



MGB Bhd

Stepping Up the Value Chain

MGB's Saudi expansion marks a strategic inflection point, repositioning the group from a domestic IBS player into a higher-value regional EPC contractor. Its maiden RM444m Al Madina Al Monawara job, alongside earlier Saudi wins, strengthens confidence in future order book expansion. Meanwhile, core earnings visibility remains intact, supported by a RM1.2bn domestic construction order book and RM525m in unbilled property sales. The group's RM5.0bn future revenue pipeline underpins a more compelling medium-term growth profile across both construction and property. Despite trimming FY26E–FY27E earnings for a higher tax assumption, we maintain BUY with a reduced SOP-based TP of RM0.82 (previously RM1.01 - as we widened our RNAV discount), backed by growth upside and an exciting >7% dividend yield.

We attended MGB FY25 post results briefing and key-takeaways are;

- Stepping Up the Value Chain.** MGB is successfully pivoting from an IBS component specialist to a high-value Engineering, Procurement, and Construction (EPC) player in Saudi Arabia, marking a structural shift in its international growth profile. This evolution is anchored by the March 2026 commencement of the RM444m Al Madina Al Monawara project—a 50:50 JV that serves as the Group's maiden urban development entry in the Kingdom. Supported by the ongoing RM88.5m Al Arous precast contract and RM52m in already certified manufacturing work, MGB has effectively de-risked its Middle Eastern footprint by proving its technical IBS expertise can translate into billable main-contractor milestones. This transition elevates MGB from a domestic affordable housing proxy to a regional contractor with a clear execution path toward its RM5.0bn future revenue roadmap.
- Resilient construction segment.** As at 31 January 2026, MGB's outstanding orderbook in Malaysia stands at RM1.2bn, with RM1.0bn in workdone certified to bring total amount awarded to RM2.2bn. For its in-house projects, the total amount awarded was RM1.9bn, mainly attributable to nine projects from LBS and two Rumah Selangorku Idaman projects (Idaman Perdana and Idaman Kita) as a turnkey contractor with an outstanding orderbook of RM860m. Concurrently, the total amount awarded was at RM305m, including the projects won from CI Medini and UDA Accord, with outstanding orderbook at RM302m. MGB targets contract replenishment of RM400m and RM200m respectively for the in-house and external projects respectively.
- Robust Property Development.** The Group's Idaman series in Selangor continues to see near-total market absorption, with projects such as Idaman Melur and Idaman BSP fully sold and delivered, while Idaman Cahaya (Phases 1 & 2) maintains a 99.8% take-up rate. This residential momentum is further bolstered by the Pangsapuri Saujana Indah development in Johor, which has achieved a 90.3% take-up rate as of January 2026, contributing significantly to the segment's near-term revenue with unbilled sales at c.RM280m.

Main Market

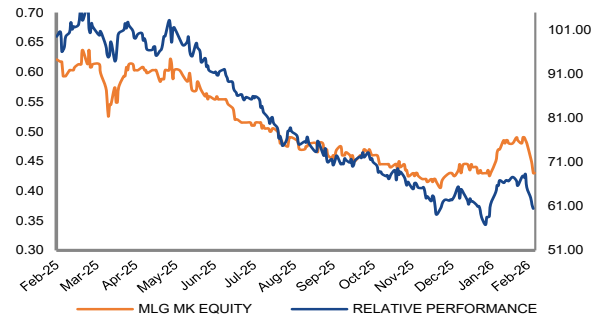
Construction Sector

BUY (↔)

TP: RM0.82 (↓)

Last Closing Price: RM0.43

Share Price Performance



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)	1,713.20
YTD KLCI chg.	2.0%
YTD Stock Price chg.	0.0%

Price Performance	1M	3M	12M
Absolute (%)	(8.5%)	1.2%	(27.5%)
Relative to KLCI (%)	(7.5%)	(4.8%)	(37.0%)

Stock Information

Market Cap (RM m)	254.4
Issued Shares (m)	591.7
52-week High (RM)	0.67
52-week Low (RM)	0.41
Est. Free Float (%)	20%
Beta vs FBM KLCI	0.8
3-month Avg Vol. (m)	229,973
Shariah Compliant	Yes
Bloomberg Ticker	MLG MK

