

28 Nov 2024

Buy

Price
 RM0.53

Target Price
 RM0.96 (from RM0.95)

Market Data

Bloomberg Code	MRC MK
No. of shares (m)	4,467.5
Market cap (RMm)	2,345.4
52-week high/low (RM)	0.74 / 0.41
Avg daily turnover (RMm)	10.4
KLCI (pts)	1,610.5

Source: Bloomberg, CIMB Securities

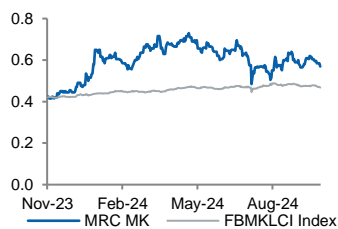
Major Shareholder (%)

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

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	(9.5)	(15.6)	31.0
Rel Market (%)	(9.5)	(17.4)	31.0



Source: Bloomberg, CIMB Securities

Analyst

Mak Hoy Ken
 03 21710509
 hoyken.mak@cimb.com

Malaysian Resources Corporation

Gearing up for more job wins, launches

MRCB's 9M24 core profits tripled yoy to RM63m (revenue: -31% yoy), surpassing our previous FY24F forecast of RM59m and accounting for 93% of the street's estimates. The group is targeting a higher launch pipeline of RM4.3bn for FY25F (FY24F: RM1.9bn) and is in advanced negotiations for three high-conviction jobs worth up to RM5bn. Maintain Buy with a SOTP-based TP of RM0.96.

Financial Highlights

FYE Dec	2022	2023	2024F	2025F	2026F
Revenue (RMm)	3,205.1	2,514.1	1,549.8	1,755.2	2,260.3
Core net profit (RMm)	64.8	(66.2)	70.0	65.1	85.8
Core EPS (Sen)	1.7	(1.2)	1.7	1.6	2.0
EPS growth (%)	nm	nm	nm	(6.0)	26.8
DPS (Sen)	1.0	1.0	0.5	0.6	1.0
Core PE (x)	30.3	nm	31.2	33.2	26.2
Div yield (%)	1.9	1.9	1.0	1.1	1.9
ROE (%)	1.4	2.2	1.5	1.4	1.8
Net Gearing (%)	33.6	18.1	18.5	23.1	21.9
PBV(x)	0.5	0.5	0.5	0.5	0.5

Source: Company, CIMB Securities

9M24 results tracked ahead of expectations

MRCB's 9M24 core profits tripled yoy to RM63m (revenue: -31% yoy), surpassing our previous FY24F forecast of RM59m and accounting for 93% of the street's estimates. The huge jump in 9M24 core profits was largely driven by (i) cost savings from some of its completed construction projects in 2Q24 (following the finalisation of project accounts) and (ii) lower effective tax rates of 9.7% versus 61.5% in 9M23. The lower top line mirrors the tail end of LRT 3 construction works (financial progress at 94% as of 30 Sept 2024). In the absence of additional cost savings from the aforementioned completed construction projects, 3Q24 core profits fell by a sharp 83% qoq, although the operating losses for its property segment narrowed substantially to RM3m (from RM26m). Nevertheless, MRCB expects its property unit to return to profitability in 4Q24, as nearly 80 units of completed stock from Sentral Suites and Tria @ 9 Seputeh are progressively converted into sales following receipt of the strata title. 9M24 property sales came in at RM637m (Oct 2024 property sales: RM661m; unbilled sales: RM631m), putting it on track to meet the full-year target of RM877m.

Higher property launches in FY25

Despite facing some delays for its upcoming KL projects (due to new requirements for geotechnical studies), MRCB is targeting a higher property launch pipeline of RM4.3bn for FY25F versus an estimated RM1.9bn in FY24F. Upcoming launches for next year include Lot F KL Sentral (Office Tower); 20 Queen Street — Southport (Queensland, Australia); Bledishoe House — Auckland City Centre, New Zealand; 9 Seputeh (Parcel A); Bukit Jalil Sentral (Parcel 1 and 1B); and PJ Sentral Tower 5.

