5.9	5.5
Net profit margins (%)	2.0	4.0	0.8	3.4	3.5
Interest cover (x)	2.8	0.5	1.1	1.7	2.4
Effective tax rate (%)	65.3	24.7	58.6	33.6	29.4
Net dividend payout (%)	68.9	44.2	299.3	74.3	55.1
Debtors turnover (days)	245	285	nm	0	0
Stock turnover (days)	107	78	0	0	0
Creditors turnover (days)	246	278	0	0	0

Source: Bloomberg, CIMB Securities

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Buy	The stock's total return is expected to exceed 10% over the next twelve (12) months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
	<i>Note: The total expected return of a stock is defined as the sum of: the percentage difference between the target price and the current price; and the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i>
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Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
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