



MGB Bhd

1HFY25's Core Earnings Missed Expectation

MGB's 1HFY25 core earnings fell 21.8% YoY to RM23.3m, missing both our and consensus expectations (36–38% of full years' forecasts). The shortfall was driven by weaker property development revenue (-10.6% YoY) on slower progress billings and vacant possession handover for project Idaman Melur, which led to a 19.9% YoY decline in group PBT. Meanwhile, MGB's construction division also declined 6.7% YoY in 1HFY25 due to minimal contribution from the near-completion Prestige project and slower Idaman project billings, but earnings should improve in 2HFY25 as progress recognition from Pangsapuri Saujana Indah ramps up in line with the S-curve. MGB's outstanding orderbook remain healthy at RM1.2bn, translating into a commendable 1.9x cover of our FY25 construction sector revenue forecast. However, we cut FY25–26E earnings by 11–16% on slower construction orderbook burn rate (to account for slower progress in Idaman projects and more moderated pace of KSA's precast orderbook secured) and weaker property sales/progress. Together, this lowers our SOP-derived TP to RM0.94 (from RM1.09). A higher 60% RNAV discount (vs. 40% previously) is applied to property development to reflect softer sales visibility and execution risks, while we maintain 11x P/E for construction. We reiterate BUY call on MGB, driven by its focus on affordable housing and resilient construction orderbook that will continue to support its future earning visibility.

Core earnings missed expectations. MGB's 1HFY25 core earnings came in at RM23.3m (-21.8% YoY), missing both our and consensus estimates at 36.4% and 38.3% of full-year forecasts, respectively. The earnings shortfall was largely attributable to weaker contributions from the property development segment (-10.6% YoY), driven by slower progress billings and the handover of vacant possession for Idaman Melur. On a sequential basis, property development revenue contracted by 14.3% QoQ (1QFY25: RM114.2m), mainly reflecting lower progress recognition from Idaman Sari and Idaman Cahaya Phase 2. The softer topline performance in turn weighed on profitability, with 1HFY25 PBT slipping by 19.9% YoY.

Construction segment remains soft. MGB's construction division reported a weaker 1HFY25 performance (-6.7% YoY), mainly underpinned by the minimal contribution from the near-completion Prestige project and slower progress billings from ongoing Idaman developments. While current construction segment momentum remains muted, we expect the segment to pick up in 2HFY25, supported by stronger progress recognition from the Pangsapuri Saujana Indah pocket land development, which has recorded encouraging take-up rates. Progress billings are anticipated to accelerate in line with the project's S-curve, providing better earnings visibility for the construction segment in the coming quarters.

Earnings forecast and valuation. We revise our forecasts downward to reflect weaker-than-expected progress recognition across both the construction and property development segments. Specifically, we cut our revenue forecast for construction by 10% and 6% for FY25–26E to account for a slower orderbook burn rate, while property development revenue is reduced by 13% and 9% for FY25–26E to factor in softer sales uptake and slower project execution. Consequently, our core earnings are lowered by 11–16% across the forecast horizon. Following these adjustments, our SOP-derived TP is reduced to RM0.94 (from RM1.09). This also incorporates a higher 60% discount (previously 40%) to the RNAV of the property development segment, reflecting (i) weaker sales visibility amid a subdued

Main Market

Construction Sector

BUY (↔)

TP: RM 0.940(↓)

Last Closing Price: RM 0.500

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)	1,585.0
YTD KLCI chg.	(3.5)
YTD Stock Price chg.	(32.4)

Price Performance	1M	3M	12M
Absolute (%)	(2.9)	(16.7)	(41.2)
Relative to KLCI (%)	(6.9)	(18.6)	(45.1)

Stock Information

Market Cap (RM m)	295.8
Issued Shares (m)	591.7
52-week High (RM)	0.840
52-week Low (RM)	0.500
Est. Free Float (%)	22.3
Beta vs FBM KLCI	0.87
3-month Avg Vol. (m)	0.12
Shariah Compliant	Yes
Bloomberg Ticker	MLG MK

