28 August 2025

Construction & Engineering | Construction

Malaysian Resources Corp (MRC MK)

Buy (Maintained)

Still Revving Engines; Stay BUY

Target Price (Return):	MYR0.70 (+37%)
Price (Market Cap):	MYR0.51 (USD533m)
ESG score:	3.2 (out of 4)
Avg Daily Turnover (MYR/USD)	4.53m/1.07m

- **BUY, TP rises to MYR0.70 from MYR0.67, 37% upside with 2% FY25F yield.** Malaysian Resources Corp recorded a core profit of MYR1.1m in 1H25, missing estimates and making up less than 5% of our and Street full-year initial profit projections. A core net loss was derived after excluding the gain on disposal of its 70% stake in CSB Development in 1Q25. The negative deviation was due to the weaker-than-expected performance of the construction arm. We do not discount any possibility of MRC monetising its land/assets in the coming quarters, which could boost 2H25 numbers.
- **Results review.** The construction arm's EBIT plunged by 79% YoY in 1H25, as the Light Rail Transit 3 (LRT3) project is nearing completion at 98% financial progress as of end-June while the reinstatement of the five LRT3 stations is still in the early stages. Meanwhile, its property arm recorded an EBIT of MYR7.8m in 1H25 (1H24 operating loss: MYR14.5m), mainly contributed by the write-back of a provision for costs related to completed projects that are no longer required. Completed unsold units in Malaysia were worth MYR362m as at end 1H25 vs MYR411m as at end 1H24.
- **We estimate MRC's latest unbilled orderbook** at c.MYR6.3bn, providing earnings visibility over the next three years. Future job prospects aside from redevelopment of KL Sentral (estimated at MYR1bn) may come from flood mitigation projects via MYR1.3bn worth of pre-qualified tenders and an additional MYR6bn tenderbook comprising Package 3 of the Penang Airport expansion, and a Perak highway project, among others.
- **MRC's property sales target in FY25** is MYR1bn, with MYR453m of property sales achieved in 1H25 from launches with a MYR2.8bn GDV for the rest of the year. So far, c.MYR1.7bn in projects have been launched at Symphony Centre in Auckland and MARIS in Australia's Gold Coast and the remainder from some projects in Malaysia and New Zealand. MARIS (GDV: MYR620m), launched in June, has seen 46% of its GDV taken up – matching VISTA Gold Coast's (launched in Apr 2023 with a MYR1.5bn GDV) 46% of GDV sold.
- **We slash FY25F net profit by 14.5% but increase FY26-27F earnings** by 4% and 5% as we tone down on progress billings assumptions on its construction projects, especially for the Shah Alam Sports Complex which were previously too optimistic for FY25F, but backload recognitions in FY26-27. Hence, we arrive at a new SOP-derived TP of MYR0.70, which bakes in a 4% ESG premium. MRC's valuation is undemanding, with sizeable orderbook wins YTD of MYR5.6bn – trading at a 0.5x FY25F P/BV, or -1SD from the Bursa Malaysia Construction Index's 5-year mean.
- **A factor that could trigger a stock rerating** is the potential participation of MRC in the Penang LRT (either for the Komtar-Penang Sentral stretch, or the systems package which amounts to at least MYR4bn in total). A key downside risk: Slowdown in the property market.

Analyst

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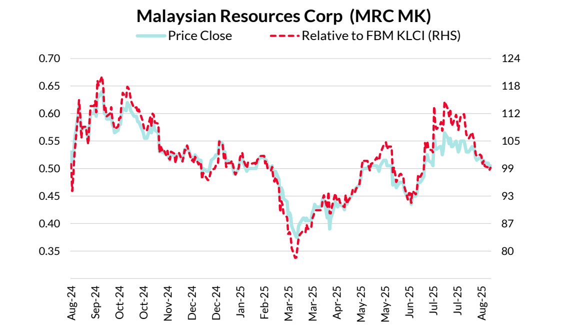
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.8)	(6.5)	(2.0)	9.8	(4.7)
Relative	(0.5)	(10.0)	(6.0)	9.7	(0.8)
52-wk Price low/high (MYR)					0.38 –0.64



