

HLIB Research
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BUY (maintain)

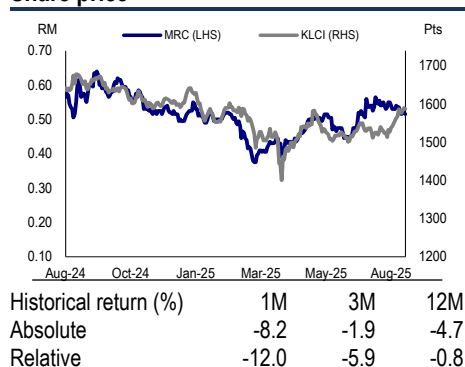
Target Price: **RM0.67**
Previously: **RM0.67**
Current Price: **RM0.505**

Capital upside	32.7%
Dividend yield	1.2%
Expected total return	33.9%

Sector coverage: Construction

Company description: MRCB is primarily involved in property development (with a niche in TODs) and construction.

Share price



Stock information

Bloomberg ticker	MRC MK
Bursa code	1651
Issued shares (m)	4,468
Market capitalisation (RM m)	2,256
3-mth average volume ('000)	9,878
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★ ★ ★

Major shareholders

EPF	36.2%
Gapurna	15.5%
LTH	5.3%

Earnings summary

FYE (Dec)	FY24	FY25f	FY26f
PATMI - core (RM m)	63.7	29.9	58.8
EPS - core (sen)	1.4	0.7	1.3
P/E (x)	35.4	75.3	38.4

Malaysian Resources Corporation

Below expectations

MRCB's 1HFY25 core PATAMI of RM1.1m fell below our and consensus expectations. Negative deviation came from slow billings at its construction segment. Unbilled orderbook stands at RM6.3bn post converting RM5.6bn wins this year. Outstanding tenders remain sizable at RM6bn. Launches for FY25 should hit RM2.8bn. Cut FY25f/26f core PATAMI by -30.3%/-20.4% adjusting for lower construction while property margins are recalibrated. Maintain BUY with unchanged SOP-driven TP of RM0.67.

Below expectations. MRCB reported 2QFY25 results with revenue of RM297.8m (36.5% QoQ, -20.0% YoY) and core PATAMI of RM15.1m (vs core LATAMI of RM14.0m in 1QFY25, -70.6% YoY). This brings 1HFY25 core PATAMI to RM1.1m, decreasing by -98.1%. Results were below our and consensus expectations (HLIBf: RM43.0m, Consensus: RM47.3m). Negative deviation was due to weaker than expected billings from construction. No adjustments made in deriving core numbers.

Dividends. No DPS declared.

QoQ. The company returned to the black driven by better performance from both the construction and property segments. QoQ swing in the property division was rather significant, mainly driven by writeback of project cost previously budgeted for but not realised.

YoY. MRCB's softer performance on a YoY basis is due to weaker construction burn and lower property billings. This is reflective of substantial completion of its LRT3 Phase 1 project (99% completion) while reinstated section remains at an early stage. The Shah Alam stadium redevelopment project likewise will only accelerate in FY26. Meanwhile, a bulk of its property launches are in AU/NZ markets where recognition is upon handover.

YTD. Similarly, MRCB's weaker performance can be attributed to substantial completion for LRT3 Phase 1 while newly secured projects gestate.

Construction. Outstanding active orderbook stands at a sizable RM6.3bn. MRCB has converted on three projects this year being: (i) LRT3 reinstatement – RM2.47bn (ii) Shah Alam Stadium redevelopment – RM2.94bn and (iii) PLUS highway upgrading in Johor – RM160.1m. At YTD wins of RM5.6bn, this is near our RM6bn assumption for FY25 which could be surpassed should it convert some of outstanding RM6bn worth of tenders. MRCB's current tender book does not include RM1.3bn of pre-qualified jobs as well as its KL Sentral redevelopment project (RM1bn). Going forward, we expect to see more monetisation of idle land considering sizable deferred payment projects (Shah Alam & KL Sentral).

Property. MRCB's sales as of July-25 amounted to RM522m, on track towards our RM1bn assumption. We gather that its Australian projects are seeing strong demand. One such development, MARIS, Southport (GDV: RM620m) was launched in June-25 and has achieved a take-up rate of 73% (July-25). Similar demand strength is seen at VISTA another project in the proximity that has benefitted from consistent upward revision in prices. The company has launched RM1.8bn worth of projects this year and will be launching another RM1bn for the remainder of FY25. Given foreign heavy launch plans, segmental earnings delivery in FY25 should remain lacklustre.

Forecast. Cut FY25f/26f core PATAMI by -30.3%/-20.4% adjusting lower construction while property margins are recalibrated.