Healthy unbilled orders, tenderbook visibility

As of 30 Sept 2024, MRCB has an unbilled construction order book of RM15.1bn, translating into a healthy order book/revenue cover of 8.1x. YTD, the group's sole contract win came from Phase 2 of the Sungai Langkat Flood Mitigation Scheme worth RM250m. The group's active tender book current stands at RM3bn, but excludes the MRT 3 project (the tender validity for the performance bonds lapsed in Mar 2024). The key upcoming bids are the Penang International Airport (PIA) expansion; the Tok Bali Water Treatment Plant (WTP) in Kelantan; a 15 km stretch of the Central Spine Road (CSR) at Kuala Krai, Kelantan; three

Large Scale Solar (LSS) plants in Chuping Valley Industrial Park (100 MW), Gurun Ayer Puteh (100 MW) and Bestari Jaya (15 MW); and the Tawau Airport upgrading works.

This is supported by another RM4–RM5bn worth of high-conviction contracts that are at the advanced stages of negotiations; MRCB expects to finalise the terms for the LRT 3 variation orders (>RM1.5bn) and the redevelopment of Shah Alam Stadium (KSSA) (>RM1bn) by end-2024, while a positive outcome for the expansion of KL Sentral could be known by 1Q25.

Maintain Buy

Taking cue from its outperformance in 9M24, we raise our FY24F, FY25F, and FY26F core net profit forecasts by 19%, 3%, and 33%, respectively, adjusting for lower effective tax rates and higher interest expenses. As such, we tweak upwards our SOTP-based TP to RM0.96 from RM0.95. Backed by a solid balance sheet (net gearing as of 30 Sept 2024: 27%). MRCB remains as our top pick for the construction sector. The stock is trading at a steep 73% discount versus its SOTP.

Key re-rating/de-rating catalysts

The key re-rating catalyst stems from the imminent conversion of RM4bn to RM5bn worth of large orders that are under negotiations. Key risk factor: further delays in the monetisation of transit-oriented developments.

Exhibit 1: Financial results

YE 31 Dec (RM m)	9M23	9M24	% YoY	2Q24	3Q24	% QoQ
Turnover	1,845.3	1,274.7	(30.9)	372.2	426.3	14.6
Net operating cost/income	(1,728.2)	(1,151.0)		(308.9)	(400.4)	
EBIT	117.1	123.7	5.7	63.2	25.9	(59.0)
Interest Expense	(86.9)	(82.7)		(26.9)	(31.9)	
Interest Income	17.0	20.5		8.9	5.6	
Pre-Exceptionals Profit	47.3	61.6		45.2	(0.3)	
Exceptionals	0.0	0.0		0.0	0.0	
Pre-Associates/JV Profit	47.3	61.6		45.2	(0.3)	
Associates/JVs	7.3	8.1		3.1	2.6	
Pretax Profit	54.5	69.6	27.7	48.4	2.3	(95.2)
Taxation	(33.5)	(6.8)		2.9	6.3	
Minority Interest/disct.ops	(0.2)	0.2		(0.1)	0.2	
Net Profit	20.8	63.0	203.1	51.2	8.9	(82.7)
Core Net Profit	20.8	63.0	203.1	51.2	8.9	(82.7)
Core EPS (sen)	0.5	1.4		1.1	0.2	
Gross DPS (sen)	0.0	0.0		0.0	0.0	
BV/share (RM)	1.01	1.03		1.03	1.03	
EBIT Margin (%)	6.3	9.7		17.0	6.1	
Pretax Margin (%)	3.0	5.5		13.0	0.5	
Effective Tax (%)	61.5	9.7		(6.0)	(271.4)	
Segmental Breakdown (RM m)						
Turnover						
Construction	1,338.0	984.8	(26.4)	282.3	342.2	21.2
Property development & investment	459.5	234.5	(49.0)	71.3	65.1	(8.7)
Infrastructure & concession	0.0	0.0	n/m	0.0	0.0	n/m
Facilities management & parking	37.2	41.8	12.4	14.1	14.4	2.1
Investment holding & Others	10.7	13.6	27.5	4.5	4.6	3.3
Total	1,845.3	1,274.7	(30.9)	372.2	426.3	14.6
EBIT						
Construction	87.6	144.9	65.3	88.0	39.1	(55.6)
Property development & investment	35.7	(16.8)	n/m	(25.7)	(2.3)	n/m
Infrastructure & concession	0.0	0.0	n/m	0.0	0.0	n/m
Facilities management & parking	(3.3)	6.5	n/m	1.4	1.3	(9.5)
Investment holding & Others	84.7	134.1	58.4	87.6	27.0	n/m
Total	117.1	123.7	5.7	63.2	25.9	n/m
EBIT margin (%)						
Construction	6.6	14.7		31.2	11.4	
Property development & investment	7.8	(7.2)		(36.1)	(3.6)	
Infrastructure & concession	n/m	n/m		n/m	n/m	
Facilities management & parking	(8.8)	15.5		10.1	8.9	
Investment holding & Others	n/m	n/m		n/m	n/m	
Total	6.3	9.7		17.0	6.1	