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	2,537	1,645	2,524	3,036	3,516
Recurring net profit (MYRm)	(66)	64	50	71	94
Recurring net profit growth (%)	(241.9)	-	(22.0)	43.0	32.6
Recurring P/E (x)	na	35.43	45.43	31.78	23.97
P/B (x)	0.5	0.5	0.5	0.5	0.5
P/CF (x)	4.97	na	1.93	29.46	19.08
Dividend Yield (%)	2.0	2.0	2.0	2.0	2.0
EV/EBITDA (x)	10.99	16.37	8.91	7.89	8.46
Return on average equity (%)	2.2	1.4	1.1	1.5	2.0
Net debt to equity (%)	18.0	27.3	13.2	14.0	27.1

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.3 (EXCELLENT)
S Score: 3.0 (GOOD)
G Score: 3.0 (GOOD)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

In 2024, MRC's total Scope 2 emissions amounted to 20,274 tCO2e (-26% YoY). Its Scope 3 emissions substantially rose in 2024 but MRC plans to engage closely with suppliers to further enhance accuracy disclosures, so data on this metric may differ moving forward.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	4,339	7,870	8,793	na
Scope 2	24,726	27,339	20,274	na
Scope 3	17,848	19,194	233,779	na
Total emissions	46,913	54,403	262,846	na

Source: Company data, RHB

Latest ESG-Related Developments

MRCB has long-term targets to reduce Scope 1 and 2 emissions intensity by 90%, and cut Scope 3 emissions by 50% by 2040.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 27 Feb 2025

E Score: 3.3 (EXCELLENT)

MRC's Scope 1 and Scope 2 carbon emissions intensity in 4Q24 has decreased from FY20 baseline levels.

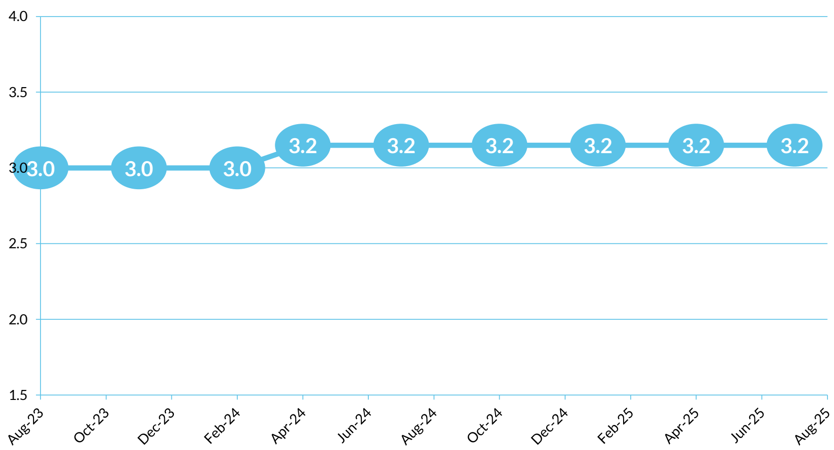
S Score: 3.0 (GOOD)

Efforts include being committed to local employment, using a mechanism to facilitate employee engagement, and maintaining stakeholder engagement on human rights issues. We note that MRC has also achieved 1m man hours without lost-time injury for Kwasa C8 Plot 1 (Employees Provident Fund headquarters).

G Score: 3.0 (GOOD)

57% of MRCB's board members are independent directors, with full disclosure on remuneration including salaries and bonuses on a named basis. It has an in-house investor relations team and holds investor meetings regularly. The public can easily access information about the company's on-going projects.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Construction & Engineering
Malaysian Resources Corp
MRC MK
Buy

Valuation basis

SOP

Key drivers

i. New property sales;
ii. Asset disposals;
iii. New construction contracts.

