



Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

On Track for Stronger 4QFY24

KEY INVESTMENT HIGHLIGHTS

- Revenue slipped **-15.4%yoy** in 3QFY24 to RM426.3m; core earnings up **5.9x** to RM8.9m, above expectations
- **9MFY24 Construction and engineering revenue came in lower by -26.0%yoy but operating profit rose +65.0% to RM145.0m, strongly contributed by LRT3**
- **Outstanding order book of RM15b; tender book fell to RM3.0b from RM33B**
- **Maintain BUY with an unchanged TP of RM0.67**

Above expectations. Malaysian Resources Corporation Berhad's (MRCB's) revenue in 3QFY24 dipped **-15.4%yoy** to RM426.3m while its core earnings grew **5.9x** to RM8.9m. 9MFY24 revenue saw a fall of **-30.9%yoy** due to reduced contributions from completed property development projects in 2023, ongoing projects still in early stages, and lower revenue from the nearing completion of the LRT3 construction project. The 9MFY24 core earnings grew **3.0x** to RM63m which is above estimates, making up **94.1%** of our full-year estimates, and **92.8%** of consensus.

Engineering, construction and environment. Although 9MFY24 revenue for the segment came in **-26.0%yoy** lower at RM985.0m, the operating profit came in **+65.0%yoy** higher at RM145.0m. Among the drivers of the stronger bottom line was the recognition of cost savings upon finalisation of accounts of certain projects 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 as well as the recognition of revenue from historical project accounts closing.

Behind replenishment target. MRCB currently has an unbilled order book of RM14.16b, excluding the long-term Bukit Jalil Sentral TOD project. It has so far, still only secured RM250m of new jobs in FY24, way behind its target of RM5.0b. This will likely be made up of the projects it is currently negotiating, namely the five additional LRT3 stations, the redevelopment of the Shah Alam stadium and the redevelopment of the KL Sentral station. The group's active tender currently stands at RM3.0b, comprising the Penang International Airport expansion, a water treatment plant in Kelantan, a 15km stretch of the Central Spine Road in Kelantan, three large scale solar plants and upgrading works at Tawau Airport.

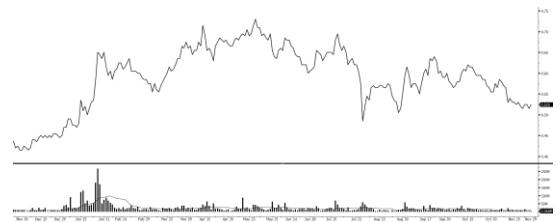
Property development and investment. The 9MFY24 segment's revenue dipped **-49.0%yoy** to RM234.5m and recorded an operating loss of **-RM16.8m**, a decrease of **-147%yoy**. This was due to the completion of two large projects in 2023 and the Group's new projects still yet to recognise any revenue. Management guided that there were some 80 units pending closure, which should be recognised in 4QFY24.

Maintain BUY**Unchanged Target Price: RM0.67**

RETURN STATISTICS

Price @ 27 th Nov 2024 (RM)	0.52
Expected share price return (%)	+28.9
Expected dividend yield (%)	+1.9
Expected total return (%)	+31.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-10.3	-9.5
3 months	-11.0	2.0
12 months	19.3	7.7

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	2,918.5	3,064.4	3,217.7
EBIT	277.3	291.1	313.7
Profit Before Tax	160.5	168.5	177.0
Core PATAMI	73.0	79.7	83.7
Core EPS	1.6	1.8	1.9
DPS	1.0	1.0	1.0
Dividend Yield	1.5	1.5	1.5

KEY STATISTICS

FBM KLCI	1,604.25
Issue shares (m)	4467.51
Estimated free float (%)	38.27
Market Capitalisation (RM'm)	2,345.44
52-wk price range	RM0.41 - RM0.74
3-mth average daily volume (m)	15.18
3-mth average daily value (RM'm)	8.88
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35


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The segment also has RM630.5m of unbilled property sales from ongoing projects.

Earnings estimates. We adjust our FY24 earnings estimates by +9.0% to account for the stronger than expected performance, mainly driven by the strong earnings in 2QFY24. FY25/26 earnings thereafter are forecasted to have a 5% straight-line growth rate. While management guided for a slower 3QFY24, it expected 4QFY24 to come in stronger sequentially.

Target price. We maintain our **TP** at **RM0.67** as we peg a forward P/B ratio of 0.65x to the group's estimated FY25F BVPS of RM1.04.

