

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

Moving away from its comfort zone

KEY INVESTMENT HIGHLIGHTS

- **1QFY22 earnings rose more than +170%yoy to RM14m**
- **The results were within our expectations but above Bloomberg consensus**
- **MRCB to launch integrated logistics hub in Simpang Pulai next week, GDV for phase 1 above RM1b**
- **Management's FY22 focus is to raise cash and improve cash flows**
- **Upgrade to BUY with a revised TP of RM0.44**

Starting on the right note. Malaysian Resources Corporation Berhad (MRCB) kick off 1QFY22 with a normalised PATAMI of RM14m, which came in at more than +169.8%yoy, which was mainly due to the consolidation of results of the LRT3 project company Setia Utama LRT3 Sdn Bhd, now wholly-owned by MRCB. This came in within our expectations, exceeding our first quarter projections by only 2.5 percentage points. It however, surpassed consensus estimates, making up 40.5% of full year projections.

Engineering and construction division takes the lead. Revenue from this division recorded RM612.5m for 1QFY22, contributing 76% of MRCB's total revenue, from what used to be a 50-50 split between the division and that of property development, while segmental profit came in at RM25.7m. This was largely due to Setia Utama LRT3, on top of better productivity levels as there were no site closures as what was seen in 1QFY21. The LRT3 project has reached a physical construction progress of 71% and a financial progress of 63%. We are positive on MRCB's construction business, as management is expecting some positive developments moving forward.

Stronger property sales. Revenue from property development rose +36.5%yoy to RM190.2m while the segment's profit climbed +60.6%yoy to RM21.1m. This was attributable to MRCB's large development projects, namely Sentral Suites and TRIA 9 Seputeh. Management guided that sales improved further in April and May. The Group currently has RM421.7m of unsold properties under construction and RM349.7m of unsold completed units. This excludes RM209.8m of retail/office units in VIVO 9 Seputeh which has yet to be launched.

Launch of integrated logistics hub. Management revealed that they will be launching the Ipoh Raya Integrated Park next week, which will be the development of a sustainable integrated logistics hub, diversifying from its profile of developing premium commercial and residential. The GDV value for the first phase has yet to be finalised but management guided that it would be in excess of RM1b. MRCB has been engaging several large MNCs in the tech and logistics space on its relocations

Upgrade to BUY

(from NEUTRAL)

Revised Target Price: RM0.44

(Previously RM0.36)

RETURN STATISTICS

Price @ 31 st May 2022 (RM)	0.36
Expected share price return (%)	+22.2
Expected dividend yield (%)	+4.5
Expected total return (%)	+26.7

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.5	-4.7
3 months	-1.4	3.9
12 months	-16.3	-15.6

KEY STATISTICS

FBM KLCI	1,570.10
Syariah compliant	Yes
F4BGM Index	Yes
ESH Grading Band (Star rating)	☆☆☆
Issue shares (m)	4446.54
Estimated free float (%)	38.90
Market Capitalisation (RM'm)	1,608.30
52-wk price range	RM0.32 - RM0.47
Beta vs FBM KLCI (x)	1.26
Monthly velocity (%)	0.00
Monthly volatility (%)	18.35
3-mth average daily volume (m)	4.81
3-mth average daily value (RM'm)	1.78
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.71

to the site in Simpang Pulai. The Group will also be brining in partners with blockchain capabilities. Recall that MRCB acquired 22.02 acres of land in Simpang Pulai in Aug-21, which is 14km south from Ipoh and located next to the Simpang Pulai Rest & Recreation stop along the North-South Expressway. Together with 661.3 acres of land injected into the Group's wholly-owned subsidiary SIDEC, MRCB has 683.32 acres of land in Simpang Pulai.

Earnings estimates. We are revising our FY22 estimates upwards, in line with management's expectations that 1QFY22 performance was above their expectations and subsequent quarters would see better results. We adjust our revenue and earnings estimates to RM1.85b and RM75.5m respectively. We are also adjusting our FY23-FY24 revenue accordingly to RM1.67b-RM1.8b and core earnings to RM68.1m-RM70.4m.

Target price. We revise our **TP** to **RM0.45** as a result of our earnings revision, which we derive by pegging the group's FY23 EPS of 1.5 to a target PER of 29.4x, which is -0.5 SD below its five-year mean.

Upgrade to BUY. We are positive on management's focus this year, which is to raise its cash levels that will see it being more aggressive in its efforts to sell its unsold property units. Its current outstanding order book stands at RM18.5b, which ensures a steady pipeline of projects over the long run. We are also looking forward to the upcoming launch of the Ipoh Raya Integrated Park as MRCB diversifies into the industrial and logistics development business, which we think could change the landscape of Perak's economy in the future. All in, we are upgrading our recommendation on MRCB from NEUTRAL to **BUY**.



INVESTMENT STATISTICS

FYE 31 st December	2020A	2021A	2022E	2023F	2024F
Revenue (RM'm)	1,199.5	1,448.5	1,849.8	1,668.5	1,801.9
EBIT (RM'm)	41.4	171.82	99.7	90.1	97.3
Pre-tax profit (RM'm)	53.0	61.3	92.49	83.4	90.1
Normalised PATAMI (RM'm)	-1.0	16.1	75.5	68.1	70.4
FD EPS (sen)	0.0	1.4	1.7	1.5	1.6
Dividend (sen)	1.0	1.0	1.0	2.0	2.0
Dividend yield (%)	2.3	2.8	2.3	4.5	4.5

Source: Company, MIDFR

MALAYSIAN RESOURCES CORPORATION BHD: 1QFY22 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1Q22	4Q21	1Q21	QoQ	YoY
Income Statement					
Revenue	810.7	858.1	226.7	-6%	258%
Expenses	(765.8)	(854.2)	(220.9)	10%	-247%
Other operating income	7.5	145.1	9.1	-95%	-18%
Loss from operations	52.3	149.0	14.9	-65%	252%
Finance costs	(23.2)	(27.5)	(18.2)	16%	-27%
Share of results of associates	3.7	3.6	4.2	3%	-13%
Share of results of joint ventures	(1.0)	(1.2)	4.9	11%	-122%
Loss before tax	31.8	123.9	5.7	-74%	456%
Income tax expense	(17.8)	(49.5)	(1.8)	64%	-894%
Loss for the financial period	14.0	74.5	3.9	-81%	256%
PATAMI	14.0	75.5	5.2	-81%	170%

Source: Company, 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