

**3 Mar 2025**

# Buy

**Price**  
 RM0.46

**Target Price**  
 RM0.83 (from RM0.96)

**Market Data**

Bloomberg Code	MRC MK
No. of shares (m)	4,467.5
Market cap (RMm)	2,055.1
52-week high/low (RM)	0.74 / 0.47
Avg daily turnover (RMm)	5.1
KLCI (pts)	1,586.6

Source: Bloomberg, CIMB Securities

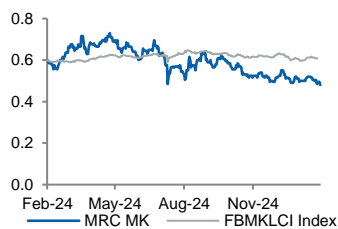
**Major Shareholder (%)**

EPF	(36.2%)
Gapurna	(15.5%)
Lembaga Tabung Haji	(5.4%)
Free Float	42.9

Source: Bloomberg, CIMB Securities

**Performance**

	3M	6M	12M
Absolute (%)	(8.6)	(11.9)	(20.7)
Rel Market (%)	(8.6)	(9.1)	(20.7)



Source: Bloomberg, CIMB Securities

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# Malaysian Resources Corporation

## FY24 results miss estimates; LRT 3 Phase 2 contract clinched

MRCB's FY24 results missed expectations; 4Q24 core profit shrank by 93% QoQ to RM1m, against a 13% QoQ contraction at the top-line level. Having just bagged the LRT 3 Phase 2 contract worth RM2.5bn, MRCB is looking to crystallise up to RM6bn worth of job opportunities in FY25F vs. only RM250m new contract wins in FY24. Rolling forward the valuation base to FY26F, we maintain our Buy call on MRCB with a lower TP of RM0.83 (from RM0.96) after (i) cutting our FY26F and FY27F core profit forecasts by 40% and 21%, respectively, and (ii) incorporating minor housekeeping adjustments post FY24 results release. However, we expect material contributions from the LRT 3 Phase 2 contract and the progressive conversion of other higher-conviction bids to underpin a rebound in FY26F core profits to RM68m (+56% vs. RM39m in FY25F), rising further to RM108m in FY27F.

**Financial highlights**

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue (RMm)	2,514.1	1,645.4	1,538.4	1,773.3	3,046.5
Core net profit (RMm)	(66.2)	63.7	39.2	67.9	108.3
Core EPS (Sen)	(1.5)	1.7	1.1	1.6	2.5
EPS growth (%)	nm	nm	(38.2)	55.7	50.1
DPS (Sen)	1.0	1.0	0.9	1.2	2.0
Core PE (x)	nm	nm	43.7	28.1	18.7
Div yield (%)	2.2	2.2	2.0	2.6	4.3
ROE (%)	2.2	1.4	0.8	1.5	2.3
Net Gearing (%)	18.1	27.3	28.8	37.0	33.9
PBV(x)	0.4	0.4	0.4	0.4	0.4

Source: Company, CIMB Securities

**FY24 below expectations**

Malaysian Resources Corporation (MRCB)'s 4Q24 core profit shrank by 93% QoQ against a 13% QoQ contraction at the top-line level. This brought FY24 core profit to RM64m (FY23; -RM66m); 9% below our full-year forecast, and 18% behind consensus estimates. FY24 revenue fell 35% YoY on (i) lower property development billings (Tria @ 9 Seputeh and Sentral Suites were completed in FY23), (ii) the disposal of Menara CelcomDigi and Plaza Alam Sentral (FY23), and (iii) the near completion of LRT 3 Phase 1 works. The stronger turnaround in FY24's bottom line was supported by cost savings from some of the completed projects in 2Q24 (following the finalisation of project accounts). The group declared a first and final DPS of 1 sen in FY24 (+50% vs. our estimate of 0.5 sen), translating into a dividend yield of 2.2% (payout ratio: 70%).