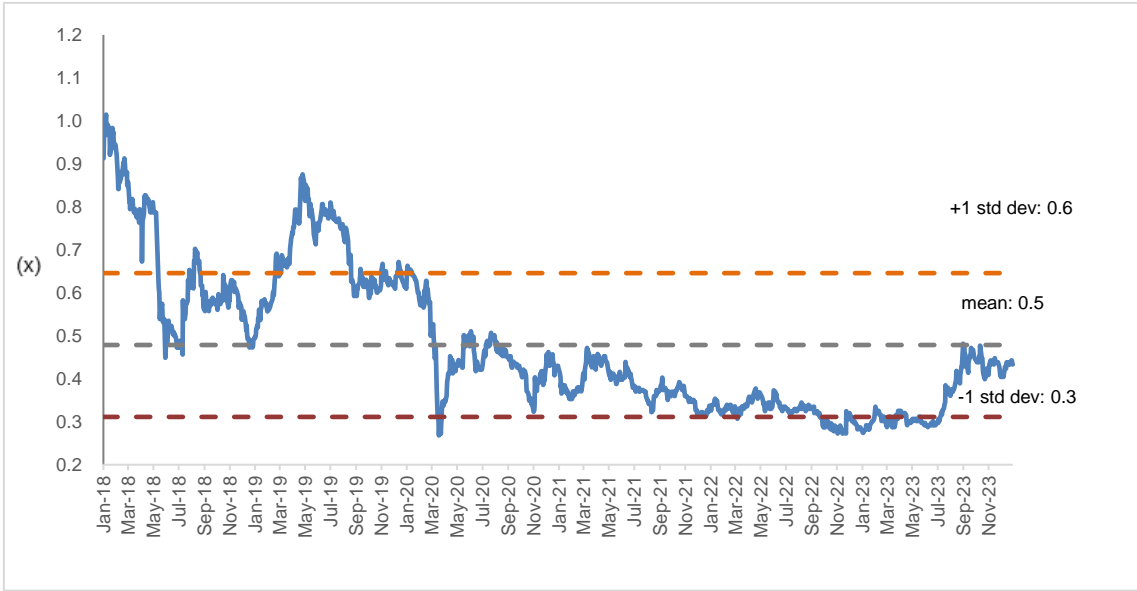
Source: Company, CIMB Securities

Exhibit 2: NAV calculation

Divisions/Operations	Size (acres)	psf	Value (RM)		Method	% of NAV	Effective stake (%)
			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		3.4	
Development properties							
Development projects			6,802.6	1.39	NPV @ 9%		100.0
Sub-total			6,802.6	1.39		72.1	
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		2.6	
Property management							
Quill Capita Management (QCM)			91.3	0.02	NPI@7%		41.0
Sub-total			91.3	0.02		1.0	
Construction & Facilities Management							
Construction			1,181.9	0.24	12x FY24F net profit		
Facilities management			186.5	0.04	Net book value as of FY23		
Bukit Jalil Sentral Management Contract			48.8	0.01	NPV@7.5%		
Sub-total			1,417.2	0.29		15.0	
Listed-investments							
Sentral REIT			261.2	0.05	Market Value		27.8
Sub-total			261.2	0.05		2.8	
Others			394.6	0.08	Net book value as of FY23		
Sub-total			394.6	0.08		4.2	
Gross NAV			9,531.2	1.94			
Net cash/(debt)			(647.5)	(0.13)	As of 31 December 2023		(6.9)
Proceeds from ESOS/warrant conversions			548.1	0.11	Warrants B exercise price: RM1.25		5.8
Total NAV			9,431.8	1.92		100.0	
FD no of shares			4,906.0				
NAV/share			1.92				
TP (less: 50% discount)			0.96				
Share price as of 27 Nov 2024			0.53				
Upside (%)			83.1				
FY24F Yield (%)			1.0				
Total Return (%)			84.0				
Discount to NAV (%)			(72.7)				
Implied FY24F PE (x)			57.2				

