



# MGB Berhad

Bloomberg: MLG MK | Stock Code: 7595

## Record Profit in FY24, Still Good Ahead

MGB reported record-high FY24 core earnings of RM56.4m (+11.5% YoY), in line with our and consensus estimates at 100% and 95% of full-year forecasts, respectively. Despite a 15.9% YoY decline in topline revenue due to project completions in the previous quarter, earnings were bolstered by strong performance in the property division due to accelerated sales progress in the Idaman projects. We believe MGB's outlook remains robust, driven by stronger progress billing from Idaman Projects, a healthy construction orderbook and multiple property launches in the pipeline. We maintain our BUY call on MGB with an unchanged SOP-derived TP of RM1.18 (14x PE for construction division, 40% discount to RNAV for property division).

### Results Highlights

**FY24 core earnings within expectations.** MGB's FY24 record-high core earnings of RM56.4m (+11.5% YoY) came in within expectations at 100% and 95% of our and consensus full-year forecasts respectively. 4QFY24 topline declined 15.9% YoY, mainly dragged by the weaker construction revenue. The slowdown was due to project completions in the previous quarter (Kita Mekar@Cybersouth, Alam Perdana Phases 4 & 5) and slower progress in Idaman Melur project. However, this was cushioned by a stronger performance in the property division, whose revenue more than doubled thanks to accelerated sales progress in Idaman projects that are mostly fully sold. As such, property development maintained a strong PBT margin of 15.8% (FY23: 16.1%). This supported a 25.6% YoY increase in PBT to RM87.1m, which was partially offset by the sharp decline in the PBT of the construction arm (-75.6% YoY).

**Orderbook remains solid.** As of FY24, MGB's construction orderbook stood at RM1.1bn, representing a healthy cover of 1.5x of its construction division revenue. For orderbook replenishment in FY25, the company has secured a contract worth RM195m in February 2025 from LBS Bina Group to construct a 22-storey apartment and a 2-storey fast-food restaurant in Cameron Highland which will take 28 months to complete. This new order book secured will contribute to our FY25F's orderbook replenishment target of RM700m and further strengthen MGB's earning visibility.

**Earnings forecast and valuation.** No changes to our earnings forecasts. Our SOP-derived TP remains unchanged at RM1.18, with the construction division valuation pegged to an unchanged target P/E of 14x to FY25F EPS, while the property division is valued at 40% discount to RNAV. We continue to like MGB for its focus on affordable housing and healthy construction order book, complemented by its expertise in IBS solutions.

FY Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	612.8	971.8	1,032.0	1,352.4	1,454.9
EBITDA	46.8	93.8	116.2	119.6	124.1
Net Profit	14.2	50.5	61.7	66.9	72.9
Core Net Profit	14.2	50.5	56.4	66.9	72.9
Core EPS (sen)	2.4	8.5	9.4	11.3	12.3
Core EPS Growth (%)	(46.5)	255.1	13.6	8.5	9.0
Net DPS (sen)	0.5	1.6	1.5	3.4	3.7
BV per share (sen)	85.6	93.7	102.3	110.2	118.9
P/E (x)	28.9	8.1	6.7	6.1	5.6
EV/EBITDA (x)	9.6	4.6	3.2	3.4	3.1
Net Dividend Yield (%)	0.7%	2.3%	2.2%	4.9%	5.3%
P/B (x)	0.8	0.7	0.7	0.6	0.6
Net Gearing (x)	0.1	0.0	Cash	Cash	Cash
ROE (%)	2.8	9.1	10.2	10.3	10.4

Main Market  
Construction Sector  
BUY

TP: RM 1.18

Last Closing Price: RM 0.695

### Business Overview

MGB provides construction and engineering services, including design and build, project management, civil engineering, value engineering, geotechnical specialization, and manufacturing of IBS precast concrete products.

