Malaysian Resources Corporation

Decent finish

HLIB Research
PP 9484/12/2012 (031413)

Edwin Woo, CFA
ckwoo@hlib.hongleong.com.my
(603) 2083 1718

BUY (Maintain)

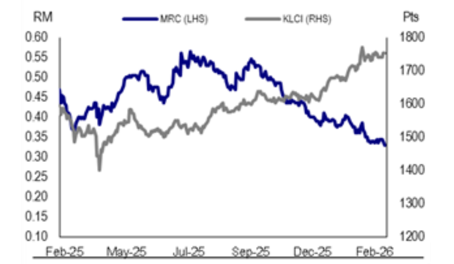
Target Price:	**RM0.43**
Previously:	**RM0.64**
Current Price:	**RM0.31**

Capital upside	38.7%
Dividend yield	3.2%
Expected total return	41.9%

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	-10.8	-24.1	-33.3
Relative	-12.5	-30.0	-39.5

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)	FY25	FY26f	FY27f
PATMI - core (RM m)	24.7	32.6	43.1
EPS - core (sen)	0.6	0.7	1.0
P/E (x)	56.0	42.4	32.1

MRCB's FY25 core PATAMI of RM24.7m was above our expectations. Positive deviation came from higher-than-expected construction billings. Unbilled orderbook stands at RM5.7bn post converting RM5.5bn wins this year. Outstanding tenders remain sizable at RM8.4bn. Launches for FY25 totalled RM2.2bn with another RM2.2bn lined up in FY26. Cut FY26f/27f core PATAMI by -34.7%/-43.3%. Maintain BUY with lower SOP-driven TP of RM0.43.

Above expectations. MRCB reported 4QFY25 results with revenue of RM371.8m (+19.9% QoQ, +0.3% YoY) and core PATAMI of RM18.6m (+262.9% QoQ, vs core PATAMI of RM0.6m in 4QFY24). This brings FY25 core PATAMI to RM24.7m, decreasing by -61.2% YoY. Results were above our but came in below consensus expectations at 179% and 77% of full year forecast respectively. Positive deviation was due to higher-than-expected billings from construction segment. No adjustments made in deriving core numbers.

Dividends. DPS of 1 sen was declared going ex. on 4-May-26.

QoQ. The company's performance rebounded riding on stronger construction profit contribution driven in large part by LRT3 project which has achieved advance physical construction progress of 99.6%. Other projects such as KSSC and Muara Sg. Pahang also contributed albeit at a smaller scale.

YoY. Core PATAMI improved substantially as the significant improvement in construction segment offset weaker property contribution – due to foreign focused launch cycle where recognition is upon handover.

YTD. MRCB's weaker performance can be attributed to weaker YoY construction profitability on the back of final account recognition for past projects in FY24, inflating bottom-line.

Construction. Outstanding active orderbook stands at a sizable RM5.7bn. MRCB has converted on three projects this year: (i) LRT3 reinstatement – RM2.4bn (ii) KSSC project – RM2.9bn and (iii) PLUS highway upgrading in Johor – RM160.1m. Total wins of RM5.5bn in FY25 were slightly below our RM6bn assumption. Management is aiming for RM4bn of wins in FY26 backed by an RM8.4bn tenderbook as well as potentially converting the RM1bn KL Sentral redevelopment project.

Property. MRCB finished FY25 with sales of RM927.4m, matching our expectations. 79% of sales came from Australian projects while 19% came from completed domestic projects. Only 2% or RM18m sales were for local ongoing projects likely leading to continued weakness in the segment. Australian take-up rates has been decent at 81% and 49% for MARIS and VISTA respectively. Nonetheless, recognition is a few years away with the more advance of the two, VISTA, having started piling while superstructure contracts are pending. MRCB launched RM2.2bn of foreign projects in 2025 and is aiming for a similar amount of domestic launches in FY26.

Forecast. Despite the positive results surprise, we cut FY26f/27f core PATAMI by -34.7%/-43.3%, adjusting for slower property recognition (lack of new domestic launches) and recalibrating downward for miss in contract wins for FY25.

Maintain BUY, TP: RM0.43. Maintain BUY with lower SOP driven TP of RM0.43 (from RM0.64) post earnings cut and adjusting lower property segment valuation following slower than expected pipeline. Key upside catalysts: contract wins, and HSR newsflow; Downside risks: margins, execution and property sales slowdown.

Figure #1 Quarterly results comparison

FYE Dec	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	370.7	310.0	371.8	19.9	0.3	1,645.4	1,197.8	(27.2)
EBIT	28.8	46.0	71.3	55.1	147.6	173.0	150.5	(13.0)
Finance cost	(26.1)	(26.0)	(33.6)	29.0	28.5	(108.8)	(114.8)	5.5
Share of JVs and associates	2.7	3.6	3.8	3.8	38.1	10.8	14.8	36.7
PBT	5.4	23.6	41.5	76.2	669.3	75.0	50.6	(32.6)
PAT	0.7	5.2	18.5	258.0	2,698.2	63.5	24.4	(61.5)
Core PATMI	0.6	5.1	18.6	262.9	2,849.4	63.7	24.7	(61.2)
Reported PATMI	0.6	5.1	18.6	262.9	2,849.4	63.7	47.3	(25.7)
Core EPS (sen)	0.0	0.1	0.4	262.9	2,849.4	1.4	0.6	(61.2)
EBIT margin (%)	7.8	14.8	19.2			10.5	12.6	
PBT margin (%)	1.5	7.6	11.2			4.6	4.2	
PATMI margin (%)	0.2	1.6	5.0			3.9	2.1	

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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	11	10	110	0.02
Property development - NPV of profits		10%	892	0.20
Property investment - fair value			1,155	0.26
Stake in Sentral REIT at RM0.78 TP	933	28%	260	0.06
Sum of parts			**2,418**	**0.54**
Discount			-20%	(0.11)
Target price			**1,934**	**0.43**

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Financial forecast

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f
Revenue	2,537.5	1,645.4	1,197.8	1,658.6	2,290.8
EBIT	78.9	146.4	150.5	106.7	144.2
PBT	1.2	75.0	50.6	44.3	64.7
PAT	(32.0)	63.5	24.4	33.9	45.5
PATMI – Core	(32.0)	63.7	24.7	32.6	43.1
PATMI – Reported	101.0	63.7	47.3	32.6	43.1
Core EPS (sen)	(0.7)	1.4	0.6	0.7	1.0
P/E (x)	n.m.	21.8	56.0	42.4	32.1
DPS (sen)	1.0	0.7	1.0	1.0	1.0
Yield (%)	3.2%	2.3%	3.2%	3.2%	3.2%
BVPS (RM/share)	1.0	1.0	1.0	1.0	1.0
P/B (x)	0.3	0.3	0.3	0.3	0.3
ROE (%)	-0.7%	1.4%	0.5%	0.7%	0.9%
Net Gearing (%)	18.1%	27.3%	48.0%	50.0%	60.0%

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Hong Leong Investment Bank Berhad (10209-W)
Level 28, Menara Hong Leong,
No. 6, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur
Tel: (603) 2083 1800
Fax: (603) 2083 1766

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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.
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UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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