HLIB Research
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Malaysian Resources Corporation

9MFY25 below expectations

MRCB's 9MFY25 core PATAMI of RM6.2m fell below our and consensus expectations. Negative deviation came from slow billings at its construction & property segments. Unbilled orderbook stands at RM6.0bn post converting RM5.5bn wins this year. Outstanding tenders remain sizable at RM6.9bn. Launches for FY25 totalled hit RM2.1bn. Cut FY25f/26f/27f core PATAMI by -51.6%/-15.0%/-14.3%. Maintain BUY with lower SOP-driven TP of RM0.64.

BUY (maintain)

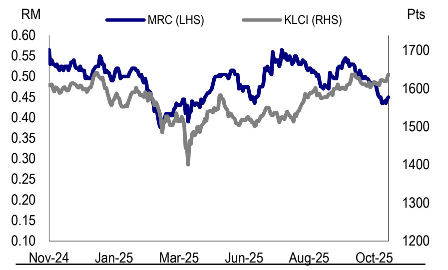
Target Price:	**RM0.64**
Previously:	**RM0.67**
Current Price:	**RM0.415**

Capital upside	54.2%
Dividend yield	0.7%
Expected total return	54.9%

Sector coverage: Construction

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

Share price



Historical return (%)	1M	3M	12M
Absolute	-8.2	-1.9	-4.7
Relative	-12.0	-5.9	-0.8

Stock information

Bloomberg ticker	MRC MK
Bursa code	1651
Issued shares (m)	4,468
Market capitalisation (RM m)	1,857
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	14.5	50.0
EPS - core (sen)	1.4	0.3	1.1
P/E (x)	29.1	128.0	37.1

Below expectations. MRCB reported 3QFY25 results with revenue of RM310.0m (4.1% QoQ, -27.3% YoY) and core PATAMI of RM5.1m (-66.1% QoQ, -42.3% YoY). This brings 9MFY25 core PATAMI to RM6.2m, decreasing by -90.2%. Results were below our and consensus expectations at 21%/15%. Negative deviation was due to weaker than expected billings from construction and property. No adjustments made in deriving core numbers.

Dividends. No DPS declared.

QoQ. The company's performance was significantly weaker sequentially due to high effective tax rates seen in the quarter (vs tax credit of RM11.5m in 2QFY25).

YoY. Core PATAMI declined by -42.3% dragged by slower construction segment as the company's key project, LRT3 approaches completion (99% physical completion) while newly secured projects worth RM5.5bn in FY25 YTD remains in early stages of execution.

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 RM6.0bn. 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 RM5.5bn, this is near our RM6bn assumption for FY25 which could be surpassed should it convert some of outstanding RM6.9bn worth of tenders. MRCB's current tender book does not include its KL Sentral redevelopment project (RM1bn).

Property. MRCB's sales as of July-25 amounted to RM837m, 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 76% (Sept-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 RM2.1bn worth of projects this year Given foreign heavy launch plans, segmental earnings delivery in FY25 should remain lacklustre.

Forecast. Cut FY25f/26f/27f core PATAMI by -51.6%/-15.0%/-14.3% adjusting lower billings and margins.

Maintain BUY, TP: RM0.64. Maintain BUY with lower SOP driven TP of RM0.64 post earnings cut. 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	1,578	1,535	1,650
Receivables	2,065	2,236	1,038	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**	**8,139**	**8,915**	**10,005**
Debts	1,802	2,259	2,359	2,559	2,959
Payables	1,838	1,529	532	1,096	1,769
Others	605	626	626	626	626
Liabilities	**4,245**	**4,414**	**3,517**	**4,281**	**5,354**
Shareholder's equity	4,594	4,615	4,616	4,631	4,654
Minority interest	6	5	6	3	(3)
Equity	**4,600**	**4,620**	**4,622**	**4,634**	**4,651**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profit before taxation	1	75	14	79	131
Depreciation & amortisation	86	49	54	56	57
Changes in working capital	150	(378)	436	(206)	(256)
Taxation	(33)	(11)	-	(26)	(49)
Others	288	(10)	-	-	-
CFO	**492**	**(275)**	**504**	**(97)**	**(117)**
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)	(13)	(35)
Others	(90)	(108)	-	-	-
CFF	**(390)**	**305**	**68**	**187**	**365**
Net cash flow	**434**	**(24)**	**492**	**9**	**168**
Forex	0	(2)	-	-	-
Others	4	51	87	(52)	(54)
Beginning cash	534	972	999	1,578	1,535
Ending cash	972	999	1,578	1,535	1,650

