Corporate Update

Malaysian Resources Corporation Berhad

(1651 | MRC MK) Main | Construction

2QFY25 Results Review:

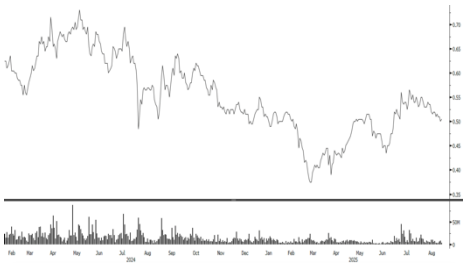
Below Expectations, But Visibility Remains Strong

Maintain **BUY**

Unchanged Target Price **RM0.56**

RETURN STATISTICS	
Price @ 27th Aug 2025 (RM)	0.505
Expected share price return (%)	+10.9
Expected dividend yield (%)	+2.0
Expected total return (%)	+12.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.5	-9.7
3months	4.1	-5.8
12 months	-4.7	-0.9

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	1,810.0	2,245.9	2,358.2
EBIT	172.0	255.9	231.1
Profit Before Tax	99.6	123.5	153.3
Core PATAMI	48.9	65.1	66.0
Core EPS	1.1	1.5	1.5
DPS	1.0	1.0	1.0
Dividend Yield	2.0	2.0	2.0

KEY STATISTICS	
FBM KLCI	1,587.91
Issued shares (m)	4467.51
Estimated free float (%)	40.31
Market Capitalisation (RM'm)	2,256.09
52-wk price range	RM0.36 - RM0.65
3-mth average daily volume (m)	8.87
3-mth average daily value (RM'm)	4.67
Top Shareholders (%)	
Employees Provident Fund Board	36.21
Gapurna Sdn Bhd	15.48
Lembaga Tabung Haji	5.35

Maintain BUY. We are adjusting our FY25E earnings estimates downward by -15.4% to account for the weaker-than-expected performance in 2QFY25. However, we are maintaining our **target price** at **RM0.56**, pegging its updated FY26F BVPS of RM1.04 to a P/B ratio of 0.54x, which is +1SD above its three-year mean. Management has guided for a rebound in FY26/FY27 earnings, supported by contributions from the Kompleks Sukan Shah Alam project, the five reinstated LRT stations, and stronger property sales. The Group also strengthened its development pipeline through the RM6.25b GDV Ipoh Sentral mixed TOD (groundbreaking in Aug-25), a RM520m specialist hospital JV in Melaka and the RM287.7m acquisition of Cyberjaya land parcels. In addition, recurring income will continue from investment properties and its 27.9% stake in Sentral REIT. Despite the earnings miss, we reiterate our **BUY** call as MRCB remains backed by multiple catalysts; the group has already surpassed its FY25 replenishment target of RM5.0b, securing RM5.60b worth of projects YTD, and we expect a ramp-up in 2HFY25 from civil infrastructure jobs such as the Penang LRT and Penang International Airport expansion. Beyond transport, the Group is also targeting climate adaptation projects including flood mitigation, renewable energy and water works.

Below expectations. Malaysian Resources Corporation Bhd's (MRCB's) revenue in 2QFY25 dipped -20.0%yoy to RM297.8m while its core earnings fell 3.4x yoy to RM15.1m. The weaker performance came from the weaker contribution from both its property development & investment division as well as their engineering, construction and environment segment. Management guided for a slower FY25 followed by a ramp up in FY26/FY27 which will see revenue recognition for some of the projects secured YTD such as the five reinstated LRT3 stations as well as the Kompleks Sukan Shah Alam (KSSA) project. The 1HFY25 core earnings declined -56.3%yoy to RM23.7m, coming in below ours yet within consensus expectations, making up 41.0% and 50.0% respectively of full-year estimates.

