Corporate Update

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM0.56**

Cyberjaya Consolidation: MRCB's Strategic Pivot

Maintain BUY. We are maintaining our earnings estimates following our previous downward revision of earnings for FY25E/26F by -18.4% post-4QFY24 results, as the recent land disposal and acquisition agreements align with MRCB's long-term strategic initiatives and are within expectations. While these deals reflect proactive asset monetisation and strategic land banking, the immediate financial impact remains limited to a disposal gain of approximately RM22m in FY25. The actual effects of the proposed acquisition on earnings and consequently EPS for subsequent financial years will depend on earnings contribution from the development of the project land. Thus, FY26/27 earnings are subject to further details and clarification from management. We are also maintaining our TP at RM0.56, pegged to a 20% discounted forward P/B ratio of 0.52x on the group's estimated FY25E BVPS of RM1.07. These strategic moves reinforce our positive stance on MRCB, underpinning the company's growth prospects amid challenging market conditions.

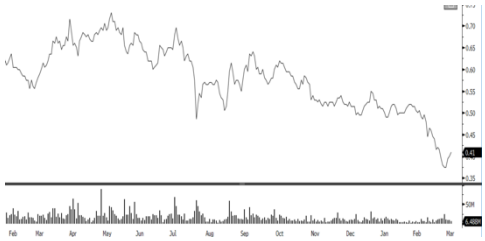
Land swap deal finalised with Cyberview. On 17 March 2025, MRCB announced a strategic land swap deal involving its subsidiaries and Cyberview Sdn Bhd (CSB), majority-owned by the Ministry of Finance (92.24%). The transaction comprises two key components:

1. **Disposal to Cyberview:** MRCB Land Sdn Bhd (MLSB), a wholly owned subsidiary of MRCB, is disposing of its 70% equity interest in CSB Development Sdn Bhd (CSBD) to Cyberview for a total cash consideration of RM219.0m. CSBD owns six parcels of commercial land totalling approximately 178,018 sqm located in Dengkil and Cyberjaya, with a recent market valuation of RM365.5m. The disposal allows MRCB to exit the existing joint venture arrangement with Cyberview, crystallising value from non-core assets. However, it is notable that MRCB's 70% share of CSBD's market-valued land equates to approximately RM255.9m, implying that the disposal was executed roughly RM37.0m below market value. This raises potential concerns over whether MRCB faced difficulties in monetising the land, compelling them to accept a lower valuation. Clarification from management on the rationale behind accepting the discounted valuation would be needed for further clarification.

2. **Acquisition from Cyberview:** Concurrently, MRCB's wholly owned subsidiary, Subang Sentral Sdn Bhd (SSSB), is acquiring seven parcels of strategically located commercial and industrial land totalling approximately 36.6 acres within the Cyberjaya City Centre from Cyberview's subsidiary, Cyberjaya City Centre Land Sdn Bhd (CCCL), for RM287.8m. The land parcels have an estimated market value of RM288.3m and will enhance MRCB's development strategy in Cyberjaya through a more consolidated landbank.

RETURN STATISTICS	
Price @ 17 March 2025 (RM)	0.41
Expected share price return (%)	+36.6
Expected dividend yield (%)	+2.4
Expected total return (%)	+39.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-18.8	-16.0
3months	-21.9	-16.6
12 months	-33.3	-32.6

INVESTMENT STATISTICS

FYE Dec	2024A	2025E	2026F
Revenue	1,645.4	2,500.0	2,625.0
EBIT	173.0	237.5	255.9
Profit Before Tax	75.0	137.5	144.4
Core PATAMI	63.7	65.0	68.3
Core EPS	1.4	1.5	1.5
DPS	1.0	1.0	1.0
Dividend Yield	2.2	2.4	2.4

KEY STATISTICS

FBM KLCI	1,527.81
Issued shares (m)	4467.51
Estimated free float (%)	38.27
Market Capitalisation (RM'm)	1,831.68
52-wk price range	RM0.36 - RM0.74
3-mth average daily volume (m)	9.74
3-mth average daily value (RM'm)	4.72
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35

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Rationale and strategic implications. This strategic swap allows MRCB to consolidate its land ownership in the prime development zone of Cyberjaya, enabling more comprehensive master planning for future mixed developments. The transactions position the group to leverage stronger value creation opportunities, ensuring sustained earnings contributions from high-quality projects over the medium to long term.