**Eyeing RM6bn worth of job opportunities after bagging LRT 3 Phase 2 contract**

In conjunction with its FY24 results release, MRCB disclosed that the group has secured the contract to undertake Phase 2 of the LRT 3 project worth RM2.5bn. MRCB's scope of works entails the construction of five reinstated stations, two electric vehicle (EV) bus depots in Shah Alam and Johan Setia, the supply of light rail vehicles, and other related infrastructure and system work. The fixed-price project is scheduled to be completed in two years' time. Beyond this project, MRCB is in advanced negotiations for the KL Sentral and Shah Alam stadium redevelopment works worth RM2-3bn and is eyeing fresh opportunities under the Large Scale Solar (LSS) Petra 5+ programme. The group is also tendering for RM1.6bn worth of jobs (including the Penang Airport expansion and the upgrading of Tawau Airport) and has been pre-qualified for several flood mitigation and water infrastructure projects (RM1bn). Altogether, the group is looking to crystallise up to RM6bn worth of new contracts for FY25F.

**RM1bn property sales target for FY25F**

MRCB sold RM836m worth of new properties in FY24, falling just 5% short of its initial target. For FY25F, the group has set a higher new property sales target of RM1bn (one-third from local projects and two-thirds from foreign launches). This is underpinned by RM3.9bn worth of new property launches in FY25F: The Symphony Centre, Auckland (RM1.1bn); Lot R of Kolektif KL Sentral (RM205m); Bledisloe House, Auckland (RM343m); MARIS — 20 Queen Street, Southport (RM533m); Bukit Jalil Sentral Phase 1A and 1B (RM808m); 9 Seputeh — Parcel A (RM417m); and PJ Sentral Tower 5 (RM482m). In terms of existing launches, the 26 Vista luxury apartment in the Gold Coast, Australia, has achieved a take-up rate of 65% (44% of gross development value) despite initiating two rounds of price increases.

**Maintain Buy with a lower TP of RM0.83**

Rolling forward its valuation base to FY26F, we maintain our Buy call on MRCB with a lower TP of RM0.83 (from RM0.96) after (i) cutting our forecasts for the group's FY26F and FY27F core profit by 40% and 21%, respectively, and (ii) implementing minor housekeeping tweaks post the release of its FY24 results. Nevertheless, we expect material contributions from the LRT 3 Phase 2 contract — alongside the progressive conversion of other higher conviction bids — to underpin a rebound in FY26F core profits to RM68m (+56% vs. RM39m in FY25F), rising further to RM108m in FY27F. Key re-rating catalyst: more construction wins. Key risk factor: delays to FY25F property launches.

