

UOBKH HIGHLIGHTS

Malaysian Resources Corporation (MRC MK/HOLD/RM0.59/Target:RM0.37)

4Q23: Below Expectations

4Q23 RESULTS

Year to 31 Dec (RMm)	4Q23	qoq % chg	yoy % chg	2023	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Revenue	668.8	32.8	(19.8)	2,514.1	(21.6)	Net Turnover	2,514	2,183	2,372	2,558
- Property Development	252.4	180.3	(3.3)	711.9	(22.2)	Net Profit (Adjusted)	(66)	41	49	54
- Construction	398.7	0.3	(28.6)	1,736.6	(22.3)	EPS (sen)	(1.5)	0.9	1.1	1.2
- Others	17.8	9.4	25.8	65.6	15.5	PE (x)	n.a.	64.5	53.2	48.8
EBIT	99.9	112.2	69.9	225.0	(6.5)					
- Property Development	113.2	4,025.3	117.5	148.8	(15.7)					
- Construction	(0.3)	(100.7)	(103.5)	87.3	24.9					
- Others	(12.9)	(5,011.1)	(587.5)	(11.1)	(88.3)					
PBT	79.7	326.9	111.2	134.2	(13.0)					
PATAMI	80.2	5,395.2	516.3	101.0	55.8					
Core PATAMI/(LATAMI)	(87.0)	(6,056.8)	(768.1)	(66.2)	(202.0)					
Margins (%)		+/-ppt	+/-ppt		+/-ppt					
EBIT - Property Development	44.8	41.8	24.9	20.9	1.6					
EBIT - Construction	(0.1)	(11.3)	(1.6)	5.0	1.9					
PBT	11.9	8.2	7.4	5.3	0.5					
PATAMI	12.0	11.7	10.4	4.0	2.0					
Core PATAMI	(13.0)	(13.3)	(14.6)	(2.6)	(4.7)					

Source: MRCB, UOB Kay Hian

RESULTS

- **Below expectations.** Malaysia Resources Corporation (MRCB) reported a 4Q23 core net loss of RM87.0m on a revenue of RM668.8m (-32.8% qoq, -19.8% yoy). Subsequently, it recorded a 2023 core net loss of RM66.2m (-202.0% yoy), which came in below expectations compared to our net profit forecast of RM33.2m and consensus estimate of RM38.6m. The negative deviation was mainly due to weaker-than-expected earnings from both the property development and construction segments as well as higher tax expenses.

STOCK IMPACT

- **Property development segment: Weaker performance masked by disposal gains.** The property development segment posted higher operating profit (EBIT) of RM113.2m (+4,025.3% qoq, +117.5% yoy) on revenue of RM252.4m (+180.3% qoq, -3.3% yoy) in 4Q23, mainly boosted by RM167.2m in gains on disposal of Menara CelcomDigi and Plaza Alam Sentra. Stripping off these one-off disposal gains, the segment would have made core operating losses of RM54.0m mainly due to the completion of Sentral Suites and TRIA 9 Seputeh. Full-year 2023 new property sales increased RM831.3m (up 70.4% yoy from RM487.9m in 2022), driven by sustained buying interests in its completed projects which made up 69% of the sales. Its unbilled sales of RM234.9m as of end-23 will also help to anchor earnings in 2024.
- **Construction segment: Dragged by substantially lower profit margins.** Meanwhile, the construction division recorded operating losses of RM0.3m (-100.7% qoq, -103.5% yoy) on revenue of RM398.7m (+0.3% qoq, -28.6% yoy), dragged by substantially lower profit margin as some existing projects reached their completion. As of end-23, the group's unbilled outstanding orderbook stood at RM15.7b, which would provide long-term earnings visibility. Its tenderbook remains unchanged at RM30b which may provide growth opportunities.

EARNINGS REVISION

- **Cut 2024/25 forecasts by 21%/26% respectively,** as we lower profit margins for both the construction and property segments while introducing 2026 earnings.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a slightly lower target price of RM0.37 (from RM0.40 previously),** upon tweaking 2024 earnings. Our target price is based on a 30% discount to our SOTP valuation of RM0.53/share and implies around 41x 2024F PE which is higher than its five-year average forward PE of 24 x. 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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