

Malaysian Resources Corporation (MRC MK/HOLD/RM0.31/Target:RM0.34)

2025: Within Expectations; Soft Property Segment Dragged 2025 Earnings

Highlights

- **Within expectations.** Malaysia Resources Corporation (MRCB) reported a 4Q25 core net profit of RM18.6m (+281% qoq; +2849% yoy) on the back of improving revenue of RM371.8m (+20% qoq, +0.3% yoy). 2025 earnings declined yoy, mainly dragged by the construction segment's lower EBIT following lower progress billing from the LRT3 project which nears completion, alongside lower property sales. 2025 earnings were within our but above consensus expectations, making up about 97% and 126% of our and consensus full-year forecasts respectively.
- **Property development segment: Earnings weakness may only see better improvement towards 2026-27.** The property development segment posted operating losses (LBIT) of RM29.9m (from RM12.3m EBIT in 3Q25) despite higher revenue of RM81m (+86% qoq) in 4Q25. Overall, the property development segment's revenue was lower in 2025 (-30% yoy) due to diminishing inventory of remaining completed units and lower sales, but LBIT narrowed as there was a write-back of a provision for costs related to completed projects which are no longer required. In 2025, the group recorded property sales of RM927m (+11% yoy), with 81% from ongoing projects and 19% from completed projects.
- **Near-term earnings may gradually improve with better sales of unsold projects under development and completed unsold units (total value of RM613.7m).** Despite the group's unbilled sales surging to RM1,397.7m (3Q25: RM1,382.4m), we note 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 RM2.2b in 2026, which will contribute positively to the property segment's earnings moving forward.
- **Construction segment: Dragged by lower progress billings.** On the other hand, the construction division recorded a lower EBIT of RM118m (-29% yoy) on the back of a lower revenue of RM916m (-29% yoy) in 2025. This mainly reflects lower progress billings from ongoing projects (mainly LRT3, Muara Sg Pahang Phase 3 and Sg Langat Phase 2 flood mitigation projects), and minimal recognition from Kompleks Sukan Shah Alam (early construction stage) and reinstated LRT3 stations (still in design stages).
- **As of end-4Q25, the group had an unbilled construction orderbook of RM5.7b and a tenderbook of RM8.4b.** Notably, 2025 job wins for the group reached RM5.5b, bringing MRCB's orderbook to RM18b. These will continue to support earnings and provide long-term growth opportunities.

Earnings Revision/Risk

- **Cut our 2026 earnings forecast by 43%** as we lower our property sales assumptions and progress billing for the construction segment.
- **Maintain HOLD with lower target price of RM0.34 (from RM0.46).** Our target price is based on a 25% discount to our SOTP valuation of RM0.46/share, implying 21x 2027F PE (-1SD below 5-years mean).

9M25 Results						Key Financials				
Year to 31 Dec	4Q25 (RMm)	qoq % chg	yoy % chg	2025 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Revenue	371.8	19.9	0.3	1,197.8	(27.2)	Net Turnover	1,198	1,673	2,136	2,160
- Property Development	81.4	85.5	56.0	199.8	(30.3)	Net Profit (Adjusted)	47	56	71	95
- Construction	268.7	9.0	(9.9)	916.1	(28.6)	EPS (sen)	1.1	1.2	1.6	2.1
- Others	21.7	10.0	6.5	81.9	8.1	PE (x)	43.7	37.0	28.8	21.6
EBIT	60.4	149.0	98.2	142.2	(22.5)	PB (x)	0.4	0.4	0.2	0.1
- Property Development	(29.9)	(342.7)	(3,599.5)	(9.8)	44.6					
- Construction	81.6	472.5	279.0	118.1	(29.0)					
- Others	8.7	478.5	(11.0)	33.9	(2.6)					
PBT	41.5	76.2	669.3	73.2	(2.5)					
PATAMI	18.6	281.1	2,849.4	47.1	(26.1)					
Core PATAMI/(LATAMI)	18.6	281.1	2,849.4	47.1	(26.1)					
Margins	%	+/- ppt	+/- ppt	%	+/- ppt					
EBIT - Property Development	(36.7)	(64.7)	(35.1)	(4.9)	1.3					
EBIT - Construction	30.4	24.6	23.1	12.9	(0.1)					
PBT	11.2	3.6	9.7	6.1	1.5					
PATAMI	5.0	3.4	4.8	3.9	0.1					
Core PATAMI	5.0	3.4	4.8	3.9	0.1					

Source: MRCB, Bloomberg, UOB Kay Hian

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