**Exhibit 1: Financial results**

YE 31 Dec (RM m)	FY23	FY24	% YoY	3Q24	4Q24	% QoQ
<b>Turnover</b>	<b>2,514.1</b>	<b>1,645.4</b>	<b>(34.6)</b>	<b>426.3</b>	<b>370.7</b>	<b>(13.0)</b>
Net operating cost/income	(2,469.3)	(1,499.1)		(400.4)	(348.1)	
<b>EBIT</b>	<b>44.8</b>	<b>146.4</b>	<b>226.9</b>	<b>25.9</b>	<b>22.6</b>	<b>(12.7)</b>
Interest Expense	(112.8)	(108.8)		(31.9)	(26.1)	
Interest Income	22.6	26.7		5.6	6.2	
Pre-Exceptionals Profit	(45.4)	64.2		(0.3)	2.7	
Exceptionals	167.2	0.0		0.0	0.0	
Pre-Associates/JV Profit	121.8	64.2		(0.3)	2.7	
Associates/JVs	12.4	10.8		2.6	2.7	
<b>Pretax Profit</b>	<b>134.2</b>	<b>75.0</b>	<b>(44.1)</b>	<b>2.3</b>	<b>5.4</b>	<b>131.6</b>
Taxation	(33.2)	(11.5)		6.3	(4.7)	
Minority Interest/disct.ops	(0.1)	0.1		0.2	(0.0)	
<b>Net Profit</b>	<b>101.0</b>	<b>63.7</b>	<b>(37.0)</b>	<b>8.9</b>	<b>0.6</b>	<b>(92.9)</b>
<b>Core Net Profit</b>	<b>(66.2)</b>	<b>63.7</b>	<b>nm</b>	<b>8.9</b>	<b>0.6</b>	<b>(92.9)</b>
Core EPS (sen)	(1.5)	1.4		0.2	0.0	
Gross DPS (sen)	1.0	1.0		0.0	1.0	
BV/share (RM)	1.03	1.03		1.03	1.03	
EBIT Margin (%)	1.8	8.9		6.1	6.1	
Pretax Margin (%)	5.3	4.6		0.5	1.5	
Effective Tax (%)	24.7	15.3		(271.4)	87.7	
<b>Segmental Breakdown (RM m)</b>						
<b>Turnover</b>						
Construction	1,736.6	1,283.0	(26.1)	342.2	298.2	(12.9)
Property development & investment	711.9	286.7	(59.7)	65.1	52.2	(19.9)
Infrastructure & concession	0.0	0.0	n/m	0.0	0.0	n/m
Facilities management & parking	51.3	56.3	9.9	14.4	14.5	1.1
Investment holding & Others	14.4	19.4	35.3	4.6	5.8	25.6
<b>Total</b>	<b>2,514.1</b>	<b>1,645.4</b>	<b>(34.6)</b>	<b>426.3</b>	<b>370.7</b>	<b>(13.0)</b>
<b>EBIT</b>						
Construction	87.4	166.4	90.3	39.1	21.5	(45.0)
Property development & investment	148.8	(17.6)	n/m	(2.3)	(0.8)	n/m
Infrastructure & concession	0.0	0.0	n/m	0.0	0.0	n/m
Facilities management & parking	(2.4)	9.0	n/m	1.3	2.6	100.5
Investment holding & Others	(101.7)	155.0	n/m	27.0	20.9	(22.7)
<b>Total</b>	<b>44.8</b>	<b>146.4</b>	<b>226.9</b>	<b>25.9</b>	<b>22.6</b>	<b>(12.7)</b>
<b>EBIT margin (%)</b>						
Construction	87.4	13.0		11.4	7.2	
Property development & investment	148.8	(6.2)		(3.6)	(1.5)	
Infrastructure & concession	0.0	n/m		n/m	n/m	
Facilities management & parking	(2.4)	16.0		8.9	17.7	
Investment holding & Others	(101.7)	n/m		n/m	n/m	
<b>Total</b>	<b>44.8</b>	<b>8.9</b>		<b>6.1</b>	<b>6.1</b>	

