

HLIB Research

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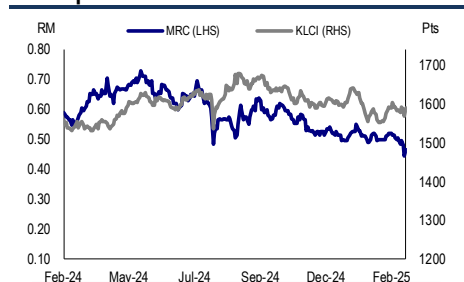
BUY (maintain)

Target Price: RM0.67
Previously: RM0.67
Current Price: RM0.46

Capital upside	45.7%
Dividend yield	2.2%
Expected total return	47.9%

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	-7.1	-12.4	-23.3
Relative	-8.7	-11.4	-24.7

Stock information

Bloomberg ticker	MRC MK
Bursa code	1651
Issued shares (m)	4,468
Market capitalisation (RM m)	2,055
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	49.3	72.0
EPS - core (sen)	1.4	1.1	1.6
P/E (x)	32.3	41.7	28.6

Malaysian Resources Corporation

Starting to digest its pipeline

MRCB's FY24 core PATAMI of RM63.7m fell below our and consensus expectations. LRT3 Phase 2 worth RM2.5bn was finally converted, lifting orderbook to RM6.2bn (4.8x cover). Currently, there are RM2-3bn worth of high certainty pipeline to digest. FY25 launch target is set at an ambitious RM3.9bn. FY25 earnings will be anchored by construction, considering delayed property launches last year. Forecasts unchanged. Maintain BUY with unchanged SOP-driven TP of RM0.67.

Below expectations. MRCB reported 4QFY24 results with revenue of RM370.7m (-13.0% QoQ, -44.6% YoY) and core PATAMI of RM629k (-92.9% QoQ, vs core LATAMI of -RM87.0m in 4QFY23). This brings FY24 core PATAMI to RM63.7m (vs core LATAMI of RM66.2m in FY23). Results were below our and consensus expectations at 74%/82% of full year forecasts. Negative deviation was due to weaker than expected billings at both construction and property segments.

Dividends. DPS of 1 sen was declared going ex. on 30-Apr-2025.

QoQ. The significant decline in core PATAMI of -92.9% in 4QFY24 was primarily due to recognition of tax expense (RM4.7m) as opposed to a tax credit of RM6.3m in 3QFY24. Sequentially, PBT was higher by 131.6% driven by lower finance costs, which declined by -18.0%. EBIT came in lower by -8.8% due to lower construction billings as its key project, LRT3 starts tapering off (96% financial progress).

YoY. MRCB turned to marginal profit this quarter (vs core LATAMI of -RM87.0m in 4QFY23) mainly driven by a large swing in its property division. Recall that in 4QFY23, MRCB incurred marketing costs for its Vista project in Australia – earnings only booked upon handover.

YTD. The surge in earnings on a YTD basis was E&C led driven by final account recognition of past projects as well as progress in LRT3 and flood mitigation projects. Other segments were otherwise flatish.

Converts RM2.47bn LRT3 VO. Outstanding active orderbook ex. Bukit Jalil stands at a sizable RM6.2bn (+55% QoQ). Yesterday, MRCB LRT3 phase 2 contract valued at RM2.47bn comprising reinstatement of five previously cancelled stations, 2 EV bus depots, supply of LRT vehicles and other systems & infra works. This contract was larger-than-expected compared to our estimation of RM1.5-2bn. We continue to anticipate conversion of its high certainty pipeline worth RM2-3bn. The two projects are Shah Alam stadium redevelopment and KL Sentral station redevelopment. We gathered that delay factors such as land parcel identification (Shah Alam stadium redevelopment are largely resolved. Meanwhile, the KL Sentral project is undergoing further refinement but is expected to be formalised in CY25. MRCB's current tenderbook of RM2.6bn (including pre-q) could easily rise to a sizable RM8-9bn post including Penang LRT as well as LSS projects, according to management.