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	**2,537**	**1,645**	**1,081**	**2,155**	**3,451**
EBIT	79	146	69	142	216
Associates & JV	12	11	20	21	22
Profit before tax	**1**	**75**	**14**	**79**	**131**
Tax	(33)	(11)	-	(26)	(49)
Net profit	**(32)**	**64**	**14**	**53**	**82**
Minority interest	(0)	0	1	(3)	(6)
PATMI (core)	**(32.0)**	**63.7**	**14.5**	**50.0**	**76.1**
Exceptionals	133	-	-	-	-
PATMI (reported)	101	64	14	50	76

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	(0.7)	1.4	0.3	1.1	1.7
P/E (x)	n.m.	29.1	128.0	37.1	24.4
DPS (sen)	1.0	0.7	0.3	0.8	1.2
Dividend yield	2.4%	1.7%	0.7%	1.9%	2.9%
BVPS (RM)	1.0	1.0	1.0	1.0	1.0
P/B (x)	0.4	0.4	0.4	0.4	0.4
EBITDA margin	6.5%	11.9%	11.4%	9.2%	7.9%
EBIT margin	3.1%	8.9%	6.4%	6.6%	6.3%
PBT margin	0.0%	4.6%	1.3%	3.7%	3.8%
Net margin	-1.3%	3.9%	1.3%	2.3%	2.2%
ROE	-0.7%	1.4%	0.3%	1.1%	1.6%
ROA	-0.4%	0.7%	0.2%	0.6%	0.8%
Net gearing	18.1%	27.3%	16.9%	22.1%	28.1%

Assumptions

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Contracts secured	-	250	5,500	2,000	3,000
Property sales	831	836	1,000	1,000	1,000

Figure #1 Quarterly results comparison

FYE Dec	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	426.3	297.8	310.0	4.1	(27.3)	1,274.7	826.0	(35.2)
EBIT	31.6	26.9	46.0	70.8	45.6	144.2	79.2	(45.1)
Finance cost	(31.9)	(27.7)	(26.0)	(6.0)	(18.3)	(82.7)	(81.2)	(1.8)
Share of JVs and associates	2.6	4.1	3.6	(10.5)	38.6	5.5	7.4	35.1
PBT	2.3	3.3	23.6	621.4	911.4	69.6	9.1	(87.0)
PAT	8.7	14.8	5.2	(65.0)	(40.3)	62.9	5.9	(90.6)
Core PATMI	8.9	15.1	5.1	(66.1)	(42.3)	63.0	6.2	(90.2)
Reported PATMI	8.9	15.1	5.1	(66.1)	(42.3)	63.0	28.8	(54.4)
Core EPS (sen)	0.2	0.3	0.1	(66.1)	(42.3)	1.4	0.1	(90.2)
EBIT margin (%)	7.4	9.0	14.8			11.3	9.6	
PBT margin (%)	0.5	1.1	7.6			5.5	1.1	
PATMI margin (%)	2.1	5.1	1.6			4.9	0.7	

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Figure #2 SOP valuation for MRCB

Sum of Parts	RM m	PE (x) / WACC	Value to MRCB	Per Share
Construction - FY26 earnings	18	10	180	0.04
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			**3,570**	**0.80**
Discount			-20%	(0.16)
Target price			**2,856**	**0.64**

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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

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
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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