

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction


Maintain BUY

Revised Target Price **RM0.56** (from RM0.67)

4QFY24 Results Review:

Slower Now, Stronger Later? MRCB's Growth Dilemma

Maintain BUY. We are adjusting our FY25/FY26 earnings estimates downward by -18.4% to account for weaker-than-expected performance in FY24, driven by a -35.2%yoy revenue decline. This was primarily due to an anticipated drop in contributions from the Property Development & Investment (PDI) Division in FY25 and the completion of key projects in FY23, limiting earnings visibility for the segment. As per the results briefing with management, revenue recognition from new developments remained minimal due to their early-stage progress, while project launches were delayed due to additional regulatory requirements in Kuala Lumpur. MRCB also missed its FY24 order book replenishment target, securing only RM250.0m in new contracts, well below its RM5.0b goal. Although it secured a RM2.47b contract for five reinstated LRT3 stations in early CY25, revenue recognition for this project will be spread out going forward, limiting its near-term impact. Despite these challenges, we maintain our **BUY** recommendation as we believe the current share price weakness presents an attractive entry point. We are reducing our target price to RM0.56, pegged to a 20% discounted forward P/B ratio of 0.52x on the group's estimated FY25F BVPS of RM1.07. While near-term earnings visibility is weaker due to the winding down of LRT3 and a reduced order book, MRCB remains well-positioned with ongoing negotiations for major projects, including the Shah Alam Stadium and KL Sentral redevelopments, as well as its strong tender pipeline, which includes the upcoming Penang LRT system works. Given the significant upside potential from the current price level, we reaffirm our **BUY** call, expecting earnings momentum to strengthen as new project contributions materialise.

Below expectations. Malaysian Resources Corporation Berhad's (MRCB's) revenue in 4QFY24 dipped -46.4%yoy to RM370.7m while its core earnings rebounded into the black at RM0.69m. However, this was due to the removal of gains from Menara CelcomDigi and Plaza Alam Sentral (totalling RM150.2m) in 4QFY23's core earnings. 12MFY24 revenue saw a fall of -35.2%yoy due to a significantly reduced contribution from the Property Development & Investment Division, following the completion of two major projects and the abovementioned disposal gains recorded in 4QFY23. Additionally, in FY24, the Group's newly launched property development projects were still in their early stages, resulting in minimal revenue recognition. Lower revenue from the LRT3 construction project also impacted results, as the project neared completion. Although the 12MFY24 PATAMI fell -36.9%yoy to RM63.7m, the core PATAMI came out of the red at RM63.7m which is below estimates, making up 87.3% of our full-year estimates, and 81.0% of consensus.

RETURN STATISTICS

Price @ 27 February 2025 (RM)	0.46
Expected share price return (%)	+21.7
Expected dividend yield (%)	+2.2
Expected total return (%)	+23.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.1	-8.7
3months	-12.4	-11.4
12 months	-23.3	-24.7

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	1,645.4	2,500.0	2,625.0
EBIT	173.0	237.5	255.9
Profit Before Tax	75.0	137.5	144.4
Core PATAMI	63.7	65.0	68.3
Core EPS	1.4	1.5	1.5
DPS	1.0	1.0	1.0
Dividend Yield	2.2	1.5	1.5

KEY STATISTICS

FBM KLCI	1,586.60
Issued shares (m)	4467.51
Estimated free float (%)	38.27
Market Capitalisation (RM'm)	2,055.05
52-wk price range	RM0.44 - RM0.74
3-mth average daily volume (m)	9.88
3-mth average daily value (RM'm)	5.08
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35

Analyst

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Engineering, construction and environment. This segment continued to be the primary driver of revenue in FY24; although 12MFY24 revenue for the segment came in -26.0%yoy lower at RM1.28b, the operating profit came in +98.2%yoy higher at RM166.4m. Among the drivers of the stronger bottom line was the recognition of cost savings upon finalisation of accounts of certain projects such as the LRT3 project, which has reached 98.2% physical completion and 96% financial progress as at 31 December 2024, coupled with better margins. As for ongoing projects, the largest contributors during the quarter were the LRT3 and the Muara Sungai Pahang Phase 3 flood mitigation project and the Sungai Langat Phase 2 flood mitigation project.

Behind replenishment target. MRCB currently has an unbilled order book of RM3.7b, excluding the long-term Bukit Jalil Sentral TOD project. In FY24, it had only secured RM250m of new jobs, way behind its order book replenishment target of RM5.0b. However, YTD in CY25, they have secured an RM2.47b contract which consists of the development of five LRT3 stations, the construction of two EV bus depots, the supply of light-rail vehicles and the construction of other related infrastructure and system works. The contract is expected to be completed in 48 months and can provide earnings visibility for MRCB going forward. The replenishment target of RM5.0b will likely be made up of the recent contract secured as well as projects it is currently negotiating, namely, the redevelopment of the Shah Alam stadium and the redevelopment of the KL Sentral station. The group's active tender book currently stands at RM1.6b, comprising the Penang International Airport expansion and upgrading works at Tawau Airport, while its pre-qualification tender book stands at RM1.0b, made up of flood mitigation and water infrastructure projects.

