Corporate Update

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

ESG 4 Stars | SHARIAH Compliant | FTSE4Good

1QFY25 Results Review:

Early Stumble, Stronger Strides Ahead

Maintain **BUY**

Unchanged Target Price **RM0.56**

RETURN STATISTICS	
Price @ 30 May 2025 (RM)	0.505
Expected share price return (%)	+10.9
Expected dividend yield (%)	+2.0
Expected total return (%)	+12.9

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	9.8	12.1
3months	17.4	18.5
12 months	-27.3	-22.7

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	2,139.0	2,246.0	2,358.3
EBIT	203.21	255.90	231.11
Profit Before Tax	117.65	123.53	153.29
Core PATAMI	57.8	65.1	66.0
Core EPS	1.3	1.5	1.5
DPS	1.0	1.0	1.0
Dividend Yield	2.0	2.0	2.0

KEY STATISTICS

FBM KLCI	1,508.35
Issued shares (m)	4467.51
Estimated free float (%)	38.27
Market Capitalisation (RM'm)	2,256.09
52-wk price range	RM0.36 - RM0.7
3-mth average daily volume (m)	8.18
3-mth average daily value (RM'm)	3.58
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35

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Maintain BUY. We are adjusting our FY25/FY26/FY27 earnings estimates downward by -11.1%/-4.7%/-8.0% respectively to account for the weaker-than-expected performance in 1QFY25. However, we are maintaining our target price at RM0.56, pegging its updated FY26F BVPS of RM1.04 to a P/B ratio of 0.54x, which is +1SD above its three-year mean. We maintain our **BUY** recommendation despite the earnings miss, as MRCB remains fundamentally supported by multiple near-term and structural catalysts. The group has already surpassed its FY25 replenishment target of RM5.0b, having secured RM5.6b worth of projects YTD—including the reinstated LRT3 stations and Kompleks Sukan Shah Alam—with total wins projected to rise to RM6.6b upon finalisation of the KL Sentral redevelopment. While 1QFY25 earnings were soft, this was in line with the seasonally slower start typically observed among construction players, and we expect a ramp-up in revenue and profit contributions in subsequent quarters. Management has guided for FY25 revenue and pre/post-tax profit to exceed FY24 levels, with >RM2.0b in topline expected. Coupled with a sizeable external construction order book of RM14.9b (unbilled: RM3.4b), a growing tender pipeline, and proactive asset monetisation plans, MRCB is well-positioned to sustain earnings momentum and capital recycling efforts over the medium term.

Below expectations. Malaysian Resources Corporation Bhd's (MRCB's) revenue in 1QFY25 dipped -54.2%yoy to RM218.2m while its core earnings stayed in the black, increasing >100%yoy to RM8.59m. This came in below ours and consensus expectations, making up only 13.2% and 15.1% respectively of full-year estimates. The weaker performance came from the weaker contribution from both its property development & investment division as well as their engineering, construction and environment segment. In a call last week, management guided for a slower 1HFY25 followed by a ramp up in 2HFY25 which will see revenue recognition for some of the projects secured YTD. Core earnings came in higher primarily due to a positive tax contribution arising from deferred tax recognition related to the Penang Sentral project worth RM9.93m.

Engineering, construction and environment. This segment continued to be the primary driver of revenue in 1QFY25, accounting for 70% of Group revenue. However, revenue for the segment came in -57.6%yoy to RM152.7m, while operating profit fell 2.3xyoy lower to RM7.92m. This was due to lower contributions from the LRT3 project (which has achieved 99% construction progress and 97% financial progress as at Mar-25), Muara Sg Pahang phase 3 (63% construction progress) and Sg Langat phase 2 flood mitigation projects. Moreover, revenue recognition for the five reinstated LRT3 stations and other contracts secured YTD have been minimal in 1QFY25. Management also provided an update on the Stadium Shah Alam demolition which is expected to be completed by the end of Jun-25, following the completion of that, management forecasts works for the Kompleks Sukan Shah Alam (KSSA) to begin by the end of CY25.

Management also reiterated that earnings contributions from the LRT3 stations are expected to be the main driver of revenue for the segment in FY25 with works expected to begin in 2HCY25 following the finalising of software testing and certification approvals. As for Bukit Jalil Sentral, management is targeting works to begin by 4QFY25 pending approvals from the relevant authorities.

Surpassed RM5.0b replenishment target. MRCB currently has an external construction order book of RM14.9b with an unbilled order book of RM3.4b as at Mar-25. They have surpassed their FY25 replenishment target of RM5.0b with RM5.60b worth of projects secured YTD; these include, the five reinstated LRT3 stations (RM2.50b), the KSSA (RM2.90b) and an additional lane on North-Expressway from Senai to Sedenak (RM160.1m). A key upcoming job that has yet to be finalised is the redevelopment of KL Sentral, once this is finalised, management expects the projects secured in FY25 to amount to RM6.60b with a target for >RM7.0b by the end of FY25. Management also shared that once the KL Sentral project is secured, they can recognise revenue and profit on a progressive basis and will not need to wait for the project to reach completion. The Group's active tender book currently stands at RM1.7b comprising of phase 3 of the Penang International Airport Expansion, upgrading works for Tawau Airport, two highways in Perak and upgrading works for power cable systems. The Group also has RM1.4b in pre-q tenders which are mainly made up of flood mitigation and water infrastructure projects.