Key risks

A slowdown in the property market

Company Profile

Malaysian Resources Corp is engaged in construction (niche strength in environmental projects), property development and investment, and toll road operations. It is known for its transit-oriented developments, eg KL Sentral, Bukit Jalil City, Kwasa Damansara and Penang Sentral.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	(0.01)	0.01	0.01	0.02	0.02
DPS	0.01	0.01	0.01	0.01	0.01
BVPS	1.03	1.03	1.03	1.04	1.05
Return on average equity (%)	2.2	1.4	1.1	1.5	2.0

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	na	35.43	45.43	31.78	23.97
P/B (x)	0.5	0.5	0.5	0.5	0.5
FCF Yield (%)	19.6	(11.1)	49.6	1.2	3.0
Dividend Yield (%)	2.0	2.0	2.0	2.0	2.0
EV/EBITDA (x)	10.99	16.37	8.91	7.89	8.46
EV/EBIT (x)	14.56	20.35	11.12	9.62	10.10

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	2,537	1,645	2,524	3,036	3,516
Gross profit	331	113	467	569	661
EBITDA	281	215	321	366	413
Depreciation and amortisation	(69)	(42)	(64)	(66)	(67)
Operating profit	212	173	257	300	346
Net interest	(90)	(109)	(209)	(212)	(215)
Pre-tax profit	134	75	92	132	175
Taxation	(33)	(11)	(42)	(59)	(79)
Reported net profit	101	64	50	71	94
Recurring net profit	(66)	64	50	71	94

Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	375	(346)	1,098	(18)	(1)
Cash flow from operations	454	(251)	1,169	77	118
Capex	(13)	0	(50)	(50)	(50)
Cash flow from investing activities	306	329	(65)	(65)	(65)
Dividends paid	(45)	(45)	(45)	(45)	(45)
Cash flow from financing activities	(352)	409	(727)	(45)	(45)
Cash at beginning of period	534	972	999	1,649	1,606
Net change in cash	408	487	377	(33)	9
Ending balance cash	942	1,128	1,649	1,600	1,599

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	972	999	1,649	1,606	984
Tangible fixed assets	1,789	1,969	1,956	1,940	1,923
Total investments	0	0	15	30	45
Total assets	8,845	9,275	9,880	10,677	10,728
Short-term debt	311	581	581	581	581
Total long-term debt	1,491	1,678	1,678	1,678	1,678
Total liabilities	4,245	4,655	5,254	6,023	6,023
Total equity	4,600	4,620	4,626	4,654	4,706
Total liabilities & equity	8,845	9,275	9,880	10,677	10,728

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	(20.8)	(35.2)	53.4	20.3	15.8
Recurrent EPS growth (%)	(241.9)	0.0	(22.0)	43.0	32.6
Gross margin (%)	13.0	6.9	18.5	18.8	18.8
Operating EBITDA margin (%)	11.1	13.1	12.7	12.1	11.8
Net profit margin (%)	4.0	3.9	2.0	2.3	2.7
Dividend payout ratio (%)	44.2	70.2	90.0	62.9	47.5
Capex/sales (%)	0.5	0.0	2.0	1.6	1.4
Interest cover (x)	1.88	1.59	1.24	1.40	1.59

