

**HLIB Research**

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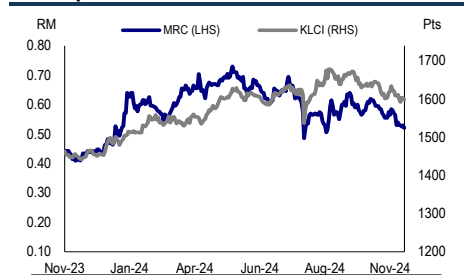
**BUY** (maintain)

**Target Price:** **RM0.67**
**Previously:** **RM0.67**
**Current Price:** **RM0.525**

Capital upside	27.6%
Dividend yield	2.9%
Expected total return	30.5%

**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	-7.9	-0.9	19.3
Relative	-7.5	2.0	8.5

**Stock information**

Bloomberg ticker	MRC MK
Bursa code	1651
Issued shares (m)	4468
Market capitalisation (RM m)	2345
3-mth average volume ('000)	20,119
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)	FY23	FY24f	FY25f
PATMI - core (RM m)	-32.0	85.8	54.0
EPS - core (sen)	-0.7	1.9	1.2
P/E (x)	NM	27.3	43.4

# Malaysian Resources Corporation

## Meets expectations

MRCB's 9MFY24 core PATAMI of RM63.0m was within expectations. Construction segment continues to shine on the back of positive project progress while property weakness continued from timing gap in project launches. While there have been delays in its high certainty projects (RM4-5bn), we see this as more of a timing issue. FY24 launches have been scaled down to RM1.6bn due to slow approvals. Forecasts unchanged. Maintain BUY with unchanged SOP-driven TP of RM0.67.

**Within expectations.** MRCB reported 3QFY24 results with revenue of RM426.3m (14.6% QoQ, -15.4% YoY) and core PATAMI of RM8.9m (-82.7% QoQ, 506.8% YoY). This brings 9MFY24 core PATAMI to RM63.0m, increasing by 203.1%. Results were within our but beat consensus expectations at 74% and 93% of full year forecasts.

**EIs.** No adjustments made to 9MFY24 numbers.

**Dividends.** No DPS declared as they are typically declared in 4Q.

**QoQ.** The significant decline in core PATAMI of -82.7% in 3QFY24 was primarily due to exceptionally high base contribution seen at its E&C division in 2QFY24 – profit surge from final account recognition of past projects.

**YoY.** Core PATAMI improved despite declines in both revenue (-15.4%) and PBT (-87.5%) resulting from tax credit in the current quarter. Note that tax movements can be quite volatile from quarter to quarter.

**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 (97% completion) and flood mitigation projects. This was sufficient to offset weakness at the property division where it sank into operating loss in 9MFY24 due to lack of gap in project launch timing.

**Construction.** Outstanding active orderbook stands at RM4.0bn – after adjusting for Bukit Jalil project. MRCB has only secured one project in FY24, being the RM250m Sungai Langat, Phase 2 flood mitigation project. Delays in converting some of its high certainty project pipeline, has led to weak jobs wins to date. Nevertheless, we view this a timing issue and upon conversion, could more than double MRCB's external construction orderbook. The three projects collectively worth RM4-5bn are LRT3 Phase 2, Shah Alam stadium redevelopment and KL Sentral station redevelopment.

**Property.** Sales for 9MFY24 came in at RM637.3m – lagging slightly against our expectations. 53% came from its Australian project Vista (take-up YTD: 35%). For Vista, due to strong demand MRCB has been benefitting from upward revision in prices. There has been another downward revision in MRCB's launch targets in FY24 from RM1.9bn to RM1.6bn. Parcel A, 9 Seputeh (GDV: RM417m) was delayed into 2QCY25 due to stricter development consent requirements from DBKL. As such, FY25 looks to be a busy year for the property division, with an ambitious launch target of RM4.3bn, mostly being domestic launches.

**Forecast.** No change.

**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	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	503.7	372.2	426.3	14.6	(15.4)	1,845.3	1,274.7	(30.9)
EBIT	46.3	72.2	31.6	(56.3)	(31.8)	134.1	144.2	7.5
Finance cost	(30.2)	(26.9)	(31.9)	18.3	5.6	(86.9)	(82.7)	(4.8)
Share of JVs and associates	2.5	3.1	2.6	(16.0)	3.5	7.3	8.1	11.1
PBT	18.7	48.4	2.3	(95.2)	(87.5)	54.5	69.6	27.7
PAT	1.5	51.3	8.7	(83.1)	476.7	21.0	62.9	199.3
Core PATMI	1.5	51.2	8.9	(82.7)	506.8	20.8	63.0	203.1
Reported PATMI	1.5	51.2	8.9	(82.7)	506.8	20.8	63.0	203.1
Core EPS (sen)	0.0	1.1	0.2	(82.7)	506.8	0.5	1.4	203.1
EBIT margin (%)	9.2	19.4	7.4			7.3	11.3	
PBT margin (%)	3.7	13.0	0.5			3.0	5.5	
PATMI margin (%)	0.3	13.8	2.1			1.1	4.9	

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**Figure #2** Property launch pipeline

Pending Launches			
<b>2024</b>			
The Symphony Center, Auckland	Q2 (commercial launch) & Q4 (residential launch)	~RM1,314 mil (NZD452 mil)	78
Lifestyle Suites at Lot R, KL Sentral CBD	December	RM205 mil	494
Adonis, SIDEC	December	RM32 mil	110
<b>Total 2024</b>		<b>RM1,551 mil</b>	<b>682 units</b>
<b>2025</b>			
Office Tower at Lot F, KL Sentral CBD	Q1	RM1,500 mil	Office Tower
20 Queen Street, Southport	Q1	~RM563 mil (AUD176 mil)	180
Bledisloe House, Auckland City Center	Q2	~RM398 mil (NZD137 mil)	En Bloc
Parcel A, 9 Seputeh	Q2	RM417 mil	483
Phase 1A and 1B, Bukit Jalil Sentral	Q3	RM900 mil	1,200
Tower 5, P.J Sentral	Q4	RM482 mil	Office Building
<b>Total 2025</b>		<b>RM4,260 mil</b>	<b>1,863 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	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
<b>Sum of parts</b>			<b>3,765</b>	<b>0.84</b>
Discount			-20%	(0.17)
<b>Target price</b>			<b>3,012</b>	<b>0.67</b>

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## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	534	972	1,257	1,229	1,136
Receivables	2,476	2,065	1,696	2,240	2,794
PPE	779	734	708	733	757
Investment properties	1,535	1,108	1,088	1,108	1,128
Others	3,596	3,551	3,264	3,268	3,272
<b>Assets</b>	<b>9,229</b>	<b>8,845</b>	<b>8,127</b>	<b>8,751</b>	<b>9,312</b>
Debits	2,057	1,802	1,902	2,002	2,102
Payables	1,996	1,838	1,011	1,522	1,967
Others	640	605	605	605	605
<b>Liabilities</b>	<b>4,692</b>	<b>4,245</b>	<b>3,517</b>	<b>4,129</b>	<b>4,674</b>
Shareholder's equity	4,531	4,594	4,611	4,627	4,650
Minority interest	6	6	(2)	(6)	(12)
<b>Equity</b>	<b>4,537</b>	<b>4,600</b>	<b>4,609</b>	<b>4,622</b>	<b>4,638</b>

### Cash Flow Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Profit before taxation	136	1	167	90	133
Depreciation & amortisation	83	86	57	59	60
Changes in working capital	(13)	150	(159)	(90)	(160)
Taxation	(101)	(33)	(74)	(32)	(51)
Others	(100)	288	-	-	-
<b>CFO</b>	<b>6</b>	<b>492</b>	<b>(8)</b>	<b>26</b>	<b>(18)</b>
Net capex	(92)	510	(80)	(80)	(80)
Others	80	(178)	-	-	-
<b>CFI</b>	<b>(12)</b>	<b>332</b>	<b>(80)</b>	<b>(80)</b>	<b>(80)</b>
Changes in borrowings	125	(255)	100	100	100
Issuance of shares	-	-	-	-	-
Dividends paid	(44)	(45)	(45)	(69)	(38)
Others	(88)	(90)	-	-	-
<b>CFF</b>	<b>(7)</b>	<b>(390)</b>	<b>55</b>	<b>31</b>	<b>62</b>
<b>Net cash flow</b>	<b>(13)</b>	<b>434</b>	<b>(33)</b>	<b>(22)</b>	<b>(36)</b>
Forex	-	0	-	-	-
Others	(32)	4	318	(6)	(57)
Beginning cash	579	534	972	1,257	1,229
Ending cash	534	972	1,257	1,229	1,136

### Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Revenue</b>	<b>3,205</b>	<b>2,537</b>	<b>2,056</b>	<b>2,882</b>	<b>3,726</b>
EBIT	211	79	206	131	178
Associates & JV	6	12	19	19	19
<b>Profit before tax</b>	<b>136</b>	<b>1</b>	<b>167</b>	<b>90</b>	<b>133</b>
Tax	(101)	(33)	(74)	(32)	(51)
<b>Net profit</b>	<b>35</b>	<b>(32)</b>	<b>93</b>	<b>58</b>	<b>82</b>
Minority interest	11	(0)	(7)	(4)	(6)
<b>PATMI (core)</b>	<b>46.6</b>	<b>(32.0)</b>	<b>85.8</b>	<b>54.0</b>	<b>75.5</b>
Exceptionals	18	133	-	-	-
PATMI (reported)	65	101	86	54	76

### Valuation & Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Core EPS (sen)	1.0	(0.7)	1.9	1.2	1.7
P/E (x)	50.3	n.m.	27.3	43.4	31.1
DPS (sen)	1.0	1.0	1.5	0.8	1.2
Dividend yield	1.9%	1.9%	2.9%	1.6%	2.3%
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	9.2%	6.5%	12.8%	6.6%	6.4%
EBIT margin	6.6%	3.1%	10.0%	4.6%	4.8%
PBT margin	4.2%	0.0%	8.1%	3.1%	3.6%
Net margin	1.5%	-1.3%	4.2%	1.9%	2.0%
ROE	1.0%	-0.7%	1.9%	1.2%	1.6%
ROA	0.5%	-0.4%	1.0%	0.6%	0.8%
Net gearing	33.6%	18.1%	14.0%	16.7%	20.8%

### Assumptions

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Contracts secured	380	-	4,000	3,000	2,000
Property sales	488	831	1,000	1,500	1,000

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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.
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