Corporate Update

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

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Maintain BUY

Unchanged Target Price **RM0.67**

Blueprint for Growth: MRCB's Dual Success

Maintain BUY. We are maintaining our earnings estimates as the recently announced joint venture for Hospital Putra and the Ipoh Sentral TOD project are within expectations and aligned with MRCB's replenishment strategy. The projects are not expected to materially impact MRCB's net assets or earnings for FY24/25. Earnings recognition for Hospital Putra is expected to commence progressively as the project reaches significant milestones, while Ipoh Sentral's phased development timeline points to earnings contributions starting from FY26 and spanning up to 20 years. We maintain our TP at **RM0.67**, pegged to a +1SD historical-forward P/B ratio of 0.64x on the group's estimated FY25F BVPS of RM1.04. These wins strengthen MRCB's project pipeline and reinforce confidence in its ability to deliver sustainable long-term growth.

Joint Venture finalized. On 24 January 2025**,** MRCB Land Sdn Bhd (MLSB), a wholly owned subsidiary of MRCB, entered into a Joint Venture and Shareholders' Agreement (JVSA) with PM Multilink Sdn Bhd (PMM), a subsidiary of Melaka Corporation. The joint venture, through Majestic Quest Sdn Bhd, is structured as 70% MLSB and 30% PMM**,** to develop Hospital Putra in Melaka Tengah**.**

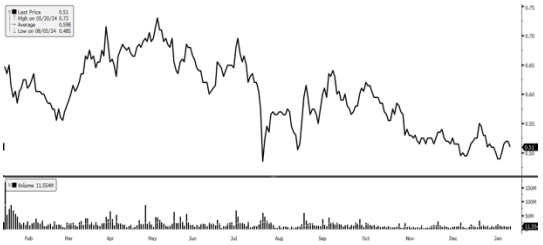
Hospital development details. The hospital, strategically located in Mukim Bukit Baru**,** is within 6 km of the Ayer Keroh toll and 2 km from the Melaka International Trade Centre (MITC)**,** offering excellent accessibility. The Gross Development Cost (GDC) for Phase 1 is estimated at RM520m. Phase 1 will feature:

- A 300-bed multidisciplinary facility with expansion potential
- Centres of Excellence for cardiac and orthopaedic services.
- Approximately 100 consultant suites and space for ancillary services like laboratory and pathology.

Future phases and strategic vision. Subsequent phases will establish the site as an integrated healthcare and lifestyle hub, set to include hotels, retail, and commercial spaces, rehabilitation and wellness centres, aged care facilities, and serviced residences. These developments aim to cement Melaka's position as a regional healthcare and medical tourism hub, boosting the state's economy and attracting international and regional visitors. The project will meet growing healthcare needs, while also generating opportunities for research and education, in addition to advanced medical care. It will also lead to job creation and economic development, contributing to Melaka's growth trajectory. Datuk Imran Salim, the Group Managing Director of MRCB emphasized MRCB's commitment to healthcare infrastructure and economic development, calling the project a transformative step for the region.

RETURN STATISTICS	
Price @ 24 January 2025 (RM)	0.51
Expected share price return (%)	+31.4
Expected dividend yield (%)	+1.5
Expected total return (%)	+32.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.0	4.5
3months	-2.9	-10.4
12 months	-21.5	-24.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	2,918.5	3,064.4	3,217.7
EBIT	277.3	291.1	313.7
Profit Before Tax	160.5	168.5	177.0
Core PATAMI	73.0	79.7	83.7
Core EPS	1.6	1.8	1.9
DPS	1.0	1.0	1.0
Dividend Yield	1.5	1.5	1.5

KEY STATISTICS	
FBM KLCI	1,573.73
Issued shares (m)	4467.51
Estimated free float (%)	38.27
Market Capitalisation (RM'm)	2,278.43
52-wk price range	RM0.47 - RM0.74
3-mth average daily volume (m)	10.91
3-mth average daily value (RM'm)	5.77
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35

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Revenue recognition process updates. Following a recent call with management, MRCB recognizes construction revenue on a progressive basis, with work being booked as revenue once certified by architects and issued with a certificate. Clients are billed upon certification for completed phases, such as foundation work, while upfront payments for preliminaries ensure cash flow security. Subcontractors are paid only after client payments are received, prioritizing upstream payments before downstream disbursements. Revenue recognition typically follows an S-curve pattern, starting minimally during initial stages, peaking during active construction, and tapering off near project completion. Settling final accounts and variation orders often takes time post-completion. For property developments, residential revenue is recognized progressively based on the percentage of construction completed and units sold. High-rise projects face minimal recognition during the first 18 months due to substructure and podium-level work. Commercial properties depend on pre-sale or pre-let status, with pre-sold projects recognized similarly to construction and pre-let projects recognized after rental income or sale to REITs or institutional buyers.

