

**HLIB Research**  
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**BUY** (maintain)

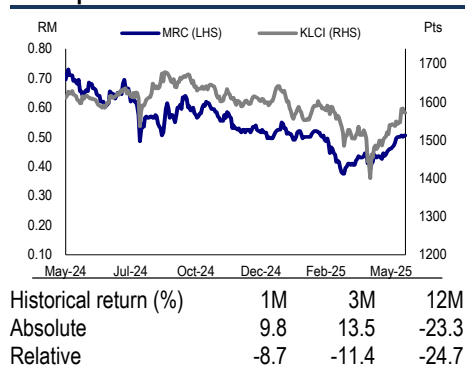
**Target Price:** **RM0.67**  
**Previously:** **RM0.67**  
**Current Price:** **RM0.51**

Capital upside	31.3%
Dividend yield	1.7%
Expected total return	33.0%

**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	43.0	73.8
EPS - core (sen)	1.4	1.0	1.7
P/E (x)	35.8	53.0	30.9

# Malaysian Resources Corporation

## Stumbling start

MRCB's 1QFY25 core LATAMI of -RM14.0m fell below our and consensus expectations. Negative deviation came from slow billings at construction and property segments. Factoring in Shah Alam Stadium contract, unbilled orderbook stands at RM6.34bn. MRCB plans to launch RM3.5bn of projects this year with RM1.1bn already launched. YTD contract wins could hit RM6.6bn if KL Sentral is converted later this year. Post annual report updates and recalibrating property segment contributions, FY25f/26f core PATAMI forecasts are tweaked by -12.8%/+2.5%. Introduce earnings forecasts for FY27 of RM88.7m. Maintain BUY with unchanged SOP-driven TP of RM0.67.

**Below expectations.** MRCB reported 1QFY25 results with revenue of RM218.2m (-41.1% QoQ, -54.2% YoY) and core LATAMI of -RM14.0m (vs core PATAMI of RM629k in 4QFY24, vs core PATAMI of RM3.0m in 1QFY24). Results were below our and consensus expectations (HLIBf: RM49.3m, Consensus: RM55.0m). Negative deviation was due to weaker than expected billings from construction and property segments. We have adjusted 1QFY25 core PATAMI by RM22.6m for gains on disposal of its 70% interest in CSB Sdn Bhd.

**Dividends.** No DPS declared.

**QoQ.** The company sank into losses on the back of weak contribution from construction and property segments. The construction segment was plagued by tapering LRT3 Phase 1 contribution, while new wins (RM5.6bn) are still finessing through the ramp up period. Property segment contribution meanwhile remains weak due to lack of new domestic launches - a general cautious approach post Covid, while several pipeline projects like Lot R, KL Sentral and Bukit Jalil Sentral were delayed from last year.

**YoY.** Similarly, MRCB's softer performance on a YoY basis is due to weaker construction burn and lower property billings as explained above.

**Large active orderbook.** Outstanding active orderbook ex-Bukit Jalil stands at a sizable RM6.34bn (Kwasa Utama C8 contract removed). MRCB has converted on three projects this year being: (i) LRT3 Phase 2 – 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 again later this year. LRT Vo and Shah Alam wins are larger than guidance due to higher than expected scopes of work. We think barring any delays, the KL Sentral redevelopment job (PFI basis) worth RM1.0bn could be converted late this year taking wins to RM6.6bn - undergoing refinement by government. Management has ruled out any equity cash calls to fund these PFI/deferred payment projects. Going forward, we expect to see more monetisation of idle land considering sizable deferred payment projects (Shah Alam & KL Sentral). MRCB's current tender book of RM1.7bn does not include RM1.4bn of pre-qualified jobs, while Penang LRT could be a kicker as well.

**Property.** Sales for 1QFY25 came in at RM99.5m, a slow start compared to FY25 sales target of RM1bn. Nevertheless, we gather that its Australian projects are seeing strong demand. One such development, MARIS, Southport (GDV: RM533m) is slated for launch in 3QFY25 and demand indications are robust. For instance, due to strong demand there has been an upward revision in unit prices for the current VISTA project. We gather that prices in the area are expected to rise another 10-13% in 2025 as Queensland continues to benefit from positive net migration trends. Elsewhere, its RM1.1bn TOD project in Auckland was finally launched in March-25

and we reckon will be instrumental towards meeting sales targets this year. Further along, MRCB intends to launch a remaining RM2.4bn of projects in 2025 (Fig.2). We note however, bulk of this year's launches are foreign projects (57%) and therefore segmental earnings delivery in FY25 should remain lacklustre.

**Forecast.** Post annual report updates and recalibrating property segment contributions, FY25f/26f core PATAMI forecasts are tweaked by -12.8%/+2.5%. Introduce earnings forecasts for FY27 of RM88.7m.

