

28 February 2025

## Malaysian Resources Corp (MRC MK)

### Construction Arm Flexing Its Muscles; Stay BUY

- **BUY, new MYR0.76 TP from MYR0.86, 65% upside, 2% yield.** FY24 core earnings of MY63m (>100% YoY) made up 81% of our and Street's full-year estimates. The negative deviation came from the weaker-than-expected property segment. We view the sell-down on the stock as overdone, as Malaysian Resources Corp may start getting busy with the five reinstated Light Rail Transit 3 (LRT3) stations and redevelopment of KL Sentral in 2025. Valuation is undemanding – it trades at 0.4x FY25F P/BV or -1SD from the Bursa Malaysia Construction Index's 5-year mean.
- **Results review.** MRC's construction arm's EBIT saw a 91% YoY jump in FY24 due to progress of the LRT3 (96% financial progress) and Muara Sungai Pahang Phase 3 flood mitigation projects worth MYR280m (59% financial progress). Meanwhile, its property arm saw an FY24 operating loss of MYR17.6m (FY23 operating profit: MYR149m) due to the completion of Sentral Suites and TRIA 9 Seputeh in Mar 2023 and May 2023 plus its new projects that are in their early stages, eg VISTA Gold Coast in Australia and Residensi Tujuh. Completed unsold units here was at MYR397m as at end FY24 (end FY23: MYR389.4m).
- **MRC's unbilled construction orderbook as at end FY24** stood at MYR15bn (including the MYR11bn Bukit Jalil Sentral project), which provides earnings visibility of >3 years. The group just clinched a MYR2.5bn job to construct the five reinstated LRT3 stations and other related systems works. Future job prospects – aside from redevelopment of Shah Alam Sports Complex and KL Sentral – may come from flood mitigation projects and Penang International Airport expansion, amongst others.
- **MRC plans MYR3.9bn GDV worth of launches** in Malaysia, Australia, and New Zealand from now until end FY25. The VISTA project at Australia's Gold Coast (GDV: c.MYR1.5bn; launched in Apr 2023) has seen 59% of GDV sold as of Dec 2024 (end FY23: 16%). MRC has achieved MYR837m of property sales in FY24 vs its FY24 target of MYR877m. The group's property sales target in FY25 is MYR1bn, and we envisage the target as within reach, as Residensi Tujuh (GDV: MYR385m) has started contributing from 3Q24. Additional note: The delay in FY24 launches was due to the Kuala Lumpur City Hall's geotechnical report for building requirements.
- **We slash FY26F-27F earnings by 14% each**, as we tone down our progress billings for MRC's property projects. Hence, we arrive at a new SOP-derived TP of MYR0.76, which bakes in a 4% ESG premium. We also introduce FY27F earnings, which imputes new job wins of MYR1bn.
- **A factor that could re-rate the stock** is the potential participation of MRC in Penang Light Rail Transit project, either for the Komtar-Penang Sentral stretch or the systems package, which amounts to at least MYR4bn in total. Key downside risks include a slowdown in the property market and sluggish project roll outs.

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	2,537	1,645	2,889	3,064	3,137
Recurring net profit (MYRm)	(66)	64	75	80	83
Recurring net profit growth (%)	(241.9)	-	17.5	6.5	3.9
Recurring P/E (x)	na	32.28	27.47	25.80	24.83
P/B (x)	0.4	0.4	0.4	0.4	0.4
P/CF (x)	4.52	na	1.74	21.29	19.27
Dividend Yield (%)	2.2	2.2	2.2	2.2	2.2
EV/EBITDA (x)	10.28	15.44	7.41	7.29	8.85
Return on average equity (%)	2.2	1.4	1.6	1.7	1.8
Net debt to equity (%)	18.0	27.3	12.8	13.2	26.5

Source: Company data, RHB

Construction & Engineering | Construction

**Buy** (Maintained)

Target Price (Return):	MYR0.76 (65%)
Price (Market Cap):	MYR0.46 (USD462m)
ESG score:	3.2 (out of 4)
Avg Daily Turnover (MYR/USD)	4.68m/1.05m

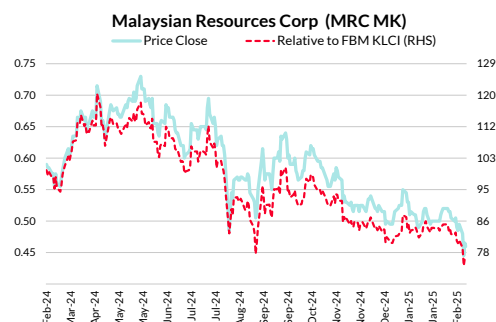
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(12.4)	(7.1)	(12.4)	(13.2)	(23.3)
Relative	(9.0)	(8.9)	(11.3)	(9.2)	(25.1)
52-wk Price low/high (MYR)				0.45	-0.73