Property development and investment. The 12MFY24 segment's revenue dipped -61.0%yoy to RM286.7m and recorded an operating loss of -RM17.6m, a decrease of -112.0%yoy. This was due to the completion of two major projects, specifically, Sentral Suites and TRIA 9 Seputeh in FY23, along with one-off disposal gains from the sales of Menara CelcomDigi and Plaza Alam Sentral. New property development projects remained in the early stages in FY24, resulting in minimal revenue recognition. Furthermore, new project launches scheduled for FY24 were delayed due to additional approval requirements from DBKL, particularly geotechnical report requirements following the sinkhole incident, pushing these launches into CY25. Management also highlighted that the group's property sales for FY24 totalled RM836.0m, with a sales target of RM1.0b for FY25. Moving forward, the group anticipates RM3.9b in new launches, comprising RM1.9b in Malaysia, RM1.5b in New Zealand, and RM0.5b in Australia, which should support revenue recognition moving forward. The segment also has RM631.3m of unbilled property sales from ongoing projects.

MRCB: 4QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				Cumulative			
Income Statement	Q424	Q324	Q423	QoQ	YoY	12MFY24	12MFY23	YoY
Revenue	370.7	426.3	692.2	-13.0%	-46.4%	1,645.4	2,537.5	-35.2%
Expenses	(360.1)	(411.9)	(754.3)	12.6%	52.3%	(1,532.7)	(2,496.6)	38.6%
Other operating income	18.2	17.1	162.5	6.1%	-88.8%	60.3	193.7	-68.9%
Profit/(Loss) from operations	28.8	31.6	100.4	-8.8%	-71.3%	173.0	234.6	-26.2%
Finance costs	(26.1)	(31.9)	(25.9)	18.0%	-1.0%	(108.8)	(112.8)	3.5%
Share of results of associates	3.4	3.8	6.9	-11.8%	-51.2%	15.3	17.9	-14.3%
Share of results of joint ventures	(0.6)	(1.2)	(1.7)	47.4%	63.8%	(4.5)	(5.5)	17.4%
Profit/(Loss) before tax	5.4	2.3	79.7	131.6%	-93.2%	75.0	134.2	-44.1%
Income tax expense	(4.7)	6.3	0.4	-174.9%	-1444.6%	(11.5)	(33.2)	65.3%
Loss for the financial period	0.7	8.7	80.1	-92.4%	-99.2%	63.5	101.1	-37.1%
PATAMI	0.7	8.9	80.2	-92.2%	-99.1%	63.7	101.0	-36.9%
Core PATAMI	0.7	8.9	(70.1)	-92.2%	101.0%	63.7	(49.3)	229.2%

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F	Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue (RM'm)	3,205.1	2,537.5	1,645.4	2,500.0	2,625.0	PBT	154.3	134.2	75.0	95.0	99.8
EBIT (RM'm)	247.8	234.6	173.0	237.5	255.9	Operating cash flow	5.7	429.9	-409.5	-389.4	-384.7
Pre-tax profit (RM'm)	154.3	134.2	75.0	137.5	144.4	Capital expenditure	-75.5	-25.9	-0.1	25.1	26.1
Normalised PATAMI (RM'm)	64.8	-49.3	63.7	65.0	68.3	Investing cash flow	-11.7	394.3	69.6	94.8	95.8
FD EPS (sen)	1.5	-1.1	1.4	1.5	1.5	Debt raised/(repaid)	123.9	-264.5	459.7	-30.7	-29.7
Dividend (sen)	1.0	1.0	1.0	1.0	1.0	Financing cash flow	-7.5	-390.0	316.3	-174.1	-173.1
Dividend yield (%)	2.3	2.3	2.2	1.5	1.5	Net cash flow	-13.5	434.2	-23.6	-468.7	-462.0
Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F	Beginning cash flow	479.9	465.6	900.0	874.6	405.9
Fixed assets	699.2	680.9	716.7	731.1	745.7	Ending cash flow	465.6	900.0	874.6	405.9	-56.1
Intangible assets	194.8	177.0	123.8	167.0	167.0	Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
Non-current assets	5,681.3	5,463.0	5,601.0	5,658.6	5,673.2	EBIT margin	7.7%	9.2%	10.5%	9.5%	9.8%
Cash	533.6	972.0	999.2	500.0	501.0	PBT margin	4.8%	5.3%	5.5%	5.5%	5.5%
Trade receivables	1,328.3	1,109.8	1,496.5	2,810.1	2,810.1	PAT margin	2.0%	-1.9%	3.9%	2.6%	2.6%
Current assets	3,547.3	3,381.6	3,674.4	4,488.8	4,489.8	Core PAT margin	2.0%	-1.9%	3.9%	2.6%	2.6%
Trade payables	1,765.0	1,766.8	1,691.5	1,873.4	1,873.4						
Short-term debt	840.8	311.0	580.7	869.8	870.8						
Current liabilities	2,697.3	2,129.5	2,319.0	3,196.1	3,180.7						
Long-term debt	1,215.9	1,490.5	1,678.3	1,646.0	1,647.0						
Non-current liabilities	1,994.6	2,115.4	2,336.2	2,303.9	2,304.9						
Share capital	4,356.1	4,356.1	4,356.1	4,356.1	4,356.1						
Retained earnings	183.0	240.7	260.1	287.3	317.3						
Equity	4,536.7	4,599.7	4,620.2	4,647.3	4,677.4						

Source: Bloomberg,
MIDFR

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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