Financial impact minimal. There is minimal immediate financial impact from the transactions apart from a disposal gain of RM22m in FY25. The actual effects of the Proposed Acquisition on earnings and consequently EPS of the group for subsequent financial years will depend on earnings contribution from the development of the project land. Therefore, FY26/27 earnings are subject to more news and clarification from management. The transactions will be internally funded and do not significantly alter gearing ratios or net asset value. The proceeds from the disposal (RM219.0m) will be primarily utilised for working capital and to defray property development expenses over the next 12 months, enhancing cash flow flexibility.

Long-term growth supported by strategic land acquisitions. The new acquisitions within Cyberjaya City Centre represent significant opportunities for MRCB, providing strategic landbank enhancement and underpinning its long-term growth potential in integrated developments. The acquired parcels are well-positioned with connectivity to Putrajaya and Kuala Lumpur, ensuring strong demand potential for future developments.

Risk factors remain manageable. Standard property development risks (e.g., delays, approvals, competition) remain, but MRCB's extensive experience, established relationships, and effective project management should be able to mitigate these concerns. The strategic positioning and phased development approach adopted by MRCB further reduce execution risks associated with these large-scale projects.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue (RM'm)	3,205.1	2,537.5	1,645.4	2,500.0	2,625.0
EBIT (RM'm)	247.8	234.6	173.0	237.5	255.9
Pre-tax profit (RM'm)	154.3	134.2	75.0	137.5	144.4
Normalised PATAMI (RM'm)	64.8	-49.3	63.7	65.0	68.3
FD EPS (sen)	1.5	-1.1	1.4	1.5	1.5
Dividend (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	2.3	2.3	2.2	1.5	1.5
Balance Sheet (RM'm)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
Fixed assets	699.2	680.9	716.7	731.1	745.7
Intangible assets	194.8	177.0	123.8	167.0	167.0
Non-current assets	**5,681.3**	**5,463.0**	**5,601.0**	**5,658.6**	**5,673.2**
Cash	533.6	972.0	999.2	500.0	501.0
Trade receivables	1,328.3	1,109.8	1,496.5	2,810.1	2,810.1
Current assets	**3,547.3**	**3,381.6**	**3,674.4**	**4,488.8**	**4,489.8**
Trade payables	1,765.0	1,766.8	1,691.5	1,873.4	1,873.4
Short-term debt	840.8	311.0	580.7	869.8	870.8
Current liabilities	**2,697.3**	**2,129.5**	**2,319.0**	**3,196.1**	**3,180.7**
Long-term debt	1,215.9	1,490.5	1,678.3	1,646.0	1,647.0
Non-current liabilities	**1,994.6**	**2,115.4**	**2,336.2**	**2,303.9**	**2,304.9**
Share capital	4,356.1	4,356.1	4,356.1	4,356.1	4,356.1
Retained earnings	183.0	240.7	260.1	287.3	317.3
Equity	**4,536.7**	**4,599.7**	**4,620.2**	**4,647.3**	**4,677.4**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	154.3	134.2	75.0	95.0	99.8
Operating cash flow	**5.7**	**429.9**	**-409.5**	**-389.4**	**-384.7**
Capital expenditure	-75.5	-25.9	-0.1	25.1	26.1
Investing cash flow	**-11.7**	**394.3**	**69.6**	**94.8**	**95.8**
Debt raised/(repaid)	123.9	-264.5	459.7	**-30.7**	**-29.7**
Financing cash flow	**-7.5**	**-390.0**	**316.3**	**-174.1**	**-173.1**
Net cash flow	**-13.5**	**434.2**	**-23.6**	**-468.7**	**-462.0**
Beginning cash flow	**479.9**	**465.6**	**900.0**	**874.6**	**405.9**
Ending cash flow	**465.6**	**900.0**	**874.6**	**405.9**	**-56.1**
Profitability Ratios (%)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
EBIT margin	7.7%	9.2%	10.5%	9.5%	9.8%
PBT margin	4.8%	5.3%	5.5%	5.5%	5.5%
PAT margin	2.0%	-1.9%	3.9%	2.6%	2.6%
Core PAT margin	2.0%	-1.9%	3.9%	2.6%	2.6%

Source: Bloomberg, MIDFR

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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