Engineering, construction and environment. This segment continued to be the primary driver of revenue in 2QFY25, accounting for 78% of Group revenue. However, revenue for the segment came in -12.1%yoy lower to RM248.2m, while operating profit fell ~6.1x yoy to RM14.4m. This was due to lower contributions from the LRT3 project (which has achieved 99% construction progress and 98% financial progress as at Jun-25), Muara Sg Pahang phase 3 (73% construction progress) and Sg Langat phase 2 flood mitigation projects. Moreover, revenue recognition for other contracts secured YTD have been minimal in 2QFY25 as construction is still in its early stages. The Stadium Shah Alam demolition which is expected to be completed by Mar-26 is currently at 74% completion progress. Management is expecting earthworks for the KSSA to begin in Dec-25, with piling works to concurrently take place until Feb-26. As for the five reinstated LRT3 stations, there has been no revenue recognition as of 2QFY25 as MRCB is still waiting for the Notice-to-Proceed from the Government which is expected in 4QCY25.

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Surpassed RM5.0b replenishment target. MRCB currently has an external construction order book of RM18.0b with an unbilled order book of RM6.3b as at Jun-25. They have surpassed their FY25 replenishment target of RM5.0b with RM5.60b worth of projects secured by YTD; these include, the five reinstated LRT3 stations (RM2.50b), the KSSA (RM2.90b) and an additional lane on North-Expressway from Senai to Sedenak (RM160.1m). A key upcoming job that has yet to be finalised is the redevelopment of KL Sentral which is expected to be commissioned in CY26. The Group's active tender book currently stands at RM6.0b comprising of package 3 of the Penang International Airport Expansion, Penang LRT systems work, two highways in Perak and upgrading works for power cable systems in Kuala Perlis. The Group also has RM1.30b in pre-qualifying tenders which are mainly made up of flood mitigation and water infrastructure projects.

Property development and investment. Revenue for the segment plunged -60.0%yoy to RM28.5m while its segmental profit came out of the red, recording an operating profit of RM12.1m. Management attributed the weaker top-line performance to lower contributions from the sale of completed unsold units and ongoing property development projects, with newer developments such as Kolektif in KL Sentral and Tower 5 in PJ Sentral still in planning stages with launches targeted for 2HCY25. The improved bottom-line was mainly due to the write-back of a provision for costs related to completed projects no longer required. The group has earmarked RM2.80b (GDV) of property launces in FY25 – about RM687.0m in Malaysia and RM2.09b overseas. MRCB's aim this year is to enhance its cash flow by monetising its unsold completed units, which stands at RM1.80b as at Jun-25. The Group also has RM1.10b in unbilled property sales and management guided for a sales target of RM1.0b for FY25.

Sale of assets. Management reinforced that FY25 would see similar asset sales to FY24 as the Group becomes more proactive in disposing non-core assets and monetising their extensive landbank (GDV of RM32.8b as at Jun-25). We view that this will allow the capital to be recycled into upcoming projects that require funding such as the redevelopment of KL Sentral and the KSSA. MRCB's net gearing is at a healthy 0.34x.