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	1,549.8	1,755.2	2,260.3
EBITDA	312.5	121.0	215.9	205.0	248.1
Depreciation/Amortisation	(82.9)	(76.2)	(75.3)	(78.2)	(81.1)
Operating income (EBIT)	229.6	44.8	140.6	126.8	167.0
Other income & associates	5.6	12.4	43.4	54.6	37.3
Net interest	(80.8)	(90.2)	(82.2)	(79.5)	(77.1)
Exceptional items	0.0	167.2	0.0	0.0	0.0
Pretax profit	154.3	134.2	101.8	101.9	127.3
Taxation	(100.8)	(33.2)	(24.4)	(29.1)	(32.1)
Minorities/pref dividends	11.3	(0.1)	(7.4)	(7.7)	(9.3)
Net profit	64.8	101.0	70.0	65.1	85.8
Core net profit	64.8	(66.2)	70.0	65.1	85.8

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	169.8	162.7	155.6
Other long-term assets	4,707.6	4,537.6	4,620.6	4,714.4	4,790.5
Total non-current assets	5,681.3	5,448.5	5,524.9	5,609.7	5,674.6
Cash & equivalent	533.6	972.0	835.7	449.6	328.2
Stock	785.2	510.4	455.0	705.0	1,143.9
Trade debtors	2,155.6	1,965.0	1,188.9	1,298.4	1,176.6
Other current assets	72.9	114.2	105.0	95.5	85.8
Total current assets	3,547.3	3,561.7	2,584.5	2,548.5	2,734.6
Trade creditors	1,806.0	1,820.4	1,000.9	1,163.3	1,510.0
Short-term borrowings	840.8	311.0	210.8	190.3	169.8
Other current liabilities	50.5	23.4	23.4	23.4	23.4
Total current liabilities	2,697.3	2,154.8	1,235.2	1,377.1	1,703.3
Long-term borrowings	1,215.9	1,490.5	1,477.7	1,335.2	1,192.7
Other long-term liabilities	778.7	765.1	764.1	763.1	762.1
Total long-term liabilities	1,994.6	2,255.6	2,241.8	2,098.3	1,954.8
Shareholders' funds	4,531.2	4,594.1	4,619.4	4,662.1	4,721.1
Minority interests	5.5	5.6	13.0	20.7	30.0

Cash flow Statement

FYE Dec (RMm)	2022	2023	2024F	2025F	2026F
Pretax profit	154.3	134.2	101.8	101.9	127.3
Depreciation/Amortisation	82.9	76.2	75.3	78.2	81.1
Net change in working capital	(88.5)	479.7	12.2	(197.2)	29.5
Others	(229.7)	(260.3)	(67.9)	(83.7)	(69.5)
Cash flow from operations	(80.9)	429.9	121.4	(100.8)	168.4
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)	(22.3)	(26.8)
Others	(63.6)	(144.4)	0.0	0.0	0.0
Cash flow from financing	14.0	(444.3)	(157.7)	(185.3)	(189.8)
Net cash flow	(13.5)	405.5	(136.3)	(386.1)	(121.4)
Cash b/f	515.9	501.6	907.3	771.1	384.9
Cash c/f	501.6	907.3	771.1	384.9	263.5

Key Ratios

FYE Dec	2022	2023	2024F	2025F	2026F
Revenue growth (%)	121.3	(21.6)	(38.4)	13.3	28.8
EBITDA growth (%)	nm	(61.3)	78.4	(5.1)	21.0
Pretax margins (%)	4.8	5.3	6.6	5.8	5.6
Net profit margins (%)	2.0	4.0	4.5	3.7	3.8
Interest cover (x)	2.8	0.5	1.7	1.6	2.2
Effective tax rate (%)	65.3	24.7	24.0	28.6	25.3
Net dividend payout (%)	68.9	44.2	31.9	41.2	52.1
Debtors turnover (days)	242	299	280	270	190
Stock turnover (days)	112	99	150	200	250
Creditors turnover (days)	253	277	330	330	330

Source: Bloomberg, CIMB Securities

DISCLAIMER

The content of this report (including the views, opinions and recommendations expressed and the information contained in this report) has been prepared by and belongs to CIMB Securities Sdn Bhd (formerly known as KAF Equities Sdn Bhd) (“**CIMB Securities**”).