Maintain BUY, TP: RM0.67. Maintain BUY with unchanged SOP driven TP of RM0.67 as we rollover valuation base to FY26. Sluggish share price performance YTD tilts risk reward to the upside at a low P/B multiple of 0.5x (similar peers ~0.8x-1.2x). MRCB benefits from better project pipeline visibility and value unlocking initiatives. Key upside catalysts: contract wins, and HSR newsflow; Downside risks: margins, execution and property sales slowdown.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	972	999	1,511	1,527	1,640
Receivables	2,065	2,236	1,233	1,744	2,596
PPE	734	759	739	763	786
Investment properties	1,108	1,253	1,228	1,247	1,266
Others	3,551	3,492	3,496	3,501	3,506
Assets	8,845	9,034	8,285	8,906	9,993
Debits	1,802	2,259	2,359	2,559	2,959
Payables	1,838	1,529	678	1,085	1,754
Others	605	626	626	626	626
Liabilities	4,245	4,414	3,663	4,270	5,339
Shareholder's equity	4,594	4,615	4,618	4,635	4,662
Minority interest	6	5	4	0	(7)
Equity	4,600	4,620	4,622	4,636	4,655

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profit before taxation	1	75	40	97	157
Depreciation & amortisation	86	49	54	56	57
Changes in working capital	150	(378)	369	(149)	(260)
Taxation	(33)	(11)	(9)	(34)	(61)
Others	288	(10)	-	-	-
CFO	492	(275)	455	(31)	(107)
Net capex	510	(205)	(80)	(80)	(80)
Others	(178)	152	-	-	-
CFI	332	(53)	(80)	(80)	(80)
Changes in borrowings	(255)	457	100	200	400
Issuance of shares	-	-	-	-	-
Dividends paid	(45)	(45)	(32)	(27)	(41)
Others	(90)	(108)	-	-	-
CFF	(390)	305	68	173	359
Net cash flow	434	(24)	443	62	172
Forex	0	(2)	-	-	-
Others	4	51	69	(46)	(60)
Beginning cash	534	972	999	1,511	1,527
Ending cash	972	999	1,511	1,527	1,640

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2,537	1,645	1,378	2,155	3,451
EBIT	79	146	95	160	242
Associates & JV	12	11	20	21	22
Profit before tax	1	75	40	97	157
Tax	(33)	(11)	(9)	(34)	(61)
Net profit	(32)	64	31	63	96
Minority interest	(0)	0	(1)	(4)	(7)
PATMI (core)	(32.0)	63.7	29.9	58.8	88.7
Exceptionals	133	-	-	-	-
PATMI (reported)	101	64	30	59	89

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	(0.7)	1.4	0.7	1.3	2.0
P/E (x)	n.m.	35.4	75.3	38.4	25.4
DPS (sen)	1.0	0.7	0.6	0.9	1.4
Dividend yield	2.0%	1.4%	1.2%	1.8%	2.8%
BVPS (RM)	1.0	1.0	1.0	1.0	1.0
P/B (x)	0.5	0.5	0.5	0.5	0.5
EBITDA margin	6.5%	11.9%	10.8%	10.0%	8.7%
EBIT margin	3.1%	8.9%	6.9%	7.4%	7.0%
PBT margin	0.0%	4.6%	2.9%	4.5%	4.5%
Net margin	-1.3%	3.9%	2.2%	2.7%	2.6%
ROE	-0.7%	1.4%	0.6%	1.3%	1.9%
ROA	-0.4%	0.7%	0.3%	0.7%	0.9%
Net gearing	18.1%	27.3%	18.4%	22.3%	28.3%

Assumptions

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Contracts secured	-	250	6,000	2,000	3,000
Property sales	831	836	1,000	1,000	1,000

Figure #1 Quarterly results comparison

FYE Dec	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	372.2	218.2	297.8	36.5	(20.0)	848.4	516.0	(39.2)
EBIT	72.2	6.4	26.9	321.1	(62.7)	112.7	33.3	(70.5)
Finance cost	(26.9)	(27.4)	(27.7)	0.9	2.8	(50.8)	(55.1)	8.5
Share of JVs and associates	3.1	3.3	4.1	22.8	30.0	5.5	7.4	35.1
PBT	48.4	(17.7)	3.3	n.m.	(93.2)	67.3	(14.5)	n.m.
PAT	51.3	(14.0)	14.8	n.m.	(71.2)	54.2	0.8	(98.6)
Core PATMI	51.2	(14.0)	15.1	n.m.	(70.6)	54.2	1.1	(98.1)
Reported PATMI	51.2	8.6	15.1	75.4	(70.6)	54.2	23.7	(56.3)
Core EPS (sen)	1.1	(0.3)	0.3	n.m.	(70.6)	1.2	0.0	(98.1)
EBIT margin (%)	19.4	2.9	9.0			13.3	6.5	
PBT margin (%)	13.0	(8.1)	1.1			7.9	(2.8)	
PATMI margin (%)	13.8	(6.4)	5.1			6.4	0.2	

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Figure #2 Property launch pipeline

2025 Launches			
The Symphony Center, Auckland	March 2025	~RM1,130 mil (NZD452 mil)	78
MARIS, 20 Queen Street, Southport	June 2025	~RM620 mil (AUD207 mil)	192
2025 Pending Launches			
Bledisloe House, Auckland	Q3	~RM343 mil (NZD137 mil)	En Bloc
Kolektif (Lot R), KL Sentral CBD	Q4	RM205 mil	494
Tower 5, PJ Sentral	Q4	RM482 mil	Office Building
Total 2025		RM2,780 mil	764 units

Company

Figure #3 SOP valuation for MRCB

Sum of Parts	RM m	PE (x) / WACC	Value to MRCB	Per Share
Construction - FY26 earnings	28	12	330	0.07
Property development - NPV of profits		10%	1,972	0.44
Property investment - fair value			1,155	0.26
Stake in Sentral REIT at RM0.79 TP	945	28%	264	0.06
Sum of parts			3,720	0.83
Discount			-20%	(0.17)
Target price			2,976	0.67

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

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NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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