Property. Sales for FY24 finished at RM837.0m – lagging behind our estimate of RM1bn. 48% came from its Australian project Vista (take-up YTD: 59%). For Vista, due to strong demand there has been an upward revision in unit prices. 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. We are not overly concern on recent house purchase ban imposed on foreigners by the Australian government as it only applies to existing dwellings - homes that have already been built and occupied or sold at least once. MRCB intends to launch RM3.9bn worth of projects in FY25 with domestic projects forming 49%.

Forecast. Unchanged.

Maintain BUY, TP: RM0.67. Maintain BUY with unchanged SOP driven TP of RM0.67. Recent share price weakness 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.

Figure #1 Quarterly results comparison

FYE Dec	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	668.8	426.3	370.7	(13.0)	(44.6)	2,514.1	1,645.4	(34.6)
EBIT	(66.8)	31.6	28.8	(8.8)	(143.1)	67.4	173.0	156.8
Finance cost	(25.9)	(31.9)	(26.1)	(18.0)	1.0	(112.8)	(108.8)	(3.5)
Share of JVs and associates	5.2	2.6	-	(100.0)	(100.0)	12.4	8.1	(35.0)
PBT	(87.5)	2.3	5.4	131.6	(106.2)	(33.0)	75.0	(327.7)
PAT	(87.1)	8.7	0.7	(92.4)	(100.8)	(66.1)	63.5	(196.1)
Core PATMI	(87.0)	8.9	0.6	(92.9)	(100.7)	(66.2)	63.7	(196.2)
Reported PATMI	80.2	8.9	0.6	(92.9)	(99.2)	101.0	63.7	(37.0)
Core EPS (sen)	(1.9)	0.2	0.0	(92.9)	(100.7)	(1.5)	1.4	(196.2)
EBIT margin (%)	(10.0)	7.4	7.8			2.7	10.5	
PBT margin (%)	(13.1)	0.5	1.5			(1.3)	4.6	
PATMI margin (%)	(13.0)	2.1	0.2			(2.6)	3.9	

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Figure #2 Property launch pipeline

Pending Launches			
2025			
The Symphony Center, Auckland	Q1	~RM1,130 mil (NZD452 mil)	78
Lot R (Kolektif), KL Sentral CBD	Q2	RM205 mil	494
Bledisloe House, Auckland City Center	Q2	~RM343 mil (NZD137 mil)	En Bloc
MARIS, 20 Queen Street, Southport	Q3	~RM533 mil (AUD193 mil)	192
Phase 1A and 1B, Bukit Jalil Sentral	Q3	RM808 mil	1,124
Parcel A, 9 Seputeh	Q4	RM417 mil	483
Tower 5, PJ Sentral	Q4	RM482 mil	Office Building
Total 2025		RM3,918 mil	2,371 units

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	388	0.09
Property development - NPV of profits		10%	1,972	0.44
Property investment - fair value			1,155	0.26
Stake in Sentral REIT at RM0.75 TP	897	28%	250	0.06
Sum of parts			3,765	0.84
Discount			-20%	(0.17)
Target price			3,012	0.67

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Figure #4 Financial forecast

FYE Dec (RM m)	FY22	FY23	FY24	FY25f	FY26f
Revenue	3,205.1	2,537.5	1,645.4	2,691.4	3,546.1
EBIT	211.3	78.9	173.0	121.6	170.6
PBT	136.1	1.2	75.0	80.2	125.9
PAT	35.3	(32.0)	63.5	52.7	77.8
PATMI – Core	46.6	(32.0)	63.7	49.3	72.0
PATMI – Reported	64.8	101.0	63.7	49.3	72.0
Core EPS (sen)	1.0	(0.7)	1.4	1.1	1.6
P/E (x)	44.1	n.m.	32.3	41.7	28.6
DPS (sen)	1.0	1.0	1.0	1.0	1.0
Yield (%)	2.2%	2.2%	2.2%	2.2%	2.2%
BVPS (RM/share)	1.0	1.0	1.0	1.0	1.0
P/B (x)	0.5	0.4	0.4	0.4	0.4
ROE (%)	1.0%	-0.7%	1.4%	1.1%	1.5%
Net Gearing (%)	33.6%	18.1%	27.0%	30.0%	35.0%

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Stock rating guide

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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