MRCB: 2QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				Cumulative			
Income Statement	**Q225**	**Q125**	**Q224**	**QoQ**	**YoY**	**6MFY25**	**6MFY24**	**YoY**
Revenue	297.8	218.2	372.2	**36.5%**	**-20.0%**	516.0	848.4	**-39.2%**
Expenses	(287.6)	(222.0)	(314.8)	**-29.5%**	**8.6%**	(509.6)	(760.7)	**33.0%**
Other operating income	16.7	32.8	14.8	**-49.1%**	**12.9%**	49.5	25.0	**98.0%**
Profit/(Loss) from operations	26.9	29.0	72.2	**-7.2%**	**-62.7%**	55.9	112.7	**-50.4%**
Finance costs	(27.7)	(27.4)	(26.9)	**-0.9%**	**-2.8%**	(55.1)	(50.8)	**-8.5%**
Share of results of associates	4.1	3.6	4.4	**12.7%**	**-6.4%**	7.7	8.2	**-5.6%**
Share of results of joint ventures	(0.0)	(0.3)	(1.2)	**92.5%**	**98.1%**	(0.3)	(2.7)	**87.4%**
Profit/(Loss) before tax	3.3	4.9	48.4	**-32.7%**	**-93.2%**	8.1	67.3	**-87.9%**
Income tax expense	11.5	3.7	2.9	**206.9%**	**293.5%**	15.3	(13.1)	**216.6%**
Loss for the financial period	14.8	8.6	51.3	**71.7%**	**-71.2%**	23.4	54.2	**-56.9%**
PATAMI	15.1	8.6	51.2	**75.4%**	**-70.6%**	23.7	54.2	**-56.3%**
Core PATAMI	15.1	8.6	51.2	**75.4%**	**-70.6%**	23.7	54.2	**-56.3%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue (RM'm)	2,537.5	1,645.4	1,810.0	2,245.9	2,358.2
EBIT (RM'm)	228.0	46.1	171.9	255.9	231.1
Pre-tax profit (RM'm)	134.2	75.0	99.5	123.5	153.3
PATAMI (RM'm)	101.0	63.7	48.9	65.1	66.0
Core PATAMI (RM'm)	-49.3	63.7	48.9	65.1	66.0
FD EPS (sen)	-1.1	1.4	1.1	1.5	1.5
Dividend (sen)	1.0	1.0	1.0	1.0	1.0
Dividend yield (%)	2.0	2.0	2.0	2.0	2.0
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Fixed assets	680.9	713.2	731.1	745.7	760.6
Intangible assets	177.0	123.8	167.0	167.0	167.0
Non-current assets	**5,463.0**	**5,598.1**	**5,659.2**	**5,673.8**	**5,688.7**
Cash	972.0	999.2	500.0	501.0	500.0
Trade receivables	1,109.8	1,212.2	2,810.1	2,810.1	2,277.5
Current assets	**3,381.6**	**3,435.9**	**4,534.6**	**4,535.6**	**4,001.9**
Trade payables	1,766.8	1,412.1	1,873.4	1,873.4	1,719.6
Short-term debt	311.0	580.7	869.8	870.8	870.8
Current liabilities	**2,129.5**	**2,077.1**	**3,269.5**	**3,263.6**	**2,723.5**
Long-term debt	1,490.5	1,678.3	1,646.0	1,647.0	1,647.0
Non-current liabilities	**2,115.4**	**2,336.7**	**2,303.9**	**2,304.9**	**2,304.9**
Share capital	4,356.1	4,356.1	4,356.1	4,356.1	4,356.1
Retained earnings	240.7	260.1	264.3	284.8	306.2
Equity	**4,599.7**	**4,620.2**	**4,620.4**	**4,640.9**	**4,662.3**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	134.2	75.0	99.5	123.5	153.3
Operating cash flow	**492.3**	**-275.3**	**-250.8**	**-226.8**	**-197.1**
Capital expenditure	-34.2	-128.3	25.1	26.1	-25.7
Investing cash flow	**331.9**	**-53.2**	**100.3**	**101.3**	**49.5**
Debt raised/(repaid)	-263.6	457.8	-30.7	-29.7	132.5
Financing cash flow	**-390.1**	**304.9**	**-183.6**	**-182.6**	**-20.5**
Net cash flow	**434.2**	**-23.6**	**-334.2**	**-308.2**	**-168.1**
Beginning cash flow	**465.6**	**900.0**	**874.6**	**540.5**	**232.3**
Ending cash flow	**900.0**	**874.6**	**540.5**	**232.3**	**64.2**
Profitability Ratios (%)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
EBIT margin	8.8%	9.6%	9.5%	11.4%	9.8%
PBT margin	5.3%	4.6%	5.5%	5.5%	6.5%
PAT margin	-1.9%	3.9%	2.7%	2.9%	2.8%
Core PAT margin	-1.9%	3.9%	2.7%	2.9%	2.8%

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known 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