**Maintain BUY, TP: RM0.67.** Maintain BUY with unchanged SOP driven TP of RM0.67. Share price weakness 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	1,408	1,430	1,643
Receivables	2,065	2,236	1,566	2,077	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
<b>Assets</b>	<b>8,845</b>	<b>9,034</b>	<b>8,543</b>	<b>9,171</b>	<b>9,996</b>
Debits	1,802	2,259	2,359	2,559	2,959
Payables	1,838	1,529	936	1,348	1,754
Others	605	626	626	626	626
<b>Liabilities</b>	<b>4,245</b>	<b>4,414</b>	<b>3,921</b>	<b>4,533</b>	<b>5,339</b>
Shareholder's equity	4,594	4,615	4,619	4,641	4,668
Minority interest	6	5	3	(3)	(10)
<b>Equity</b>	<b>4,600</b>	<b>4,620</b>	<b>4,622</b>	<b>4,638</b>	<b>4,657</b>

### Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profit before taxation	1	75	66	127	157
Depreciation & amortisation	86	49	54	56	57
Changes in working capital	150	(378)	266	(146)	(160)
Taxation	(33)	(11)	(20)	(48)	(61)
Others	288	(10)	-	-	-
<b>CFO</b>	<b>492</b>	<b>(275)</b>	<b>366</b>	<b>(11)</b>	<b>(6)</b>
Net capex	510	(205)	(80)	(80)	(80)
Others	(178)	152	-	-	-
<b>CFI</b>	<b>332</b>	<b>(53)</b>	<b>(80)</b>	<b>(80)</b>	<b>(80)</b>
Changes in borrowings	(255)	457	100	200	400
Issuance of shares	-	-	-	-	-
Dividends paid	(45)	(45)	(32)	(39)	(52)
Others	(90)	(108)	-	-	-
<b>CFF</b>	<b>(390)</b>	<b>305</b>	<b>68</b>	<b>161</b>	<b>348</b>
<b>Net cash flow</b>	<b>434</b>	<b>(24)</b>	<b>354</b>	<b>70</b>	<b>262</b>
Forex	0	(2)	-	-	-
Others	4	51	55	(48)	(49)
Beginning cash	534	972	999	1,408	1,430
Ending cash	972	999	1,408	1,430	1,643

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>2,537</b>	<b>1,645</b>	<b>1,884</b>	<b>2,661</b>	<b>3,451</b>
EBIT	79	146	121	190	242
Associates & JV	12	11	20	21	22
<b>Profit before tax</b>	<b>1</b>	<b>75</b>	<b>66</b>	<b>127</b>	<b>157</b>
Tax	(33)	(11)	(20)	(48)	(61)
<b>Net profit</b>	<b>(32)</b>	<b>64</b>	<b>45</b>	<b>80</b>	<b>96</b>
Minority interest	(0)	0	(3)	(6)	(7)
<b>PATMI (core)</b>	<b>(32.0)</b>	<b>63.7</b>	<b>43.0</b>	<b>73.8</b>	<b>88.7</b>
Exceptionals	133	-	-	-	-
PATMI (reported)	101	64	43	74	89

### Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	(0.7)	1.4	1.0	1.7	2.0
P/E (x)	n.m.	35.8	53.0	30.9	25.7
DPS (sen)	1.0	0.7	0.9	1.2	1.4
Dividend yield	2.0%	1.4%	1.7%	2.3%	2.7%
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%	9.3%	9.2%	8.7%
EBIT margin	3.1%	8.9%	6.4%	7.1%	7.0%
PBT margin	0.0%	4.6%	3.5%	4.8%	4.5%
Net margin	-1.3%	3.9%	2.3%	2.8%	2.6%
ROE	-0.7%	1.4%	0.9%	1.6%	1.9%
ROA	-0.4%	0.7%	0.5%	0.8%	0.9%
Net gearing	18.1%	27.3%	20.6%	24.3%	28.2%

### 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	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	476.2	370.7	218.2	(41.1)	(54.2)
EBIT	40.5	28.8	6.4	(77.8)	(84.2)
Finance cost	(23.9)	(26.1)	(27.4)	5.0	14.9
Share of JVs and associates	2.3	2.7	3.3	21.0	41.8
PBT	19.0	5.4	(17.7)	nm	nm
PAT	3.0	0.7	(14.0)	nm	nm
Core PATMI	3.0	0.6	(14.0)	nm	nm
Reported PATMI	3.0	0.6	8.6	nm	nm
Core EPS (sen)	0.1	0.0	(0.3)	nm	nm
EBIT margin (%)	8.5	7.8	2.9		
PBT margin (%)	4.0	1.5	(8.1)		
PATMI margin (%)	0.6	0.2	(6.4)		

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**Figure #2** Property launch pipeline

<b>2025 Launches</b>			
The Symphony Center, Auckland	March 2025	~RM1,130 mil (NZD452 mil)	78
<b>2025 Pending Launches</b>			
MARIS, 20 Queen Street, Southport	Q2	~RM533 mil (AUD193 mil)	192
Bledisloe House, Auckland	Q3	~RM343 mil (NZD137 mil)	En Bloc
Kolektif (Lot R), KL Sentral CBD	Q4	RM205 mil	494
Phase 1A and 1B, Bukit Jalil Sentral	Q4	RM808 mil	1,124
Tower 5, PJ Sentral	Q4	RM482 mil	Office Building
<b>Total 2025</b>		<b>RM3,501 mil</b>	<b>1,888 units</b>

Company

**Figure #3** SOP valuation for MRCB

Sum of Parts	RM m	PE (x) / WACC	Value to MRCB	Per Share
Construction - FY25 earnings	32	12	378	0.08
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
<b>Sum of parts</b>			<b>3,768</b>	<b>0.84</b>
Discount			-20%	(0.17)
<b>Target price</b>			<b>3,014</b>	<b>0.67</b>

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
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