

## UOBKH HIGHLIGHTS

### Malaysian Resources Corporation (MRC MK/HOLD/RM0.70/Target:RM0.53)

1Q24: Below Expectations; Weaker Earnings From Property Development And Construction Divisions

#### 1Q24 RESULTS

RESULTS SUMMARY					EARNINGS FORECASTS SUMMARY				
Year to 31 Dec (RMm)	4Q23	1Q24	qoq % chg	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
<b>Revenue</b>	<b>668.8</b>	<b>476.2</b>	(28.8)	(35.8)	Net Turnover	2,514	1,943	2,064	2,225
- Property Development	252.4	98.1	(61.1)	(63.4)	Net Profit (Adjusted)	(66)	37	44	47
- Construction	398.7	360.3	(9.6)	(21.4)	EPS (sen)	(1.5)	0.8	1.0	1.1
- Others	17.8	17.8	0.1	12.7	PE (x)	n.a.	82.1	70.0	65.0
<b>EBIT</b>	<b>99.9</b>	<b>40.9</b>	(59.1)	(8.6)	PB (x)	0.7	0.6	0.6	0.5
- Property Development	113.2	11.2	(90.1)	(66.3)					
- Construction	(0.3)	17.8	5,959.7	145.9					
- Others	(12.9)	11.9	191.9	182.5					
<b>PBT</b>	<b>79.7</b>	<b>19.0</b>	(76.2)	(7.7)					
<b>PATAMI</b>	<b>80.2</b>	<b>3.0</b>	(96.3)	(64.6)					
<b>Core PATAMI/(LATAMI)</b>	<b>(87.0)</b>	<b>3.0</b>	103.5	(64.6)					
<b>Margins (%)</b>			<b>+/-ppt</b>	<b>+/-ppt</b>					
EBIT - Property Development	44.8	11.5	(33.4)	(1.0)					
EBIT - Construction	(0.1)	4.9	5.0	3.4					
PBT	11.9	4.0	(7.9)	1.2					
PATAMI	12.0	0.6	(11.4)	(0.5)					
Core PATAMI	(13.0)	0.6	13.6	(0.5)					

Source: MRCB, UOB Kay Hian

#### RESULTS

- **Below expectations.** Malaysia Resources Corporation (MRCB) reported a 1Q24 core net profit of RM3.0m (+103.5% qoq, -64.6% yoy) on a revenue of RM476.2m (-28.8% qoq, -35.8% yoy). We deem 1Q24 earnings below expectations, accounting for only 7% of our forecast and 5% of consensus estimates. The negative deviation mainly stemmed from weaker-than-expected earnings from both the property development and construction segments as well as higher tax expenses.

#### STOCK IMPACT

- **Property development segment: Earnings weakness to persist in the near term.** The property development segment posted a lower operating profit (EBIT) of RM11.2m (-90.1% qoq, -66.3% yoy) on a lower revenue of RM98.1m (-61.1% qoq, -63.4% yoy) in 1Q24. The lower revenue and profit were due to the completion of Sentral Suites and TRIA 9 Seputeh in 2023 coupled with the slow pick up in other projects' sales. Ytd, the group has recorded property sales of RM268.1m (64% from ongoing projects and 36% from completed projects). Near-term earnings would be mainly anchored by unsold projects under development and completed unsold units with a total value of RM470.2m. Meanwhile, its unbilled sales stood at RM387.3m as of 1Q24. However, the bulk of the unbilled is from the project in Australia namely VISTA, Gold Coast which can be booked in only upon the project completion in late-26 or early-27. The group also targets to launch several new property projects with a total GDV of RM3.6b in 2024 and RM1.7b in 2025.
- **Construction segment: Weighed down by lower progress billings.** On the other hand, the construction division recorded a higher EBIT of RM17.8m (+5,959.7% qoq, +145.9% yoy) despite a lower revenue of RM360.3m (-9.6% qoq, -21.4% yoy) weighed down by lower progress billings from ongoing projects (mainly LRT3 and Muara Sg Pahang Phase 3 project). As of 1Q24, the group's unbilled outstanding orderbook stood at RM15.3b. Its tenderbook currently stands at RM33b which may provide long-term growth opportunities.

#### EARNINGS REVISION

- **Cut 2024/25/26 forecasts by 8%/11%/12% respectively,** as we lowered profit margins for both the construction and property segments.

#### VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of RM0.53 (from RM0.37 previously),** upon raising valuation for its property development division on higher launches in 2024-25 and a lower RNAV discount of 30% (from 50%). Our target price is based on a 20% discount to our SOTP valuation of RM0.66/share. Our ascribed discount is justified by the relatively muted outlook in its property development division as well as a lack of clarity in its orderbook replenishment prospects.

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