Source: Company data, RHB

Results At a Glance

Figure 1: MRCB's results review

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
Revenue	**372.2**	**218.2**	**297.8**	**36.5**	(20.0)	**848.4**	**516.0**	(39.2)	Progress from construction projects.
EBIT	**72.2**	**29.0**	**26.9**	**(7.2)**	(62.7)	**112.7**	**55.9**	(50.4)	
EBIT margin (%)	*19.4*	*13.3*	*9.0*			*13.3*	*10.8*		
Interest expense	(26.9)	(27.4)	(27.7)	0.9	2.8	(50.8)	(55.1)	8.5	
Associates	3.6	3.4	3.1	(8.0)	(12.7)	17.2	10.1	(41.1)	
Pre-tax profit	**48.4**	**4.9**	**3.3**	(32.7)	(93.2)	**67.3**	**8.1**	(87.9)	
Pre-tax margin (%)	*13.0*	*2.2*	*1.1*	(50.7)	(91.6)	*7.9*	*1.6*	(80.2)	
Tax	2.9	3.7	11.5	>100	>100	(13.1)	15.3	>100	
Effective tax rate (%)	*(6.0)*	*(77.2)*	*(352.4)*			*19.4*	*(187.9)*		
Net profit	**51.2**	**8.6**	**15.1**	75.4	(70.6)	**54.2**	**23.7**	(56.3)	
Core profit	51.2	(14.0)	15.1	(207.5)	(70.6)	54.2	1.1	(98.1)	Below expectations.
Net margin (%)	*13.8*	*(6.4)*	*5.1*			*6.4*	*0.2*		

Source: Company data, RHB

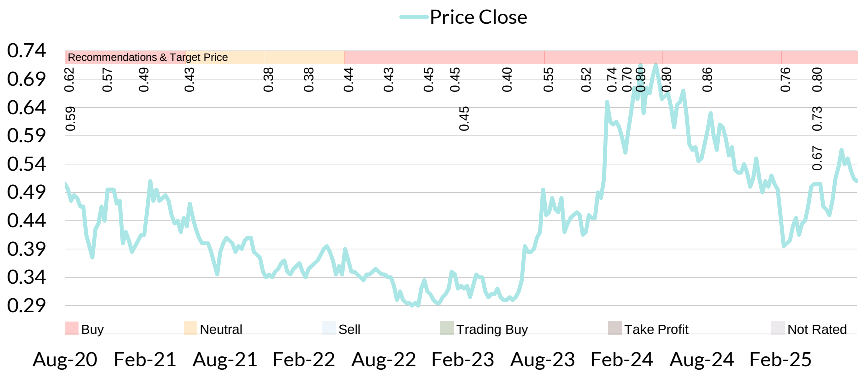
Figure 2: MRCB's SOP valuation

Items	P/E/ WACC/valuation	Equity value/surplus (MYRm)
Construction (FY26F earnings)	P/E of 18x	972.0
Surplus RNAV for property and investments	WACC of 11%	191.0
28% Sentral REIT	TP: MYR0.93	310.2
Kwasa Damansara PDP for infrastructure works (DCF)	WACC of 9%	50.8
Shareholders' Funds (ex-construction & REIT)		3,090.0
Total RNAV		4,614.0
Share base		4,467.5
RNAV per share		**1.03**
Discount [1]		35%
Intrinsic value/share (MYR)		**0.67**
ESG premium	4%	0.03
TP		**0.70**

Note 1: We believe a 35% discount to RNAV is justified. We think this is fair, taking into account the abundant prospects in the form of the Shah Alam Sports Complex, reinstatement of five LRT3 stations, flood mitigation projects and, potentially, the Penang LRT project.

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-06-01	Buy	0.67	0.51
2025-05-29	Buy	0.73	0.51
2025-05-18	Buy	0.80	0.51
2025-02-28	Buy	0.76	0.45
2025-01-23	Buy	0.86	0.52
2024-11-28	Buy	0.86	0.53
2024-09-01	Buy	0.86	0.55
2024-05-31	Buy	0.80	0.66
2024-04-01	Buy	0.80	0.66
2024-03-01	Buy	0.70	0.59
2024-01-26	Buy	0.74	0.65
2023-11-28	Buy	0.52	0.44
2023-10-12	Buy	0.55	0.49
2023-09-01	Buy	0.55	0.50
2023-05-30	Buy	0.40	0.31

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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