Top 3 Shareholders

	%
LBS Bina	57.8
Lim Lit Chek	13.3
Kumpulan Wang Persaraan	1.9

FY DEC (RM m)	FY24A	FY25E	FY26E
Revenue	1,032.0	1,161.8	1300.2
EBITDA	116.2	106.1	112.7
PBT	87.1	75.9	86.1
Net Profit	61.7	57.7	65.4
Core Net Profit	56.4	57.7	65.4
Core EPS (sen)	9.4	9.7	11.1
Core EPS Growth (%)	13.6	(6.5)	13.4
Net DPS (sen)	1.5	2.9	3.3
BV Per Share (sen)	102.0	109.1	116.9
Net Div. Yield (%)	2.4	5.8	6.6
P/E (x)	6.1	5.1	4.5
ROE (%)	10.2	8.9	9.5

property market backdrop and; (ii) execution risks from slower project launches and approvals. While for its construction segment, we maintain our target P/E of 11x. Despite near-term headwinds, we continue to like MGB for its focus on affordable housing and healthy construction order book, complemented by its expertise in IBS solutions.

Construction orderbook remain solid. Despite the softer performance from the construction segment, MGB's outstanding orderbook remains robust at RM1.2bn, following the recent RM186m contract secured from CI Medini Sdn Bhd on 12 August 2025. This outstanding orderbook translate into a healthy 1.9x covered of our FY25 construction segment earnings forecast. With RM381m in YTD job wins, we believe MGB is on track to meet our FY25 replenishment target of RM700m, supported by potential contracts worth RM200–300m from its parent company, LBS Bina in 2HFY25, alongside with potential win from external party as evidenced by its recent orderbook win from CI Medini. Steady job flows from LBS Bina should continue to anchor MGB's construction segment earnings.

Outlook remains robust. We remain constructive on MGB's outlook, underpinned by an estimated RM4.53bn in future potential revenue from its five key drivers namely construction segment, affordable housing segment, pocket land developments, the KTIP industrial land project, and the KSA precast venture (refer Chart 1).

Upcoming launches. MGB has a visible pipeline of launches that should support earnings visibility over the medium term. In FY25, MGB plans to roll out Idaman Cahaya Phase 3 in Shah Alam (GDV: RM117.4m) in 3QFY25, followed by a pocket land development in Cameron Highlands (GDV: RM127.4m) in 4QFY25 (refers chart 2 and 3). In addition, the recurring project flows from parent company LBS Bina, which is set to launch RM2.6bn worth of property projects in 2HFY25, should further strengthen MGB's orderbook replenishment prospects and enhance earnings visibility for its construction segment. Under the Rumah Selangorku (RSKU) 3.0 initiative, MGB has two affordable housing projects in the pipeline, comprising 3,840 units with a combined GDV of approximately RM762.0m. The first is slated for launch at Taman Putra Prima, Puchong (GDV: RM398.6m) in 3Q 2026, followed by Taman Puncak Jalil, Petaling Serdang (GDV: RM363.4m) in 2Q 2027 (refers Chart 4). Meanwhile, for its pocket land development portfolio, MGB plans to launch a total of 2,082 residential units and 26 commercial lots, with a cumulative GDV of RM897.8m over the next two financial years (refer Chart 5 and 6). These upcoming launches, together with steady project allocations from LBS Bina, provide strong visibility for both its construction and property development revenue.

Progress in KTIP and Saudi precast venture. For the Kertih Terengganu Industrial Park (KTIP) development, with an estimated GDV of RM747m, MGB has obtained the full set of development orders and necessary regulatory clearances. While no land sales have been concluded to date, management highlighted those active efforts are ongoing to secure buyers from China.

Meanwhile, to date, MGB's joint venture with SANY Alameriah Industrial (SA) has secured cumulative precast orders of 105,000m³, representing 39% of its 270,000m³ commitment. That said, replenishment has been slower than expected, largely due to protracted approval processes with KSA authorities. To mitigate this, management plans to tender for additional contracts from the upcoming phases of the Roshn Alarous development in North Jeddah, which could strengthen the orderbook and enhance the venture's earnings visibility.