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, you represent and warrant that you are entitled to receive this report in accordance with the restrictions in this report and agree to be bound by the limitations in this report. Any failure to comply with these limitations may constitute a violation of law.

This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, in whole or in part, to any other person.

This report is general in nature and has been prepared for information purposes only. It is intended for distribution in Malaysia by CIMB Securities to the clients of CIMB Securities, CIMB Investment Bank Berhad and CIMB Bank Berhad generally and does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report.

The information, views, opinions or recommendations in this report are not and should not be construed or considered as an offer, or solicitation to buy or sell, or an invitation to subscribe for, the securities of the company(ies), related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

You are advised to make your own independent evaluation of the information contained in this report, consider your own individual investment objectives, financial situation and particular needs and consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. The securities of the company(ies) may not be eligible for subscription or sale in all jurisdictions or to all categories of investors.

CIMB Securities may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB Securities has no obligation to update this report to include any material omission or in the event of a material change to the information contained in this report.

CIMB Securities does not accept any obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the contents of this report constitute all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and recommendations; and accordingly, CIMB Securities as well as its affiliates, related and associate corporations (and their respective directors, officers and/or employees) shall not be liable in any manner whatsoever for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any reliance thereon or usage of this report. In particular, CIMB Securities disclaims all responsibility and liability for the views, opinions and recommendations set out in this report.

Unless otherwise specified, this report is based upon sources or data which CIMB Securities considered to be reasonable, correct and reliable at the time of issue of this report. Such sources or data will, unless otherwise specified, for market data, be market data and prices available from the stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of your investments may go down and you may lose some or all of your investments.

This report may contain information obtained from third party content providers. Reproduction and distribution of third party contents in any form is prohibited except with the prior written consent of the related third party content provider.

Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such contents. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their contents.

CIMB Securities as well as its affiliates, related and associate corporations (and their respective directors, officers and/or employees) may own or have positions in securities of the company(ies) covered in this report or any securities related to it and may from time to time add to or dispose of, or may be materially interested in, any such securities.

Further, CIMB Securities as well as its affiliates, related and associate corporations do and seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers (for its own account or the account of its customers) and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit investment, advisory or other services from any company(ies) mentioned in this report.

CIMB Securities as well as its affiliates, related and associate corporations may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB Securities may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst(s) responsible for the production of this report certifies that the views, opinions and recommendations expressed herein accurately and exclusively reflect his/her personal views, opinions and recommendations about any and all of the company(ies) or securities analysed in this report and were prepared independently and autonomously.

In reviewing this research report, you should be aware that any or all of the foregoing, among other things, may give rise to actual or potential conflicts of interest. Subject to the duties of confidentiality, additional information may be available, on request, at our sole discretion.

RATING GUIDE

Stock Rating	Definition
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>
Sector Rating	Definition
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.

DISCLOSURE OF CONFLICTS OF INTEREST

Disclosure by CIMB Securities

CIMB Securities hereby declares that:

(a) CIMB Securities, CIMB Investment Bank Berhad and/or CIMB Bank Berhad has/have proprietary positions in the following securities of the company(ies) mentioned in this report:
MRCB

(b) CIMB Securities (only in respect of its Equities Research Department) received material benefit in relation to the production of this report for the following companies mentioned in this report:
Nil

Disclosure by Analyst(s)

The analyst(s) who prepared this report declares that:

(a) He/she received material benefit in relation to the production of this report for the following companies mentioned in this report:
Nil

(b) He/she has/have an interest in the securities in the following company(ies) recommended in this report:
Nil

(c) He/she serves as a director or board member of the following company(ies) mentioned in this report:
Nil

Information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the correlation between his/her views, opinions or recommendations and the performance of the securities of the company(ies) and may also participate in the solicitation of the businesses.

This report is distributed in Malaysia by CIMB Securities solely for the benefit of and for the exclusive use of the clients of CIMB Securities, CIMB Investment Bank Berhad and CIMB Bank Berhad. Recipients of this report are to contact CIMB Securities at Level 14, Chulan Tower, No. 3, Jalan Conlay, 50450 Kuala Lumpur in respect of any matters arising from or in connection with this report. CIMB Securities has no obligation to update, revise or reaffirm its opinion or the information in this research report after the date of this report.

This report is not directed to or intended for distribution or publication outside of Malaysia. If you are outside Malaysia, you should have