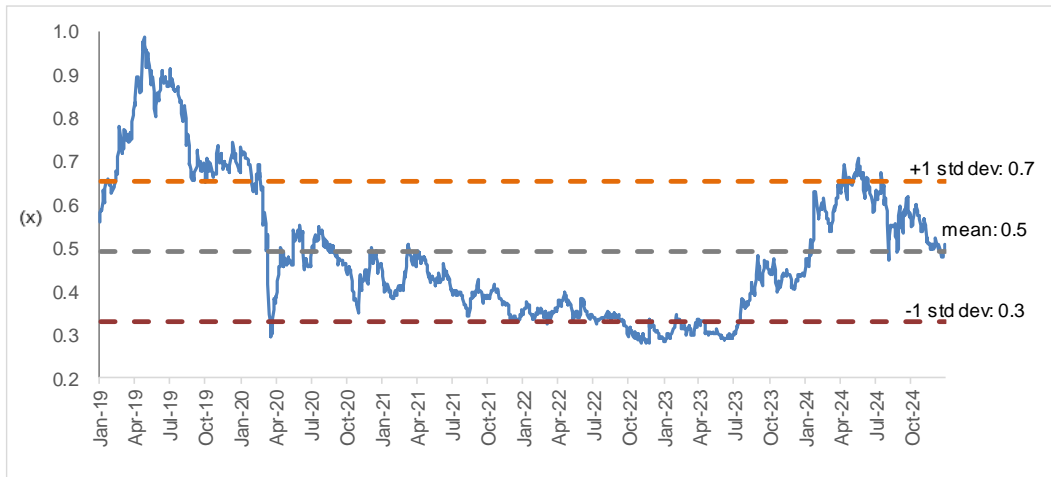
Source: Company, CIMB Securities

**Exhibit 2: SOTP valuation**

Divisions/Operations	Size (acres)	Value (RM) psf	m	/share	Method	% of NAV	Effective stake (%)
<b>Landbank</b>							
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		
<b>Sub-total</b>	<b>849.4</b>		<b>323.4</b>	<b>0.07</b>		<b>3.9</b>	
<b>Development properties</b>							
Development projects			6,860.3	1.40	NPV @ 9%		100.0
<b>Sub-total</b>			<b>6,860.3</b>	<b>1.40</b>		<b>83.8</b>	
<b>Investment properties</b>							
		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	94.7	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
<b>Sub-total</b>			<b>241.8</b>	<b>0.05</b>		<b>3.0</b>	
<b>Property management</b>							
Quill Capita Management (QCM)			91.3	0.02	NPI@7%		41.0
<b>Sub-total</b>			<b>91.3</b>	<b>0.02</b>		<b>1.1</b>	
<b>Construction &amp; Facilities Management</b>							
Construction			653.9	0.13	12x FY26F net profit		
Facilities management			186.5	0.04	Net book value as of FY23		
Bukit Jalil Sentral Management Contract			49.5	0.01	NPV@7.5%		
<b>Sub-total</b>			<b>890.0</b>	<b>0.18</b>		<b>10.9</b>	
<b>Listed-investments</b>							
Sentral REIT			258.0	0.05	Market Value		27.8
<b>Sub-total</b>			<b>258.0</b>	<b>0.05</b>		<b>3.2</b>	
Others			394.6	0.08	Net book value as of FY23		
<b>Sub-total</b>			<b>394.6</b>	<b>0.08</b>		<b>4.8</b>	
<b>Gross NAV</b>							
			<b>9,059.4</b>	<b>1.85</b>			
Net cash/(debt)			(1,418.7)	(0.29)	Company leve as of 31 Dec 2023	(17.3)	
Proceeds from ESOS/warrant conversions			548.1	0.11	Warrants B exercise price: RM1.25	6.7	
<b>Total NAV</b>			<b>8,188.8</b>	<b>1.67</b>		<b>100.0</b>	
FD no of shares			4,906.0				
<b>NAV/share</b>			<b>1.67</b>				
<b>TP (less: 50% discount)</b>			<b>0.83</b>				
Share price as of 27 Feb 2025			0.46				
Upside (%)			81.4				
FY26F Yield (%)			2.6				
<b>Total Return (%)</b>			<b>84.0</b>				
<b>Discount to NAV (%)</b>			<b>(72.4)</b>				

Source: Company, Bloomberg, CIMB Securities

Exhibit 3: Historical P/BV band



Source: Company, Bloomberg, CIMB Securities

**Income Statement**

<b>FYE Dec (RMm)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
<b>Revenue</b>	<b>2,514.1</b>	<b>1,645.4</b>	<b>1,538.4</b>	<b>1,773.3</b>	<b>3,046.5</b>
<b>EBITDA</b>	<b>121.0</b>	<b>195.9</b>	<b>195.4</b>	<b>247.2</b>	<b>323.5</b>
Depreciation/Amortisation	(76.2)	(49.6)	(79.9)	(82.7)	(85.6)
Operating income (EBIT)	44.8	146.4	115.5	164.5	237.9
Other income & associates	12.4	10.8	54.6	36.5	42.3
Net interest	(90.2)	(82.1)	(99.6)	(99.7)	(98.0)
Exceptional items	167.2	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>134.2</b>	<b>75.0</b>	<b>70.4</b>	<b>101.3</b>	<b>182.2</b>
Taxation	(33.2)	(11.5)	(25.4)	(26.1)	(56.1)
Minorities/pref dividends	(0.1)	0.1	(5.8)	(7.2)	(17.9)
<b>Net profit</b>	<b>101.0</b>	<b>63.7</b>	<b>39.2</b>	<b>67.9</b>	<b>108.3</b>
<b>Core net profit</b>	<b>(66.2)</b>	<b>63.7</b>	<b>39.2</b>	<b>67.9</b>	<b>108.3</b>