### Return Information

KLCI (pts)	1,580.9
Upside (%)	68.0
Net Yield (%)	4.9
Total Return (%)	72.9

### Price Performance

	1M	3M	12M
Absolute (%)	(6.1)	(12.0)	(20.6)
Relative to KLCI (%)	(5.7)	(10.9)	(22.4)

### Stock Information

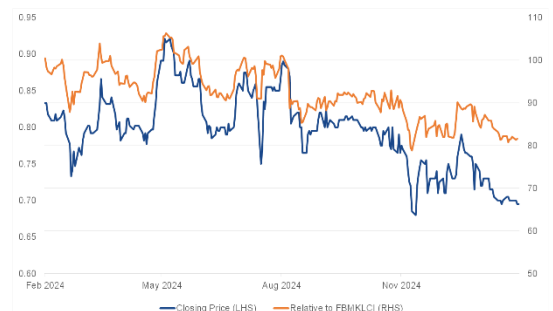
Market Cap (RM m)	411.2
Issued Shares (m)	591.7
52-week High (RM)	0.921
52-week Low (RM)	0.680
Estimated Free Float (%)	14.1
Beta vs FBM KLCI	0.68
3-month Average Vol. (m)	0.1
Shariah Compliant	Yes

### Consensus

	FY24	FY25	FY26
EPS Forecast (sen)	9.8	11.0	12.0
Ratings	4 Buy	0 Hold	0 Sell

### Top 3 Shareholders

	%
LBS Bina	57.7
Lim Lit Chek	13.3
Kenanga Growth Fund	2.2



Source: Mercury Securities, Bloomberg



**Robust outlook.** MGB's outlook remains solid, underpinned by upcoming project launches in FY25, including Project Idaman Cahaya Phase 3 (GDV: RM117m) and a pocket land development in Cameron Highlands (GDV: RM127m). These additions will bring MGB's total cumulative GDV pipeline to RM1.5bn, enhancing earnings visibility for FY25-27F alongside with ongoing projects worth RM1.3bn GDV. Looking ahead to FY26-27F, MGB plans to launch two affordable housing projects under Rumah Selangorku 3.0 (RSKU 3.0) with a combined GDV of RM762m, as well as three pocket land developments totalling RM770m GDV. We believe these projects are poised to sustain earnings growth and enhance earnings visibility beyond FY25.

Besides, MGB's IBS precast facility in Nilai is operating at 50-60% capacity, with its manufacturing arm, MGB Sany (M) IBS Sdn Bhd, delivering RM11.5m PBT at the company level. According to management, MGB aims to expand its revenue base by selling precast products to third parties this year, amid multiple inquiries recently.

**Positive progress on KTIP and Saudi precast expansion.** For the Kertih Terengganu Industrial Park (KTIP) project with an estimated GDV of RM747m, MGB has secured 5 development orders out of the 7 total as of 31 December 2024. At the current progress, management expects the full development order to be secured by 2QFY25, potentially leading to the first industrial land sales recognition in FY25F.

Meanwhile, the precast business in Saudi Arab is also gaining traction, with 60-70% of the first order involving the supply and installation of ~60,000 cu m<sup>3</sup> of precast concrete for the Roshn Alarous (Roshn) 400-villa project in North Jeddah fulfilled. Additionally, MGB is also in the process of negotiating to secure a second project from Roshn, which could further expand its footing in the region.



