



MGB Bhd

1QFY25: Core Earnings Miss Expectation

MGB's 1QFY25 core net profit declined 20.4% yoy to RM12.0m, falling short of both our and consensus forecasts at 17.9% and 18.7% of full-year estimates, respectively. The earnings shortfall was mainly driven by a weaker construction segment, which posted a RM2.1m loss (1QFY24 PBT: RM5.5m), impacted by limited billings from the near-completion of Kita Sejati project, elevated administrative expenses, and higher precast-related costs in Saudi Arabia. However, this underperformance was partially cushioned by stronger earnings from its property development division (+30.3% yoy), driven by solid progress billings from its ongoing Idaman projects. Despite a healthy outstanding orderbook of RM1.2bn, we expect a slower orderbook burn rate, reflecting a more moderate pace of construction progress across existing projects. Accordingly, we revise our FY25–27E earnings forecasts lower, trimming construction revenue by 5–10% and core earnings by 2–6%. Following the earnings adjustments and the rollover of our valuation base year to FY26, we lower our SOP-derived TP to RM1.09 (from RM1.18), reflecting a reduced P/E multiple of 11x (from 14x) for the construction division (aligned with its 5-year average), while maintaining a 40% RNAV discount for the property division. We reiterate BUY call on MGB, underpinned by its focus on affordable housing, strong property sales momentum and resilient construction orderbook that will continue to support its future earning visibility.

Core earnings underperformed expectations. MGB kicked off new financial year FY25 on a weaker note, with the core net profit declining 20.4% yoy to RM12.0m (1QFY24: RM15.1m). The core earnings came in below both our and streets' expectations, accounting for only 17.9% and 18.7% of our and consensus full-year forecasts, respectively. The earnings underperformance was largely attributable to weaker contributions from its construction division (-12.9% yoy), which slipped into the red with a loss of RM2.1m (1QFY24 PBT:RM5.5m). This was primarily driven by limited billings from its near-completion Kita Sejati project, higher administrative expenses incurred and higher costs associated with its precast operations in Saudi Arabia.

Property development remain resilient. The weak performance in construction division was partially offset by a stronger performance in the property development division (+30.3% yoy), underpinned by strong progress billing from its on-going Idaman projects such as Idaman Cahaya Phase 2 and Idaman Sari. As such, property development division maintained a stable margin of 17.5% (1QFY24: 17.4%).

Earnings forecast and valuation. We trim our revenue forecast for MGB's construction segment by 10%, 9% and 5% for FY25E- 27E to reflect lower construction orderbook burn rate. Consequently, our core earnings are lowered by 2–6% across the forecast horizon. With the earnings adjustments and the rolling-over of our valuation base year to FY26, our SOP derived TP is lowered to RM1.09 from RM1.18. This reflects a lower target P/E of 11x (aligned with its 5-year average) from 14x applied to its construction division and the same 40% discount applied to RNAV valuation of its property development division. We continue to like MGB for its focus on affordable housing and healthy construction order book, complemented by its expertise in IBS solutions.

Main Market

Construction Sector

BUY (↔)

TP: RM 1.09 (↓)

Last Closing Price: RM 0.640

Share Price Performance



Business Overview

MGB Berhad 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)	1,526.2
YTD KLCI chg.	(7.1)
YTD Stock Price chg.	(13.5)

Price Performance	1M	3M	12M
Absolute (%)	1.6	(2.3)	(30.4)
Relative to KLCI (%)	1.3	0.8	24.9

Stock Information

Market Cap (RM m)	378.7
Issued Shares (m)	591.7
52-week High (RM)	0.880
52-week Low (RM)	0.540
Est. Free Float (%)	14.6
Beta vs FBM KLCI	0.57
3-month Avg Vol. (m)	0.1
Shariah Compliant	Yes
Bloomberg Ticker	MLG MK

Top 3 Shareholders

	%
LBS Bina	57.8
Lim Lit Chek	13.3
Kenanga Growth Fund	2.2

FY DEC (RM m)	FY24A	FY25E	FY26E
Revenue	1,032.0	1,288.4	1390.9
EBITDA	116.2	115.7	120.2
PBT	87.1	84.2	92.1
Net Profit	61.7	64.0	70.0
Core Net Profit	56.4	64.0	70.0
Core EPS (sen)	9.4	10.8	11.8
Core EPS Growth (%)	13.6	14.9	9.3
Net DPS (sen)	1.5	3.3	3.6
BV Per Share (sen)	102.0	109.9	118.2
Net Div. Yield (%)	2.4	5.1	5.5
P/E (x)	6.1	5.9	5.4
ROE (%)	10.2	9.8	10.0