**Balance Sheet**

<b>FYE Dec (RMm)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Fixed assets	733.9	762.7	760.1	755.3	748.2
Intangible assets	177.0	123.8	116.6	109.5	102.4
Other long-term assets	4,537.6	4,714.6	4,807.4	4,881.7	4,961.4
<b>Total non-current assets</b>	<b>5,448.5</b>	<b>5,601.0</b>	<b>5,684.1</b>	<b>5,746.5</b>	<b>5,812.0</b>
Cash & equivalent	972.0	999.2	769.4	217.2	178.3
Stock	510.4	381.8	625.5	888.5	1,585.3
Trade debtors	1,965.0	2,258.5	1,306.6	1,554.7	1,669.3
Other current assets	114.2	34.8	25.3	15.7	5.9
<b>Total current assets</b>	<b>3,561.7</b>	<b>3,674.4</b>	<b>2,726.8</b>	<b>2,676.1</b>	<b>3,438.9</b>
Trade creditors	1,820.4	1,732.9	1,032.1	1,172.8	2,092.6
Short-term borrowings	311.0	580.7	267.4	246.9	1,337.7
Other current liabilities	23.4	5.4	5.4	5.4	5.4
<b>Total current liabilities</b>	<b>2,154.8</b>	<b>2,319.0</b>	<b>1,304.9</b>	<b>1,425.1</b>	<b>3,435.8</b>
Long-term borrowings	1,490.5	1,678.3	1,828.6	1,686.1	432.3
Other long-term liabilities	765.1	657.9	656.9	655.9	654.9
<b>Total long-term liabilities</b>	<b>2,255.6</b>	<b>2,336.2</b>	<b>2,485.5</b>	<b>2,342.0</b>	<b>1,087.1</b>
<b>Shareholders' funds</b>	<b>4,594.1</b>	<b>4,614.7</b>	<b>4,609.2</b>	<b>4,636.9</b>	<b>4,691.6</b>
Minority interests	5.6	5.5	11.3	18.5	36.4

**Cash flow Statement**

<b>FYE Dec (RMm)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Pretax profit	134.2	75.0	70.4	101.3	182.2
Depreciation/Amortisation	76.2	49.6	79.9	82.7	85.6
Net change in working capital	479.7	(252.4)	7.5	(370.4)	108.4
Others	(260.3)	(281.7)	(80.0)	(62.6)	(98.4)
<b>Cash flow from operations</b>	<b>429.9</b>	<b>(409.5)</b>	<b>77.8</b>	<b>(249.0)</b>	<b>277.8</b>
Capital expenditure	(50.9)	(1.0)	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	450.0	95.0	0.0	0.0	0.0
Others	20.8	(24.4)	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>419.9</b>	<b>69.6</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>
Debt raised/(repaid)	(255.2)	457.5	(163.0)	(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)	(40.2)	(53.6)
Others	(144.4)	(96.5)	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>(444.3)</b>	<b>316.3</b>	<b>(207.7)</b>	<b>(203.2)</b>	<b>(216.6)</b>
<b>Net cash flow</b>	<b>405.5</b>	<b>(23.6)</b>	<b>(229.9)</b>	<b>(552.2)</b>	<b>(38.9)</b>
<b>Cash b/f</b>	<b>501.6</b>	<b>907.3</b>	<b>882.0</b>	<b>652.1</b>	<b>99.9</b>
<b>Cash c/f</b>	<b>907.3</b>	<b>882.0</b>	<b>652.1</b>	<b>99.9</b>	<b>61.1</b>

**Key Ratios**

<b>FYE Dec</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Revenue growth (%)	(21.6)	(34.6)	(6.5)	15.3	71.8
EBITDA growth (%)	(61.3)	61.9	(0.3)	26.5	30.8
Pretax margins (%)	5.3	4.6	4.6	5.7	6.0
Net profit margins (%)	4.0	3.9	2.5	3.8	3.6
Interest cover (x)	0.5	1.8	1.2	1.7	2.4
Effective tax rate (%)	24.7	15.3	36.1	25.8	30.8
Net dividend payout (%)	44.2	70.2	102.6	78.9	82.5
Debtors turnover (days)	299	468	310	320	200
Stock turnover (days)	99	132	200	250	250
Creditors turnover (days)	277	526	330	330	330

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:</i> (a) the percentage difference between the target price and the current price; and (b) the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.
<b>Sector Rating</b>	<b>Definition</b>
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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