

UOBKH HIGHLIGHTS

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

1Q25: Below Expectations; Lacklustre Quarter With Weakness Across Both Construction And Property Segments

Year to 31 Dec	1Q25 (RMm)	qoq % chg	yoy % chg	Year to 31 Dec (RMm)	2023	2024	2025F	2026F
Revenue	218.2	(41.1)	(54.2)	Net Turnover	2,514	1,645	1,819	2,225
- Property Development	46.0	(11.8)	(53.1)	Net Profit (Adjusted)	(66)	64	33	98
- Construction	152.7	(48.8)	(57.6)	EPS (sen)	(1.5)	1.4	0.7	2.2
- Others	19.5	(4.3)	9.7	PE (x)	n.a.	32.3	62.1	21.1
EBIT	29.9	(1.9)	(26.9)	PB (x)	0.4	0.4	0.4	0.4
- Property Development	(4.3)	(432.8)	(138.3)					
- Construction	7.9	(63.2)	(55.4)					
- Others	26.3	169.5	121.0					
PBT	4.9	(10.0)	(74.4)					
PATAMI	8.6	1,265.7	186.1					
Core PATAMI/(LATAMI)	(14.0)	(2,327.3)	(566.7)					
Margins	%	+/- ppt	+/- ppt					
EBIT - Property Development	(9.3)	(7.8)	(20.8)					
EBIT - Construction	5.2	(2.0)	0.3					
PBT	2.2	0.8	(1.8)					
PATAMI	3.9	3.8	3.3					
Core PATAMI	(6.4)	(6.6)	(7.1)					

Source: MRCB, UOB Kay Hian

RESULTS

- **Below expectations.** Malaysian Resources Corporation (MRCB) reported lacklustre 1Q25 core net losses of RM14m (1Q24: RM3m core net profit) on the back of a lower revenue of RM218.2 (-41% qoq, -54% yoy). This is after stripping out an exceptional gain of RM22.6m from the disposal of 70% equity interest in CSB Development in Mar 25. The 1Q25 earnings decline was mainly due to the construction segment's lower EBIT following lower progress billings from the near-complete LRT3 project. 1Q25 earnings were below both our and consensus expectations due to core losses (consensus 2025 net profit forecast: RM57m).

STOCK IMPACT

- **Property development segment: Earnings weakness may only see better improvement towards 2026-27.** The property development segment posted a lower operating profit (EBIT), turning into losses of RM4.3m (1Q24: RM11.2m EBIT) on lower revenue of RM46m (-12% qoq, -53% yoy) in 1Q25. The weaker earnings mainly reflect lower sales following the completion of Sentral Suites and TRIA 9 Seputeh in 2023, besides a slower pick-up in other projects' sales. In 1Q25, the group recorded property sales of RM99.5m (-63% yoy), with 68% from ongoing projects and 32% from completed projects.

Near-term earnings may gradually improve with better sales of unsold projects under development and completed unsold units (total value of RM692.6m). Despite the group's unbilled sales surging to RM753.6m (4Q24: RM631.3m), the bulk of these unbilled sales are from the Australian projects (VISTA, Gold Coast) which can only be booked 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 RM3.5b 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 RM7.9m (-63% qoq, -55% yoy) on the back of a lower revenue of RM153m (-49% qoq, -58% 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 1Q25, the group had an unbilled construction orderbook of RM3.4b and tenderbook of RM1.7b. Notably, ytd job wins for the group reached RM5.6b, bringing the orderbook to RM14.9b. 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

- **Reduced our 2025 earnings forecasts by 49%,** as we cut earnings and margins for the construction segment to reflect slower progress billings and margin compression on higher input costs.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a lower target price of RM0.46 (from RM0.50 previously).** 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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