UOBKH HIGHLIGHTS

Malaysian Resources Corporation (MRC MK/HOLD/RM0.505/Target:RM0.46)

2Q25: Within Expectations; Better 2H25 Expected

Year to 31 Dec	1Q25 (RMm)	qoq % chg	yoy % chg	1H25 (RMm)	yoy % chg
Revenue	**297.8**	**36.5**	**(20.0)**	**516.0**	**(39.2)**
- Property Development	28.5	(38.0)	(60.0)	74.5	(56.0)
- Construction	248.2	62.6	(12.1)	400.9	(37.6)
- Others	21.0	7.8	13.2	40.5	11.4
EBIT	**27.6**	**(7.6)**	**(59.1)**	**57.5**	**(47.0)**
- Property Development	12.1	381.0	146.9	7.8	153.6
- Construction	14.4	81.2	(83.7)	22.3	(78.9)
- Others	1.2	(95.5)	(77.4)	27.5	60.0
PBT	**3.3**	**(32.7)**	**(93.2)**	**8.1**	**(87.9)**
PATAMI	**15.1**	**75.4**	**(70.6)**	**23.7**	**(56.3)**
Core PATAMI/(LATAMI)	**15.1**	**207.5**	**(70.6)**	**23.7**	**(56.3)**
Margins	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**
EBIT - Property Development	42.3	51.7	78.5	10.4	19.0
EBIT - Construction	5.8	0.6	(25.4)	5.6	(10.9)
PBT	1.1	(1.1)	(11.9)	1.6	(6.4)
PATAMI	5.1	1.1	(8.7)	4.6	(1.8)
Core PATAMI	5.1	11.5	(8.7)	4.6	(1.8)

Year to 31 Dec (RMm)	2023	2024	2025F	2026F
Net Turnover	2,514	1,645	1,819	2,225
Net Profit (Adjusted)	(66)	64	33	98
EPS (sen)	(1.5)	1.4	0.7	2.2
PE (x)	n.a.	32.3	62.1	21.1
PB (x)	0.4	0.4	0.4	0.4

Source: MRCB, UOB Kay Hian

RESULTS

- **Within expectations.** Malaysia Resources Corporation (MRCB) reported a 2Q25 core net profit of RM15m (1Q25: RM14m core net losses) on the back of higher revenue of RM297.8m (+36% qoq, -20% yoy). 1H25 earnings declined yoy, mainly dragged by the construction segment's lower EBIT following lower progress billing from the LRT3 project which nears completion, besides lower property sales. 1H25 earnings made up only 3% of our 2025 forecasts, but were deemed within expectations as we expect 2H25 earnings to be better, reflecting better progress billings and property sales.

STOCK IMPACT

- **Property development segment: Earnings weakness may only see better improvement towards 2026-27.** The property development segment posted a higher operating profit (EBIT) of RM12.1m (2Q24: RM25.2m losses) despite a lower revenue of RM29m (-38% qoq, -60% yoy) in 2Q25. The property development segment's revenue was lower due to diminishing inventory of remaining completed units and softer sales, but EBIT improved as there was a write-back of a provision for costs related to completed projects which are no longer required. In 2Q25, the group recorded property sales of RM453m (-9% yoy), with 83% from ongoing projects and 17% from completed projects.

  Near-term earnings may gradually improve with better sales of unsold projects under development and completed unsold units (total value of RM668.8m). Despite the group's unbilled sales surging to RM1,060.8m (1Q25: RM753.6m), we deem that the bulk of these unbilled sales are from the Australian projects (VISTA, Gold Coast) which can be booked only in late-26 or early-27 upon project completion. Positively, the group also targets to launch several new property projects with a total GDV of RM2.8b in 2025, which should contribute positively to the property segment's earnings moving forward.

- **Construction segment: Dragged by lower progress billings.** On the other hand, the construction division also recorded a lower EBIT of RM14.4m (-84%yoy) on the back of a lower revenue of RM248m (-12% yoy). This mainly reflects lower progress billings from ongoing projects (mainly LRT3, Muara Sg Pahang Phase 3 and Sg Langat Phase 2 flood mitigation projects). As of 2Q25, the group has an unbilled construction orderbook of RM6.3b and tenderbook of RM6b. Notably, ytd job wins for the group reached RM5.6b, bringing the orderbook to RM18b. MRCB also intends to participate in the Penang Airport Expansion and Segment 3 of Penang LRT's tenders. These will continue to support earnings and provide long-term growth opportunities.

EARNINGS REVISION

- **None.**

VALUATION/RECOMMENDATION

- **Maintain HOLD and target price of RM0.46.** Our target price is based on a 25% discount to our SOTP valuation of RM0.62/share, implying 21x 2026F PE (-1SD below five-year mean).

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