Healthy outstanding orderbook. As at 31 March, MGB's construction orderbook stood at RM1.2bn, translating into a healthy 2.1x covered of our estimated FY25 construction revenue. With MGB's YTD orderbook replenishment of RM195m, we believe MGB remained on track to achieve its annual orderbook replenishment target rate of RM400-600m, supported by potential new construction job awarded from its 2 inked JVs with Talam Transform Bhd and Kandis Permai S/B to undertake a mixed development and a residential project on 26 acres of land in Taman Bukit Serdang with cumulative GDV of RM860m and construction opportunity arising from its parent company, LBS Bina's robust targeted property projects launches worth of total GDV of RM2.6bn slanted for FY25.

Results Highlights									
Y/E: Dec (RM m)	1Q25	4Q24	QoQ Chg. %	1Q24	YoY Chg. %	3M25	3M24	YoY Chg. %	Comments
Key financial highlights									
Revenue	227.7	256.8	(11.4)	217.9	4.5	227.7	217.9	4.5	Lower contributions due to completed projects
Gross profit	37.7	39.3	(4.2)	41.8	(9.9)	37.7	41.8	(9.9)	
Operating profit	18.5	23.4	(20.9)	21.7	(14.7)	18.5	21.7	(14.7)	Lower due to higher administrative expenses
Pretax profit	17.0	22.3	(23.7)	20.6	(17.2)	17.0	20.6	(17.2)	
Net profit	12.0	14.3	(15.6)	15.1	(20.4)	12.0	15.1	(20.4)	Lower due to higher effective tax rate
Core net profit	12.0	12.9	(7.1)	15.1	(20.5)	12.0	15.1	(20.5)	
Per share data									
EPS (sen)	2.0	2.4	(16.7)	2.4	(15.3)	2.0	2.4	(15.3)	
Core EPS (sen)	2.0	2.2	(7.0)	2.4	(15.6)	2.0	2.4	(15.6)	
Net DPS (sen)	0.0	1.5	>(100.0)	0.0	0.0	0.0	0.0	0.0	No dividend because it is usually issued at last quarter of every FY.
BV/share (sen)	102.0	102.0	0.0	95.0	7.4	102.0	95.0	7.4	
Margins									
Gross profit (%)	16.5	15.3	1.2 pts	19.2	(2.6 pts)	16.5	19.2	(2.6 pts)	Lower GP margin YoY.
Operating profit (%)	8.1	9.1	(1.0 pts)	9.9	(1.8 pts)	8.1	9.9	(1.8 pts)	
Pretax (%)	7.5	8.7	(1.2 pts)	9.4	(2.0 pts)	7.5	9.4	(2.0 pts)	
Net profit (%)	5.3	5.6	(0.3 pts)	6.9	(1.7 pts)	5.3	6.9	(1.7 pts)	Lower NP margin YoY
Other highlights									
Revenue breakdown									
- Construction	113.5	142.5	(20.4)	130.3	(12.9)	113.5	130.3	(12.9)	Due to completion of projects in previous quarters
- Property development	114.2	114.3	(0.1)	87.6	30.3	114.2	87.6	30.3	Stronger contribution from Idaman Projects
PBT breakdown									
- Construction	(2.1)	4.1	>(100.0)	5.5	>(100.0)	(2.1)	5.5	>(100.0)	
- Property development	20.0	18.6	7.5	15.5	29.5	20.0	15.5	29.5	
PBT margin breakdown									
- Construction	(1.9)	2.9	(4.8 pts)	4.2	(6.1 pts)	(1.9)	4.2	(6.1 pts)	Due to higher cost incurred for precast venture subsidiary in KSA
- Property development	17.5	16.3	1.2 pts	17.6	(0.1 pts)	17.5	17.6	(0.1 pts)	
Construction orderbook	1,200	1,100	9.1	1,230	(2.4)	1,200	1,230	(2.4)	

Source: Company, Mercury Securities

SOP Valuation table:

	FY26E
Construction:	
PAT (RM m)	39.4
Target P/E (x)	11.0
Total value (RM m)	329.0
Precast concrete:	
PAT (RM m)	9.4
Target P/E (x)	7.0
Total value (RM m)	66.0
Property development:	
RNAV	225.8
Net Cash/ (Debt) (RM m)	25.2
Total SOP (RM m)	646.1
Share base (m)	591.7
Target Price (RM)	1.09



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