Source: Bloomberg

#### 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

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In 2023, MRC's total Scope 2 emissions amounted to 18,751tCO2e, which is an increase of 7.8% when compared to 2021, but represents a 1% reduction compared to MRC's 2020 baseline.	Scope 1	2,061	3,851	na	na
	Scope 2	17,396	18,751	na	na
	Scope 3	13,590	17,520	na	na
	Total emissions	33,047	40,122	na	na
	Source: Company data, RHB				

Latest ESG-Related Developments

MRC is committed to the Science-Based Targets Initiative (SBTi) and will seek validation for our 2020 baseline year and reduction targets. Using the latest version of the SBTi Tool, and through the absolute contraction approach (ACA), MRC has set a Scope 1 and 2 emission reduction target of 21% by 2025.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 27 Feb 2025

E Score: 3.3 (EXCELLENT)

Achieved reduction in Scope 1 and Scope 2 carbon emissions intensity in 4Q24 vs the FY20 baseline.

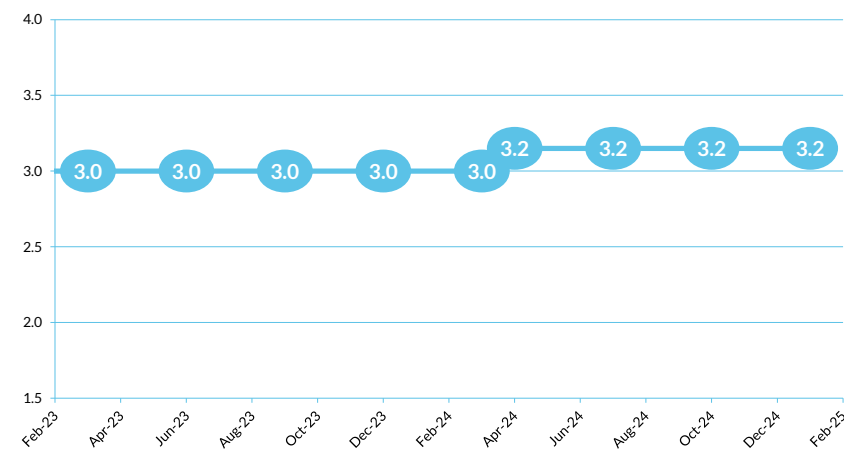
S Score: 3.0 (GOOD)

Efforts include being committed to local employment, using a mechanism to facilitate employee engagement, and 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 MRC's board members are independent, with full disclosure on director remuneration, which includes 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

28 February 2025

Construction &amp; Engineering | Construction

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
Malaysia	Recurring EPS	(0.01)	0.01	0.02	0.02	0.02
Construction & Engineering	DPS	0.01	0.01	0.01	0.01	0.01
<b>Malaysian Resources Corp</b>	BVPS	1.03	1.03	1.04	1.05	1.06
MRC MK	Return on average equity (%)	2.2	1.4	1.6	1.7	1.8
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
SOP valuation	Recurring P/E (x)	na	32.28	27.47	25.80	24.83
	P/B (x)	0.4	0.4	0.4	0.4	0.4
	FCF Yield (%)	21.5	(12.2)	55.1	2.3	2.8
	Dividend Yield (%)	2.2	2.2	2.2	2.2	2.2
<b>Key drivers</b>	EV/EBITDA (x)	10.28	15.44	7.41	7.29	8.85
i. New property sales;	EV/EBIT (x)	13.61	19.19	9.03	8.89	10.80
ii. Asset disposals;						
iii. New construction contracts.						
<b>Key risks</b>	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
A slowdown in the property market and sluggish project roll outs.	Total turnover	2,537	1,645	2,889	3,064	3,137
	Gross profit	331	113	534	570	583
	EBITDA	281	215	357	364	370
	Depreciation and amortisation	(69)	(42)	(64)	(66)	(67)
	Operating profit	212	173	293	298	303
	Net interest	(90)	(109)	(198)	(194)	(193)
	Pre-tax profit	134	75	139	148	154
	Taxation	(33)	(11)	(63)	(67)	(69)
	Reported net profit	101	64	75	80	83
	Recurring net profit	(66)	64	75	80	83
<b>Company Profile</b>	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
MRC 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.	Change in working capital	375	(346)	1,086	(7)	(1)
	Cash flow from operations	454	(251)	1,182	97	107
	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	1,662	1,640
	Net change in cash	408	487	391	(13)	(3)
	Ending balance cash	942	1,128	1,663	1,633	1,621
	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	972	999	1,662	1,640	1,006
	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	10,156	10,730	10,770
	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	5,504	6,042	6,042
	Total equity	4,600	4,620	4,652	4,689	4,729
	Total liabilities & equity	8,845	9,275	10,156	10,730	10,770
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(20.8)	(35.2)	75.6	6.1	2.4
	Recurrent EPS growth (%)	(241.9)	0.0	17.5	6.5	3.9
	Gross margin (%)	13.0	6.9	18.5	18.6	18.6
	Operating EBITDA margin (%)	11.1	13.1	12.3	11.9	11.8
	Net profit margin (%)	4.0	3.9	2.6	2.6	2.6
	Dividend payout ratio (%)	44.2	70.2	59.7	56.1	54.0
	Capex/sales (%)	0.5	0.0	1.7	1.6	1.6
	Interest cover (x)	1.88	1.59	1.49	1.52	1.54

