

## UOBKH HIGHLIGHTS

### Malaysian Resources Corporation (MRC MK/BUY/RM0.525/Target:RM0.62)

3Q24: Below Expectations; Weaker Earnings Dragged By Both Construction And Property Development Divisions

#### 3Q24 RESULTS

##### RESULTS SUMMARY

Year to 31 Dec (RMm)	3Q24	qoq % chg	yoy % chg	9M24	yoy % chg
<b>Revenue</b>	<b>426.3</b>	<b>14.6</b>	<b>(15.4)</b>	<b>1,274.7</b>	<b>(30.9)</b>
- Property Development	65.1	(8.7)	(27.7)	234.5	(49.0)
- Construction	342.2	21.2	(13.9)	984.8	(26.4)
- Others	19.0	2.4	17.1	55.4	15.7
<b>EBIT</b>	<b>44.6</b>	<b>(34.0)</b>	<b>(5.3)</b>	<b>153.0</b>	<b>22.3</b>
- Property Development	(2.3)	91.0	(184.8)	(16.8)	(147.2)
- Construction	39.1	(55.6)	(12.3)	144.9	65.3
- Others	7.8	48.4	3,196.4	25.0	1,302.2
<b>PBT</b>	<b>2.3</b>	<b>(95.2)</b>	<b>(87.5)</b>	<b>69.6</b>	<b>27.7</b>
<b>PATAMI</b>	<b>8.9</b>	<b>(82.7)</b>	<b>506.8</b>	<b>63.0</b>	<b>203.1</b>
<b>Core PATAMI/(LATAMI)</b>	<b>8.9</b>	<b>(82.7)</b>	<b>506.8</b>	<b>63.0</b>	<b>203.1</b>
<b>Margins (%)</b>		<b>+/-ppt</b>	<b>+/-ppt</b>		<b>+/-ppt</b>
EBIT - Property Development	(3.6)	32.5	(6.6)	(7.2)	(14.9)
EBIT - Construction	11.4	(19.8)	0.2	14.7	8.2
PBT	0.5	(12.4)	(3.2)	5.5	2.5
PATAMI	2.1	(11.7)	1.8	4.9	3.8
Core PATAMI	2.1	(11.7)	1.8	4.9	3.8

Source: MRCB, UOB Kay Hian

##### EARNINGS FORECASTS SUMMARY

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net Turnover	2,514	1,943	2,064	2,225
Net Profit (Adjusted)	-66	77	84	99
EPS (sen)	(1.5)	1.7	1.9	2.2
PE (x)	n.a.	30.4	28.0	23.7
PB (x)	0.5	0.5	0.4	0.4

#### RESULTS

- **Below expectations.** Malaysia Resources Corporation (MRCB) reported a lacklustre 3Q24 core net profit of RM8.9m (-83% qoq, +507% yoy) on the back of lower revenue of RM426.3m (+15% qoq, -15% yoy). 3Q24 earnings decline was mainly due to the construction segment's lower EBIT following lower progress billings from the LRT3 project which is nearing completion. 9M24 earnings were below our expectations but above consensus', accounting for 68% and 93% of our and consensus' full-year estimates respectively.

#### STOCK IMPACT

- **Property development segment: Earnings weakness may see better improvement towards 4Q24-1H25.** The property development segment posted a lower operating profit (EBIT), turning into losses of RM2.3m (3Q23: RM2.7m EBIT) on lower revenue of RM65.1m (-9% qoq, -28% yoy) in 3Q24. The weaker earnings mainly reflect lower sales following completion of Sentral Suites and TRIA 9 Seputeh in 2023, besides slower pick-up in other projects' sales. Ytd, the group has recorded property sales of RM637.3m (67% from ongoing projects and 33% from completed projects).

Near-term earnings may gradually improve with better sales of unsold projects under development and completed unsold units (total value of RM716.3m). Despite the group's unbilled sales surging to RM630.5m (2Q24: RM558.7m), we deem that 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 RM1.9b in 2024 and RM4.3b in 2025, which shall 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 RM39m (-56% qoq, +12% yoy) on the back of a lower revenue of RM342m (+21% qoq, -14% yoy). This mainly reflects lower progress billings from ongoing projects (mainly the LRT3 and Muara Sg Pahang Phase 3 projects). As of 3Q24, the group has an unbilled construction orderbook of RM15b and tenderbook of RM29b, which will continue to support earnings and provide long-term growth opportunities.

#### EARNINGS REVISION

- **Reduced 2024 earnings forecasts by 18%**, as we cut earnings for the construction segment to reflect slower progress billings and margin compression on higher input costs.

#### VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM0.62 (from RM0.65 previously).** Our target price is based on a 20% discount to our SOTP valuation of RM0.77/share, implying 28x 2025F PE (pre-pandemic five-year mean).

#### ANALYST

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