Results Highlights

Y/E: Dec (RM m)	2Q25	1Q25	QoQ Chg. %	2Q24	YoY Chg. %	6M24	6M25	YoY Chg. %	Comments
Key financial highlights									
Revenue	216.4	227.7	(4.9)	268.0	(19.2)	485.9	444.1	(8.6)	Lower contributions due to completed projects and slower progress
Gross profit	36.9	37.7	(1.9)	45.6	(19.0)	87.4	74.6	(14.6)	
Operating profit	18.5	18.5	0.3	23.8	(22.2)	45.5	37.0	(18.6)	
Pretax profit	17.1	17.0	0.1	22.0	(22.4)	42.6	34.1	(19.9)	
Net profit	12.0	12.0	(0.5)	15.8	(24.1)	30.9	24.0	(22.3)	
Core net profit	11.3	12.0	(6.0)	14.7	(23.2)	29.8	23.3	(21.8)	
Per share data									
EPS (sen)	2.0	2.0	(1.1)	2.6	(21.8)	5.0	4.0	(18.6)	No dividend because it is usually issued at last quarter of every FY.
Core EPS (sen)	1.9	2.0	(6.0)	2.5	(23.2)	4.9	3.9	(19.4)	
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
BV/share (sen)	104.0	102.0	2.0	98.0	6.1	98.0	104.0	6.1	
Margins									
Gross profit (%)	17.1	16.5	0.5 pts	17.0	0.0 pts	18.0	16.8	(1.2 pts)	Lower GP margin YoY.
Operating profit (%)	8.6	8.1	0.5 pts	8.9	(0.3 pts)	9.4	8.3	(1.0 pts)	
Pretax (%)	7.9	7.5	0.4 pts	8.2	(0.3 pts)	8.8	7.7	(1.1 pts)	Lower NP margin YoY
Net profit (%)	5.5	5.3	0.2 pts	5.9	(0.4 pts)	6.4	5.4	(1.0 pts)	
Other highlights									
Revenue breakdown									
- Construction	118.6	113.5	4.5	118.5	0.1	248.8	232.1	(6.7)	Due to near completion of projects Slower progress recognition from Idaman Projects
- Property development	97.8	114.2	(14.3)	149.5	(34.6)	237.1	212.0	(10.6)	
PBT breakdown									
- Construction	(1.9)	(2.1)	>(100.0)	(1.6)	>(100.0)	4.0	(4.0)	>(100.0)	
- Property development	19.8	20.0	7.5	24.4	29.5	39.9	39.8	(0.1)	
PBT margin breakdown									
- Construction	(1.6)	(1.9)	0.3 pts	(1.3)	(0.2 pts)	1.6	(1.7)	(3.3 pts)	Due to higher cost incurred for precast venture subsidiary in KSA
- Property development	20.3	17.5	2.7 pts	16.3	3.9 pts	16.8	18.8	2.0 pts	
Construction orderbook	1,200	1,200	0.0	1,310	(8.4)	1,310	1,200	(8.4)	

Source: Company, Mercury Securities

SOP Valuation table:

	FY26E
Construction:	
PAT (RM m)	37.0
Target P/E (x)	11.0
Total value (RM m)	309.0
Precast concrete:	
PAT (RM m)	9.4
Target P/E (x)	7.0
Total value (RM m)	66.0
Property development:	
RNAV	150.8
Net Cash/ (Debt) (RM m)	29.4
Total SOP (RM m)	554.9
Share base (m)	591.7
Target Price (RM)	0.940

Chart 1: MGB's revenue pillar



Source: Company

Chart 2: MGB's Idaman Cahaya Phase 3 details



Source: Company

Chart 3: MGB's Cameron Highland project details



Source: Company

Chart 4: MGB's upcoming RSKU 3.0 projects details



Source: Company



Chart 5: MGB's upcoming pocket land development details

	Proposed Development 2	Proposed Development 3
Project Name	TBC	TBC
No of units	670	24
Location	Taman Putra Prima, Puchong	Taman Putera, Jln. Pelanduk, Serdang. (On the same piece of land as RSO2-33)
Est GGV	271.4 million	26.21 million
Product Type & Size	Condominium - 700sf	Shop lot - 2,100sf
Pricing	~RM405,000	RM1.09 million
Target launching	4Q 2026	2Q 2027



Source: Company

Chart 6: MGB's upcoming pocket land development details



	Proposed Development 4
Project Name	TBC
Land Criteria	Malay Reserved
Location	Taman Bukit Serdang
Est GGV	472.79 million
No of Units, Type & Size	1,142, High Rise Apartment - ~900sf
Pricing	RM414,000
Target launching	2Q 2026

Source: Company

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