Source: Company data, RHB

## Results At a Glance

Figure 1: MRC's results review

FYE Dec (MYRm)	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY(%)	Comments
Revenue	668.8	426.3	370.7	(13.0)	(44.6)	2,514.1	1,645.4	(34.6)	Progress from construction projects
EBIT	100.4	31.6	28.8	(8.8)	(71.3)	234.6	173.0	(26.2)	
EBIT margin (%)	15.0	7.4	7.8			9.3	10.5		
Interest expense	(25.9)	(31.9)	(26.1)	(18.0)	1.0	(112.8)	(108.8)	(3.5)	
Associates	3.6	3.4	3.1	(8.0)	(12.7)	17.2	10.1	(41.1)	
Pre-tax profit	79.7	2.3	5.4	>100	(93.2)	134.2	75.0	(44.1)	
Pre-tax margin (%)	11.9	0.5	1.5	>100	(87.8)	5.3	4.6	(14.6)	
Tax	0.4	6.3	(4.7)	>-100	>-100	(33.2)	(11.5)	(65.3)	
Effective tax rate (%)	(0.4)	(271.4)	87.7			24.7	15.3	(38.0)	Below expectations.
Net profit	80.2	8.9	0.6	(92.9)	(99.2)	101.0	63.7	(37.0)	
Core profit	80.2	8.9	0.6	(92.9)	(99.2)	(66.0)	63.7	>100	
Net margin (%)	12.0	2.1	0.2			(2.6)	3.9		

Source: Company data, RHB

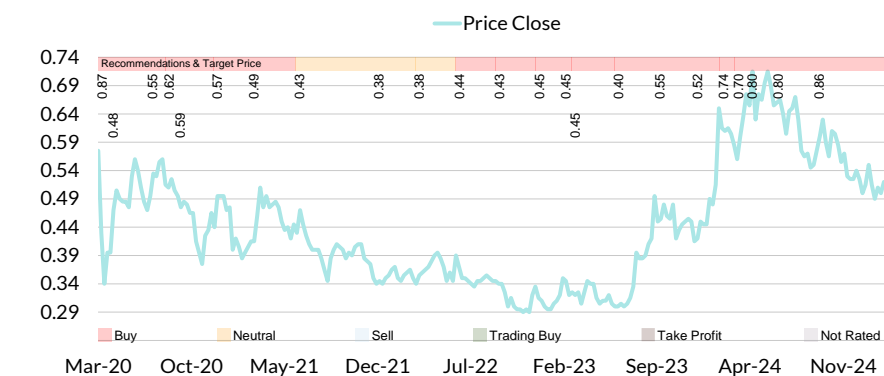
Figure 2: MRC's SOP valuation

Items	P/E/ WACC/valuation	Equity value/surplus (MYRm)
Construction (FY25F year earnings)	P/E of 18x	900.0
Surplus RNAV for property and investments	WACC of 11%	316.3
28% Sentral REIT	TP: 0.91	303.5
Kwasa Damansara PDP for infrastructure works (DCF)	WACC of 9%	71.5
Shareholders' Funds (ex-construction & REIT)		3,436.4
Total RNAV		5,027.7
Share base		4,467.5
RNAV per share		1.13
Discount <sup>(1)</sup>		35%
Intrinsic value/share (MYR)		0.73
ESG premium/discount	4%	0.03
TP		0.76

Note: We believe a 35% discount to RNAV is justified. We think this is fair, taking into account the abundant prospects in the form of MRT3, reinstatement of five LRT3 stations, flood mitigation projects, and potentially Penang LRT

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2023-02-21	Buy	0.45	0.32
2023-01-30	Buy	0.45	0.33
2022-12-01	Buy	0.45	0.33
2022-08-31	Buy	0.43	0.35

Source: RHB, Bloomberg

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

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