Property development and investment. Revenue for the segment plunged -53.1%yoy to RM46.0m while its segmental profit fell into the red, recording an operating loss of RM4.30m. Management attributed the weaker performance to lower contributions from the sale of completed unsold units and limited inventory as well as the Group's new projects currently being in the early stage of development, with little or no revenue recognised. The group has earmarked RM3.50b (GDV) of property launces in FY25 – about RM1.5b in Malaysia and RM2.0b overseas. MRCB's aim this year is to enhance its cash flow by monetising its unsold completed units, which stands at RM1.50b as at Mar-25. The Group also has RM753.6m in unbilled property sales and management guided for a sales target of RM1.0b for FY25.

Sale of assets. Management reinforced that FY25 would see similar asset sales to FY4 as the Group becomes more proactive in disposing non-core assets and monetising their extensive landbank (GDV of RM32.8b as at Mar-25). We view that this will allow the capital to be recycled into upcoming projects that require funding such as the redevelopment of KL Sentral and the KSSA. MRCB's net gearing is at a healthy 0.27x.

MRCB: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q125**	**Q424**	**Q124**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Revenue	218.2	370.7	476.2	**-41.1%**	**-54.2%**	218.2	476.2	**-54.2%**
Expenses	(222.0)	(360.1)	(445.9)	**38.3%**	**50.2%**	(222.0)	(445.9)	**50.2%**
Other operating income	32.8	18.2	10.2	**80.7%**	**221.3%**	32.8	10.2	**>100%**
Profit/(Loss) from operations	29.0	28.8	40.5	**0.7%**	**-28.4%**	29.0	40.5	**-28.4%**
Finance costs	(27.4)	(26.1)	(23.9)	**-5.0%**	**-14.9%**	(27.4)	(23.9)	**-14.9%**
Share of results of associates	3.6	3.4	3.8	**8.1%**	**-4.8%**	3.6	3.8	**-4.8%**
Share of results of joint ventures	(0.3)	(0.6)	(1.5)	**48.6%**	**78.4%**	(0.3)	(1.5)	**78.4%**
Profit/(Loss) before tax	4.9	5.4	19.0	**-10.0%**	**-74.4%**	4.9	19.0	**-74.4%**
Income tax expense	3.7	(4.7)	(16.0)	**>100%**	**>100%**	3.7	(16.0)	**>100%**
Loss for the financial period	8.6	0.66	2.95	**>100%**	**>100%**	8.6	3.0	**>100%**
PATAMI	8.6	0.6	3.0	**>100%**	**>100%**	8.6	3.0	**>100%**
Core PATAMI	8.6	0.6	3.0	**>100%**	**>100%**	8.6	3.0	**>100%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue (RM'm)	2,537.5	1,645.4	2,139.0	2,246.0	2,358.3
EBIT (RM'm)	228.0	46.1	203.2	255.9	231.1
Pre-tax profit (RM'm)	134.2	75.0	117.6	123.5	153.3
PATAMI (RM'm)	101.0	63.7	57.8	65.1	66.0
Core PATAMI (RM'm)	-49.3	63.7	57.8	65.1	66.0
FD EPS (sen)	-1.1	1.4	1.3	1.5	1.5
Dividend (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	2.0	2.0	2.0	2.0	2.0

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Fixed assets	680.9	713.2	731.1	745.7	760.6
Intangible assets	177.0	123.8	167.0	167.0	167.0
Non-current assets	**5,463.0**	**5,598.1**	**5,659.2**	**5,673.8**	**5,688.7**
Cash	972.0	999.2	500.0	501.0	500.0
Trade receivables	1,109.8	1,212.2	2,810.1	2,810.1	2,277.5
Current assets	**3,381.6**	**3,435.9**	**4,534.6**	**4,535.6**	**4,001.9**
Trade payables	1,766.8	1,412.1	1,873.4	1,873.4	1,719.6
Short-term debt	311.0	580.7	869.8	870.8	870.8
Current liabilities	**2,129.5**	**2,077.1**	**3,262.8**	**3,263.7**	**2,728.4**
Long-term debt	1,490.5	1,678.3	1,646.0	1,647.0	1,647.0
Non-current liabilities	**2,115.4**	**2,336.7**	**2,303.9**	**2,304.9**	**2,304.9**
Share capital	4,356.1	4,356.1	4,356.1	4,356.1	4,356.1
Retained earnings	240.7	260.1	271.0	284.7	301.3
Equity	**4,599.7**	**4,620.2**	**4,627.1**	**4,640.8**	**4,657.4**

Source: Bloomberg, MIDFR

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	134.2	75.0	117.6	123.5	153.3
Operating cash flow	**492.3**	**-275.3**	**-232.7**	**-226.8**	**-197.1**
Capital expenditure	-34.2	-128.3	25.1	26.1	-25.7
Investing cash flow	**331.9**	**-53.2**	**100.3**	**101.3**	**49.5**
Debt raised/(repaid)	-263.6	457.8	-30.7	-29.7	132.5
Financing cash flow	**-390.1**	**304.9**	**-183.6**	**-182.6**	**-20.5**
Net cash flow	**434.2**	**-23.6**	**-316.1**	**-308.2**	**-168.1**
Beginning cash flow	**465.6**	**900.0**	**874.6**	**558.6**	**250.4**
Ending cash flow	**900.0**	**874.6**	**558.6**	**250.4**	**82.3**

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	8.8%	9.6%	9.5%	11.4%	9.8%
PBT margin	5.3%	4.6%	5.5%	5.5%	6.5%
PAT margin	-1.9%	3.9%	2.7%	2.9%	2.8%
Core PAT margin	-1.9%	3.9%	2.7%	2.9%	2.8%

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology