

# Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

## Short-term uncertainties remain

### KEY INVESTMENT HIGHLIGHTS

- **FY21 earnings rose more than +100%yoy to RM16.1m**
- **The results were slightly below our expectations but above Bloomberg consensus**
- **MRCB's order book currently stands at RM27.3b, with an unbilled portion of RM19.8b**
- **Long-term orderbook remains strong but short-term may be challenging with several projects nearing completion**
- **Maintain NEUTRAL with an unchanged TP of RM0.36**

**Almost there.** Malaysian Resources Corporation Berhad (MRCB) recorded earnings of RM16.1m, which came in at more than +100%yoy, on the back of less severe pandemic restrictions as compared to 2020, which allowed for better productivity at construction sites while the group continued to benefit from the sale of completed unsold inventory and ongoing projects and its construction progress of the LRT3 project. The results came in just slightly below our expectations, making up 91% of our full year estimates. In comparison with Bloomberg consensus, its FY21 earnings was way above estimates, which projected a loss.

**Timely acquisition boosts revenue.** MRCB's full year revenue rose +21%yoy to RM1.45b. There was a significant increase in the group's revenue by >+100%qoq in 4QFY21 to RM858.1m, which was attributed to the completion of the acquisition of the 50% stake of Setia Utama LRT 3 Sdn Bhd (SULSB) during the quarter, which allowed revenue and earnings from the LRT3 project to be fully recognised and consolidated. The improved top line came mainly from the Engineering, Construction and Environment Division with RM903mil in FY21, of which the revenue recognition of SULSB falls under.

**Shrinking construction losses.** Revenue from the division was also contributed by other projects such as EPF's Headquarters at Kwasa Sentral, DASH Package CB2, MRT2 Package V210, SUKE Package CA2 and the PR1MA Brickfields Project. Even then, the division was still unable to turnaround its operating losses but managed to trim it by -76.6%yoy to an operating loss of RM40.7m, which MRCB said was due to Government imposed closures on construction sites during the year. We are neutral on the performance of this division in FY22, although anchored by a massive order book of RM27.3b, with an unbilled portion of RM19.8b, the nature of the contracts is long term. While it ensures the availability of projects in the long run, the short to medium term prospects remain challenging.

**Land injection boosted property segment.** The operating profit of MRCB's Property Development and Investment Division more than doubled to RM153.4m in FY21, although revenue was down -21.5%yoy

## Maintain NEUTRAL

**Unchanged Target Price: RM0.36**

### RETURN STATISTICS

Price @ 28 <sup>th</sup> Feb 2022 (RM)	<b>0.355</b>
Expected share price return (%)	<b>+1.4</b>
Expected dividend yield (%)	<b>+2.4</b>
<b>Expected total return (%)</b>	<b>+3.8</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	4.4	-1.8
3 months	0.0	-1.7
12 months	-14.5	-16.1

### KEY STATISTICS

FBM KLCI	1,608.28
Syariah compliant	Yes
F4BGM Index	Yes
ESH Grading Band (Star rating)	☆☆☆
Issue shares (m)	4412.05
Estimated free float (%)	38.82
Market Capitalisation (RM'm)	1,585.97
52-wk price range	RM0.33 - RM0.53
Beta vs FBM KLCI (x)	1.56
Monthly velocity (%)	0.00
Monthly volatility (%)	26.57
3-mth average daily volume (m)	2.18
3-mth average daily value (RM'm)	0.77
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.79

during the period. This was mainly due to the injection of three parcel of lands into Seri Iskandar Development Corporation Sdn Bhd (SIDEK), an indirect wholly-owned subsidiary, to bolster the group's landbank. This contributed about RM123.7m to the group's other operating income. We expect MRCB to continue benefitting from its inventory of unsold completed stock, valued at RM260.8m as at Dec 31. In terms of future projects, the group has an ample landbank of 1,007.9 acres with a gross development value of RM33.35b.

**Earnings estimates.** We are maintaining our FY22 estimates, which has factored in the additional revenue and earnings from the LRT3 project via SULSB after MRCB acquired the remaining 50% stake.

**Target price.** We are maintaining our **TP of RM0.36**, which we peg to a target PER of 30x to the group's FY22 EPS.

**Maintain Neutral.** MRCB's acquisition of the remaining 50% stake of SULSB will see the group recognising circa RM16m earnings per annum from the LRT3 project until its completion in 2024, which would improve MRCB's earnings prospects slightly in the near future. The group's order book, although on a longer-term horizon, remains stellar at RM27.3b which provides earnings visibility in the long term. It also has a strong landbank that it can tap on for future projects and developments as the economy picks up while it focusses on the sales of its unsold completed inventory in the meantime. All in, we are retaining our **NEUTRAL** recommendation on **MRCB** 

## INVESTMENT STATISTICS

FYE 31 <sup>st</sup> December	2020A	2021A	2022E	2023F	2024F
Revenue (RM'm)	1,199.5	1,448.5	1,251.0	1,002.5	1,082.7
EBIT (RM'm)	41.4	171.82	67.4	38.4	54.1
Pre-tax profit (RM'm)	53.0	61.3	62.6	31.4	51.4
Normalised PATAMI (RM'm)	-1.0	16.1	51.0	17.7	18.3
FD EPS (sen)	0.0	1.4	1.2	1.6	1.6
Dividend (sen)	1.0	1.0	1.0	2.0	2.0
Dividend yield (%)	2.3	2.8	2.4	4.8	4.8

Source: Company, MIDFR

## MALAYSIAN RESOURCES CORPORATION BHD: 4QFY21 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	Q421	Q321	Q420	QoQ	YoY	12M21	12M20	YoY
<b>Income Statement</b>								
Revenue	858.1	137.9	308.9	-84%	>+100%	1,448.5	1,199.5	21%
Expenses	(854.2)	(163.9)	(277.8)	81%	<-100%	(1,501.6)	(1,350.8)	-11%
Other operating income	145.1	9.5	14.2	-93%	>+100%	171.8	47.4	>+100%
Loss from operations	149.0	(16.5)	45.4	<-100%	>+100%	118.7	(103.9)	>+100%
Finance costs	(27.5)	(22.8)	(18.9)	17%	-45%	(88.7)	(69.3)	-28%
Share of results of associates	3.6	4.6	4.7	29%	-25%	17.2	16.2	6%
Share of results of joint ventures	(1.2)	4.6	5.5	>+100%	<-100%	14.1	3.4	>+100%
Loss before tax	123.9	(30.1)	36.7	<-100%	>+100%	61.3	(153.7)	>+100%
Income tax expense	(49.5)	(1.9)	(8.0)	96%	<-100%	(54.6)	(22.9)	<-100%
Loss for the financial period	74.5	(32.0)	28.7	<-100%	>+100%	6.7	(176.6)	>+100%
PATAMI	75.5	(32.2)	28.3	<-100%	>+100%	16.1	(177.4)	>+100%

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