Strengthened project pipeline and order book. MRCB's announcement of two transformative projects in quick succession—the RM6.26b Ipoh Sentral Transit-Oriented Development (TOD) and the RM520m Hospital Putra development—highlights the company's robust project acquisition momentum. These new additions have significantly bolstered MRCB's construction order book, which stood at RM26.1b as at 30 September 2024. For CY25, projects secured thus far amount to RM520m in Gross Development Cost (GDC) from the Hospital Putra development and approximately 10% of RM6.26b GDV from the Ipoh Sentral project. The Ipoh Sentral project, structured as an unincorporated joint venture, grants MRCB development rights rather than land ownership. The cost structure, which accounts for less than 10% of the GDV, includes payments for land, profit-sharing arrangements, and the transfer of developed assets to the Railway Assets Corporation (RAC). These costs are distributed across the project's lifespan, avoiding significant upfront financial burdens.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue (RM'm)	3,205.1	2,514.1	2,918.5	3,064.4	3,217.7
EBIT (RM'm)	253.4	234.6	277.3	291.1	313.7
Pre-tax profit (RM'm)	154.3	134.2	160.5	168.5	177.0
Normalised PATAMI (RM'm)	64.8	-66.3	73.0	79.7	83.7
FD EPS (sen)	1.5	-1.5	1.6	1.8	1.9
Dividend (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	2.3	2.5	1.5	1.5	1.5
Growth (%)	**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Revenue growth	121.3	-21.6	16.1	5.0	5.0
PBT growth	151.7	-13.0	19.6	5.0	5.0
Core PATAMI growth	302.5	-202.3	210.0	9.2	5.0
Balance Sheet (RM'm)	**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Fixed assets	699.2	680.9	646.9	656.6	669.7
Intangible assets	194.8	177.0	175.8	167.0	167.0
Non-current assets	**5,681.3**	**5,448.5**	**5,413.3**	**5,414.2**	**5,427.3**
Cash	533.6	972.0	500.0	500.0	501.0
Trade receivables	1,328.3	1,262.8	2,601.9	2,810.1	2,810.1
Current assets	**3,547.3**	**3,920.3**	**4,787.4**	**4,995.5**	**4,996.5**
Trade payables	1,765.0	1,773.3	1,734.6	1,873.4	1,873.4
Short-term debt	840.8	311.0	915.6	869.8	870.8
Current liabilities	**2,697.3**	**2,154.8**	**3,082.9**	**3,352.3**	**3,335.4**
Long-term debt	1,215.9	1,490.5	1,732.7	1,646.0	1,647.0
Non-current liabilities	**1,994.6**	**2,255.6**	**2,497.8**	**2,411.1**	**2,412.1**
Share capital	4,356.1	4,356.1	4,356.1	4,356.1	4,356.1
Retained earnings	183.0	240.7	260.9	287.3	317.3
Equity	**4,536.7**	**4,599.7**	**4,619.9**	**4,646.3**	**4,676.3**

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	61.3	134.2	160.5	168.5	177.0
Operating cash flow	**-219.3**	**-146.4**	**-120.1**	**-112.1**	**-103.6**
Capital expenditure	32.7	29.4	27.9	25.1	26.1
Investing cash flow	**43.9**	**40.6**	**39.1**	**36.3**	**37.3**
Debt raised/(repaid)	517.6	77.6	-32.2	**-30.7**	**-29.7**
Financing cash flow	**281.8**	**158.2**	**48.4**	**49.9**	**50.9**
Net cash flow	**281.8**	**52.4**	**-32.6**	**-25.9**	**-15.5**
Beginning cash flow	**465.6**	**571.9**	**624.3**	**591.7**	**565.8**
Ending cash flow	**571.9**	**624.3**	**591.7**	**565.8**	**550.3**
Profitability Ratios (%)	**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
EBIT margin	7.9%	9.3%	9.5%	9.5%	9.8%
PBT margin	4.8%	5.3%	5.5%	5.5%	5.5%
PAT margin	2.0%	4.0%	2.5%	2.6%	2.6%
Core PAT margin	2.0%	-2.6%	2.5%	2.6%	2.6%

Source: Bloomberg, MIDFR

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197501002077 (24878-X).

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology