

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

Dismal Quarter

KEY INVESTMENT HIGHLIGHTS

- **9MFY21 recorded losses at -RM59.4m (+71%yoy)**
- **The results were below our and consensus expectations, thus we are revising our earnings estimates downward**
- **The group's 9MFY21 revenue decreased by -34%yoy attributable to EMCO and FMCO lockdowns**
- **We are making downward changes to our estimates to reflect our latest view**
- **Downgrade to NEUTRAL with a revised TP at RM0.36**

Recovery momentum remains slow. Malaysian Resources Corporation Berhad (MRCB)'s 9MFY21 recorded losses at -RM59.4m (+71%yoy). The results came in below our and consensus expectations, which was at RM17.7m and RM1.7m respectively.

Revenue on downtrend. The group's 9MFY21 revenue decreased by -34%yoy to RM226.7m attributable to EMCO and FMCO lockdowns, made worse by disruptions in building materials supply. The group saw lower quarterly revenue contribution from Property segment with revenue at RM71.0m (-53.6%yoy) and 9MFY21 also disappointed with cumulative -29.3%yoy, or RM345.9m. The same pattern can be observed for its Construction and Engineering segment, 3QFY21 at -62.0%yoy and recorded decline for 9MFY21 at -43.1%yoy. This was primarily caused by the pandemic measures which reduced construction progress. Nonetheless, we opine that the group revenue to recover gradually in coming quarters, premised on that construction operations are allowed and a sizeable unbilled property sale of circa RM1.0b.

Construction segment faced Covid-19 headwinds. The group's 9MFY21 results at the construction division fell into losses of -RM51.67m as compared to -RM198.67m in the prior corresponding period. The dismal performance was mainly due to the halt in construction works of the segment. Currently, the segment's revenue is contributed from the construction progress of EPF Headquarters at Kwasa Sentral, DASH, MRT2 and SUKE. Furthermore, we opine that the group's current sizeable unbilled order book of RM19.9b, of which 46% are infra-related which allowed to operate would continue to provide support to the group's earnings momentum in the medium-to-longer term.

Earnings estimates We are making downward changes to our estimates to reflect our latest view on MRCB. We revise our top line estimates for FY21E to RM816.0m. We also revise our earnings forecasts to -RM45.2m.

Target price. We are revising our TP to **RM0.36** (previously 0.42). We peg target a PER of 30x to the group's FY22 EPS.

Downgrade to NEUTRAL

Revised Target Price: RM0.36
(previously RM0.42)

RETURN STATISTICS

Price @ 26 th Nov 2021 (RM)	0.35
Expected share price return (%)	+2.9
Expected dividend yield (%)	+2.4
Expected total return (%)	+5.3


SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-12.5	-9.6
3 months	-11.4	-8.0
12 months	-20.5	-15.4

KEY STATISTICS

FBM KLCI	1,512.22
Syariah compliant	Yes
F4BGM Index	Yes
ESH Grading Band (Star rating)	☆☆☆
Issue shares (m)	4412.05
Estimated free float (%)	38.80
Market Capitalisation (RM'm)	1,563.63
52-wk price range	RM0.34 - RM0.53
Beta vs FBM KLCI (x)	1.62
Monthly velocity (%)	0.00
Monthly volatility (%)	29.27
3-mth average daily volume (m)	5.90
3-mth average daily value (RM'm)	2.34
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.82

Downgrade to NEUTRAL. While we expect the work progress to possibly accelerate going into FY22, the execution is still very much dependent on the developments surrounding the Covid-19 moving forward and the disruption in building material supply. This might dampen the earnings prospects in the short-to-medium term as construction progress billings would be affected on slower work progress. On the property segment, we opine that sales would continue to be encouraging with a sizeable unbilled sales of circa RM1.0b albeit recovery might be dampened given the weak consumer sentiments and consumers might delay big-ticket items in the foreseeable term. Nonetheless, on a longer-term horizon, the group's prospect is well-supported by its strong unbilled order book of about RM19.9b which provides long-term earnings visibility. All in, we are downgrading to **NEUTRAL** recommendation on MRCB at current juncture. 

INVESTMENT STATISTICS

FYE 31 st December	2019A	2020A	2021E	2022F	2023F
Revenue (RM'm)	1,319.4	1,199.5	816.0	1,251.00	1,002.50
EBIT (RM'm)	72.4	41.4	38.36	67.42	38.36
Pre-tax profit (RM'm)	22.4	53.0	31.42	62.56	31.42
Normalised PATAMI (RM'm)	23.7	-1.0	-45.2	51.04	17.69
FD EPS (sen)	0.5	0.0	0.0	1.2	1.6
Dividend (sen)	1.0	1.0	1.0	1.0	2.0
Dividend yield (%)	1.5	2.3	2.4	2.4	4.8

Source: Company, MIDFR

MALAYSIAN RESOURCES CORPORATION BHD: 3QFY21 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	3Q21	2Q21	3Q20	QoQ	YoY	9M21	9M20	YoY
Income Statement								
Revenue	137.9	225.7	297.6	-39%	-54%	590.3	890.6	-34%
Expenses	(163.9)	(262.6)	(292.7)	38%	44%	(647.4)	(1,073.0)	40%
Other operating income	9.5	8.1	15.0	17%	-37%	26.7	33.2	-20%
Loss from operations	(16.5)	(28.7)	19.9	42%	<-100%	(30.3)	(149.3)	80%
Finance costs	(22.8)	(20.2)	(17.8)	-13%	-28%	(61.2)	(50.4)	-22%
Share of results of associates	4.6	4.8	4.3	-4%	8%	13.6	11.4	19%
Share of results of joint ventures	4.6	5.9	(0.8)	-22%	>+100%	15.3	(2.2)	>+100%
Loss before tax	(30.1)	(38.2)	5.5	21%	<-100%	(62.6)	(190.4)	67%
Income tax expense	(1.9)	(1.5)	(6.4)	-28%	71%	(5.1)	(14.9)	66%
Loss for the financial period	(32.0)	(39.7)	(0.9)	19%	<-100%	(67.7)	(205.3)	67%
PATAMI	(32.2)	(32.4)	(0.8)	1%	<-100%	(59.4)	(205.6)	71%

Source: Company, MIDFR

*Note: All figures excludes impairment provision of RM202.5m

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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