**Figure 1: 4QFY24 results review**

FY Dec (RM m)	4Q23	3Q24	4Q24	% y-o-y change	% q-o-q change	FY23	FY24	% y-o-y change	Comments
<b>Key financial highlights</b>									
Revenue	305.3	289.2	256.8	-15.9	-11.2	971.8	1,032.0	6.2	Stronger contributions from property development
Gross Profit	43.1	45.5	39.3	-8.8	-13.5	148.6	172.2	15.9	
PBT profit	18.4	22.2	22.3	21.3	0.4	69.2	87.1	25.9	
Net profit	13.7	16.5	14.3	4.0	-13.9	50.5	61.7	22.3	
Core net profit	13.7	13.7	12.9	-5.9	-6.0	50.6	56.4	11.5	
<b>Per share data</b>									
EPS (sen)	2.1	2.8	2.4	32.2	7.0	8.3	10.2	22.1	
Core EPS (sen)	2.1	2.3	2.2	11.5	7.0	8.3	9.4	13.6	
Net DPS (sen)	0.8	0.0	1.5	84.0	-	0.8	1.5	84.0	Declared 1.5sen interim dividend in 4QFY24.
BV/share (RM)	0.94	1.00	1.02	9.9	2.0	0.94	1.02	8.5	
<b>Margins</b>									
Gross Profit (%)	14.1	15.7	15.3	1.2 pts	-0.4 pts	15.3	16.7	1.4 pts	
EBIT (%)	6.6	8.2	9.1	2.5 pts	0.9 pts	7.6	9.0	1.3 pts	
PBT (%)	6.0	7.7	8.7	2.7 pts	1.0 pts	7.1	8.4	1.3 pts	
Net profit (%)	4.5	5.9	5.6	1.1 pts	0.2 pts	5.2	6.0	0.8 pts	
<b>Other highlights</b>									
Revenue breakdown									
- Construction	241.5	157.1	142.5	-41.0	-9.3	856.2	548.4	-36.0	Project nearing completion
- Property Development	63.9	132.2	114.3	79.0	-13.5	115.6	483.6	>100	Stronger contributions from Idaman projects
PBT breakdown									
- Construction	8.7	4.7	4.1	-52.3	-12.4	52.5	12.8	-75.6	
- Property Development	10.3	18.2	18.6	80.6	2.5	18.6	76.6	>100	
PBT margin breakdown									
- Construction	3.6	3.0	2.9	-0.7 pts	-0.1 pts	6.1	2.3	-3.8 pts	
- Property Development	16.1	13.7	16.3	-0.9 pts	2.5 pts	16.1	15.8	-0.2 pts	Weaker due to higher effective tax rate in FY24.
Construction order book (RM m)	1,140	1,190	1,100	-3.5	-7.6	1,140	1,100	-3.5	Completion of RM1,032m worth of construction works up to 4QFY24.

Source: Company, Mercury Securities



## Key Financial Data

### Balance Sheet

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
PPE	21.5	34.1	84.8	72.0	62.7
Rights of use of assets	83.0	93.4	59.1	54.3	49.9
Contract Assets	146.4	62.9	80.7	32.4	52.4
Amount due from related parties	248.4	345.9	280.4	283.6	389.4
Other assets	363.9	534.0	517.9	744.8	662.3
Deposit, bank and cash	53.4	52.6	100.2	71.3	86.0
<b>Assets</b>	<b>916.8</b>	<b>1,123.0</b>	<b>1,123.2</b>	<b>1,258.3</b>	<b>1,302.6</b>
LT borrowings	44.8	38.5	50.9	50.9	50.9
ST borrowings	47.8	30.1	13.9	13.9	13.9
Payables	246.9	377.9	371.8	460.1	453.4
Other liabilities	70.5	121.9	81.3	81.3	81.3
<b>Liabilities</b>	<b>410.1</b>	<b>568.5</b>	<b>517.9</b>	<b>606.1</b>	<b>599.4</b>
Share capital	388.2	388.2	388.2	388.2	388.2
Reserves and retained earning	119.2	164.7	213.9	260.8	311.9
<b>Shareholder's equity</b>	<b>507.4</b>	<b>552.9</b>	<b>602.1</b>	<b>649.0</b>	<b>700.0</b>
NCI	(0.7)	1.6	3.2	3.2	3.2
<b>Equity</b>	<b>506.7</b>	<b>554.5</b>	<b>605.3</b>	<b>652.1</b>	<b>703.2</b>
<b>Equity and Liabilities</b>	<b>916.8</b>	<b>1,123.0</b>	<b>1,123.2</b>	<b>1,258.3</b>	<b>1,302.6</b>