Maintain BUY. We expect MRCB's performance to be driven by its construction segment, which accounted for 77% of 3QFY24 revenue. As the LRT3 project winds down, the ongoing progress of its Muara Sungai Pahang and Sungai Langat Phase 2 flood mitigation projects to contribute to the group's revenue and earnings. Future construction growth drivers include the redevelopment projects for the Shah Alam Stadium and KL Sentral station and the expected improvement in infrastructure job flows. All factors considered and with our TP remaining unchanged at RM0.67, we maintain our recommendation of **BUY**. 

MRCB: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				Cumulative			
	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Income Statement								
Revenue	426.3	372.2	503.7	14.6%	-15.4%	1,274.7	1,845.3	-30.9%
Expenses	(411.9)	(314.8)	(467.2)	-30.8%	11.8%	(1,172.6)	(1,742.3)	32.7%
Other operating income	17.1	14.8	9.7	15.6%	75.8%	42.2	31.1	35.4%
Profit/(Loss) from operations	31.6	72.2	46.3	-56.3%	-31.8%	144.2	134.1	7.5%
Finance costs	(31.9)	(26.9)	(30.2)	-18.3%	-5.6%	(82.7)	(86.9)	4.8%
Share of results of associates	3.8	4.4	3.8	-12.9%	0.7%	12.0	11.0	8.6%
Share of results of joint ventures	(1.2)	(1.2)	(1.2)	5.0%	5.1%	(3.9)	(3.8)	-3.8%
Profit/(Loss) before tax	2.3	48.4	18.7	-95.2%	-87.5%	69.6	54.5	27.7%
Income tax expense	6.3	2.9	(17.2)	116.2%	136.8%	(6.8)	(33.5)	79.8%
Loss for the financial period	8.7	51.3	1.5	-83.1%	476.7%	62.9	21.0	199.3%
PATAMI	8.9	51.2	1.5	-82.7%	506.8%	63.0	20.8	203.1%
Core PATAMI	8.9	51.2	1.5	-82.7%	506.8%	63.0	20.8	203.1%

Source: Company, MIDFR

FINANCIAL SUMMARY

FYE 31 st December	2022A	2023A	2024E	2025F	2026F
Revenue (RM'm)	3,205.1	2,514.1	2,918.5	3,064.4	3,217.7
EBIT (RM'm)	253.4	234.6	277.3	291.1	313.7
Pre-tax profit (RM'm)	154.3	134.2	160.5	168.5	177.0
Normalised PATAMI (RM'm)	64.8	-66.3	73.0	79.7	83.7
FD EPS (sen)	1.5	-1.5	1.6	1.8	1.9
Dividend (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	2.3	2.5	1.5	1.5	1.5

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	699.2	680.9	646.9	656.6	669.7
Intangible assets	194.8	177.0	175.8	167.0	167.0
Non-current assets	5,681.3	5,448.5	5,413.3	5,414.2	5,427.3
Cash	533.6	972.0	500.0	500.0	501.0
Trade receivables	1,328.3	1,262.8	2,601.9	2,810.1	2,810.1
Current assets	3,547.3	3,920.3	4,787.4	4,995.5	4,996.5
Trade payables	1,765.0	1,773.3	1,734.6	1,873.4	1,873.4
Short-term debt	840.8	311.0	915.6	869.8	870.8
Current liabilities	2,697.3	2,154.8	3,082.9	3,352.3	3,335.4
Long-term debt	1,215.9	1,490.5	1,732.7	1,646.0	1,647.0
Non-current liabilities	1,994.6	2,255.6	2,497.8	2,411.1	2,412.1
Share capital	4,356.1	4,356.1	4,356.1	4,356.1	4,356.1
Retained earnings	183.0	240.7	260.9	287.3	317.3
Equity	4,536.7	4,599.7	4,619.9	4,646.3	4,676.3

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
PBT	61.3	134.2	160.5	168.5	177.0
Operating cash flow	-219.3	-146.4	-120.1	-112.1	-103.6
Capital expenditure	32.7	29.4	27.9	25.1	26.1
Investing cash flow	43.9	40.6	39.1	36.3	37.3
Debt raised/(repaid)	517.6	77.6	-32.2	-30.7	-29.7
Financing cash flow	281.8	158.2	48.4	49.9	50.9
Net cash flow	281.8	52.4	-32.6	-25.9	-15.5
Beginning cash flow	465.6	571.9	624.3	591.7	565.8
Ending cash flow	571.9	624.3	591.7	565.8	550.3

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	7.9%	9.3%	9.5%	9.5%	9.8%
PBT margin	4.8%	5.3%	5.5%	5.5%	5.5%
PAT margin	2.0%	4.0%	2.5%	2.6%	2.6%
Core PAT margin	2.0%	-2.6%	2.5%	2.6%	2.6%

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	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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