

UOBKH HIGHLIGHTS

Malaysian Resources Corporation (MRC MK/HOLD/RM0.46/Target: RM0.50)

4Q24: Below Expectations; Unexciting Earnings Dragged By Both Construction And Property Development Divisions

Year to 31 Dec (RMm)	4Q24	qoq % chg	yoy % chg	2024	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Revenue	370.7	(13.0)	(44.6)	1,645.4	(34.6)	Net Turnover	2,514	1,600	2,064	2,225
- Property Development	52.2	(19.9)	(79.3)	286.7	(59.7)	Net Profit (Adjusted)	(66)	64	65	99
- Construction	298.2	(12.9)	(25.2)	1,283.0	(26.1)	EPS (sen)	(1.5)	1.4	1.4	2.2
- Others	20.4	7.1	14.6	75.7	15.4	PE (x)	n.a.	32.3	31.8	20.8
EBIT	30.5	(31.7)	(69.5)	183.5	(18.5)	PB (x)	0.4	0.4	0.4	0.4
- Property Development	(0.8)	65.3	(100.7)	(17.6)	(111.8)					
- Construction	21.5	(45.0)	7,202.0	166.4	90.5					
- Others	9.8	24.5	175.4	34.8	411.7					
PBT	5.4	131.6	(93.2)	75.0	(44.1)					
PATAMI	0.6	(92.9)	(99.2)	63.7	(37.0)					
Core PATAMI/(LATAMI)	0.6	(92.9)	100.7	63.7	196.2					
Margins	%	+/- ppt	+/- ppt	%	+/- ppt					
EBIT - Property Development	(1.5)	2.0	(46.4)	(6.2)	(27.1)					
EBIT - Construction	7.2	(4.2)	7.3	13.0	7.9					
PBT	1.5	0.9	(10.5)	4.6	(0.8)					
PATAMI	0.2	(1.9)	(11.8)	3.9	(0.1)					
Core PATAMI	0.2	(1.9)	13.2	3.9	6.5					

Source: MRCB, UOB Kay Hian

RESULTS

• **Below expectations.** Malaysia Resources Corporation (MRCB) reported a lacklustre 4Q24 core net profit of RM0.6m (-93% qoq, +101% yoy) on the back of a lower revenue of RM370.7m (-13% qoq, -45% yoy). The 4Q24 earnings decline was mainly due to the construction segment's lower EBIT following lower progress billing from the LRT3 project which nears completion. 2024 earnings were below our expectations but above consensus', accounting for 83% and 80% of our and consensus' full-year estimates respectively.

STOCK IMPACT

• **Property development segment: Earnings weakness may only see stronger improvement towards 2026-27.** The property development segment posted a lower operating profit (EBIT), slipping into losses of RM0.8m (4Q23: RM113.2m EBIT) on a lower revenue of RM52.2m (-20% qoq, -79% yoy) in 4Q24. 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. Ytd, the group has recorded property sales of RM836m (60% from ongoing projects and 40% from completed projects).

Near-term earnings may improve gradually with better sales of unsold projects under development and completed unsold units (total value of RM680.9m). Although the group's unbilled sales surged to RM631.3m (3Q24: RM630.5m), 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 RM3.9b 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 RM22m (-45% qoq) on the back of a lower revenue of RM298m (-13% qoq, -25% 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 4Q24, the group had an unbilled construction orderbook of RM14.7b and tenderbook of RM1.6b. Notably, the group has just secured a RM2.47b contract for the construction of five reinstated LRT3 stations, bringing orderbook to about RM17.2b. 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

• **We reduced our 2025 earnings forecasts by 23%**, as we cut earnings for the construction segment to reflect slower progress billing and margin compression on higher input costs.

VALUATION/RECOMMENDATION

• **Downgrade to HOLD with a lower target price of RM0.50 (from RM0.62 previously).** Our target price is based on a 30% discount to our SOTP valuation of RM0.71/share, implying 21x 2025F PE (-1SD below 5-years mean).

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