### Cash Flow Statement

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Profit before taxation	25.6	69.2	87.1	88.1	96.0
Depreciation & amortisation	15.6	18.5	21.8	26.6	23.2
Changes in working capital	(30.9)	(18.1)	18.3	(94.3)	(50.9)
Net interest received/ (paid)	(9.5)	(7.6)	(5.4)	(4.9)	(5.3)
Share of associate profits	0.2	0.2	0.6	-	-
Tax paid	(13.8)	(16.6)	(27.0)	(21.1)	(23.0)
Others	40.5	46.5	47.9	51.8	50.9
<b>Operating Cash Flow</b>	<b>27.7</b>	<b>92.1</b>	<b>143.3</b>	<b>46.1</b>	<b>90.8</b>
Capex	(3.1)	(13.6)	(7.0)	(8.1)	(8.7)
Others	0.2	0.7	(16.4)	-	-
<b>Investing Cash Flow</b>	<b>(2.9)</b>	<b>(12.9)</b>	<b>(23.4)</b>	<b>(8.1)</b>	<b>(8.7)</b>
Issuance of shares	-	-	-	-	-
Changes in borrowings	27.4	(21.3)	-	-	-
Dividends paid	(5.4)	(3.0)	(9.7)	(20.1)	(21.9)
Others	(14.2)	(16.7)	-	-	-
<b>Financing Cash Flow</b>	<b>7.8</b>	<b>(40.9)</b>	<b>(9.7)</b>	<b>(20.1)</b>	<b>(21.9)</b>
Net cash flow	1.3	1.4	51.6	(28.9)	14.7
Forex	-	-	-	-	-
Beginning cash	32.4	33.8	35.0	84.5	55.5
<b>Ending cash</b>	<b>33.8</b>	<b>35.2</b>	<b>86.5</b>	<b>55.5</b>	<b>70.2</b>

### Income Statement

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Revenue	612.8	971.8	1,032.0	1,352.4	1,454.9
EBITDA	46.8	93.8	116.2	119.6	124.1
Deprn & amort	15.6	18.5	21.8	26.6	23.2
Net interest expense	(5.5)	(6.1)	(7.2)	(4.9)	(4.9)
Associates & JV	0.2	0.2	0.6	0.6	0.6
EI	-	-	-	-	-
<b>Pretax profit</b>	<b>25.6</b>	<b>69.2</b>	<b>87.1</b>	<b>88.1</b>	<b>96.0</b>
Taxation	(11.4)	(18.7)	(25.5)	(21.1)	(23.0)
MI	-	-	-	-	-
<b>Net profit</b>	<b>14.2</b>	<b>50.5</b>	<b>61.7</b>	<b>66.9</b>	<b>72.9</b>
<b>Core net profit</b>	<b>14.2</b>	<b>50.6</b>	<b>56.4</b>	<b>66.9</b>	<b>72.9</b>

### Key Statistics & Ratios

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
<b>Growth</b>					
Revenue	3.2%	58.6%	6.2%	31.0%	7.6%
EBITDA	-23.5%	100.5%	23.9%	2.9%	3.8%
Pretax profit	-35.9%	170.2%	25.9%	1.1%	9.0%
Net profit	-46.5%	255.1%	22.2%	8.5%	9.0%
Core EPS	-46.5%	255.1%	22.2%	8.5%	9.0%

### Profitability

EBITDA margin	7.6%	9.6%	11.3%	8.8%	8.5%
Net profit margin	2.3%	5.2%	6.0%	4.9%	5.0%
Effective tax rate	44.5%	27.1%	29.2%	24.0%	24.0%
ROA	1.6%	4.5%	5.5%	5.3%	5.6%
ROE	2.8%	9.1%	10.2%	10.3%	10.4%

### Leverage

Debt/ Assets (x)	0.10	0.06	0.06	0.05	0.05
Debt/ Equity (x)	0.18	0.12	0.11	0.10	0.09
Net debt/ equity (x)	0.08	0.03	Net cash	Net cash	Net cash

### Key Drivers

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Construction order book (RM m)	1,930	1,140	1,100	1,000	900
Order book replenishment (RM m)	673	969	396	700	800
PBT margin	4%	5%	2%	6%	6%

### Valuation

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	2.4	8.5	10.4	11.3	12.3
Core EPS (sen)	2.4	8.5	10.4	11.3	12.3
P/E (x)	28.9	8.1	6.7	6.1	5.6
EV/ EBITDA (x)	9.6	4.6	3.2	3.4	3.1
Net DPS (sen)	0.5	1.6	1.5	3.4	3.7
Yield	0.7%	2.3%	2.2%	4.9%	5.3%
BV per share (RM)	0.86	0.94	1.02	1.10	1.19
P/BV (x)	0.8	0.7	0.7	0.6	0.6



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MERCURY SECURITIES SDN BHD  
Registration No. 198401000672 (113193-W)  
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur  
Telephone: (603) - 6203 7227  
Website: [www.mercurysecurities.com.my](http://www.mercurysecurities.com.my)  
Email: [mercurykl@mersec.com.my](mailto:mercurykl@mersec.com.my)