Top 3 Shareholders

	%
LBS Bina	57.9
Lim Lit Chek	13.3
Kenanga Unit Trust	2.0

FY DEC (RM m)	FY25A	FY26E	FY27E
Revenue	916.9	1,395.3	1,624.7
EBITDA	92.9	115.0	95.7
PBT	69.8	91.8	111.3
Net Profit	50.3	69.7	84.6
Core Net Profit	50.2	66.1	80.2
Consensus Net Profit	-	52.8	60.9
Earnings Revision (%)	-	(5.3%)	(5.3%)
Core EPS (sen)	-	11.2	13.5
Core EPS Growth (%)	-	31.3%	21.3%
Net DPS (sen)	3.1	3.4	4.1
BV Per Share (sen)	107.0	114.8	124.3
Net Div. Yield (%)	7.1%	7.8%	9.5%
P/E (x)	5.1	3.9	3.2
ROE (%)	8.0%	9.7%	10.9%



Valuation. We trim FY26E–FY27E earnings by 5.3% each, reflecting a higher 28% effective tax rate assumption (versus 24% previously), broadly in line with FY25's c.28% ETR. This lowers our SOP-based TP to RM0.82 from RM1.01. We maintain our 11x FY26E P/E for the construction business, while widening the property RNAV discount to 75% (from 60%), aligning it more closely with the parent company LBS. Notwithstanding the lower TP, we continue to favour MGB for its solid affordable housing franchise, healthy order book, proven IBS capabilities and expanding KSA footprint. Maintain **BUY** on undemanding valuations and an exciting dividend yield of over c.7%.

Moving Forward. MGB enters 2026 with an aggressive growth strategy anchored by a RM5.0bn future revenue roadmap. The Group's construction division is well-supported by a robust RM1.2bn outstanding order book, which provides clear earnings visibility through 2027. Management has set a replenishment target of RM600m for its Malaysian construction arm, RM300m for its overseas venture in KSA and RM1bn for its property development segment (across FY27-FY29). In the pipeline, MGB has EPC works for project Alia and 95 units of luxury developments at Irqah, Riyadh (value c.RM170m). Furthermore, total estimated GDV for upcoming launches amount to c.RM2.3bn, including Idaman Kita (est. GDV: RM269m).

Key risk include: i) escalating war in the Middle East, (ii) failure to replenish its construction order book, iii) subdued property sales, and iv) fluctuation in construction cost.

SOP Valuation Table

	FY26E
Construction:	
PAT (RM m)	31.2
Target P/E (x)	11
Total value (RM m)	343.5
Precast concrete:	
PAT (RM m)	9.4
Target P/E (x)	7.0
Total value (RM m)	66.0
Property development:	
RNAV	137.4
Net Cash/ (Debt) (RM m)	(61.2)
Total SOP (RM m)	485.7
Share base (m)	591.7
Target Price (RM)	0.82

Source: Company, Mercury Securities

Key Financial Data

Balance Sheet

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
PPE	34.1	84.8	81.3	60.7	54.8
Rights of use of assets	93.4	59.1	47.0	49.8	45.9
Contract Assets	62.9	80.7	32.4	52.4	176.9
Amount due from related parti	345.9	280.4	283.6	389.4	224.1
Other assets	534.0	517.9	616.5	685.2	824.1
Deposit, bank and cash	52.6	100.2	94.5	64.6	102.6
Assets	1,123.0	1,123.2	1,155.2	1,302.1	1,428.4
LT borrowings	38.5	50.9	40.3	40.3	40.3
ST borrowings	30.1	13.9	85.5	85.5	85.5
Payables	377.9	371.8	303.4	433.1	503.3
Other liabilities	121.9	81.3	92.9	92.9	92.9
Liabilities	568.5	517.9	522.2	651.8	722.0
Share capital	388.2	388.2	388.2	388.2	388.2
Reserves and retained earnings	164.7	213.9	241.6	287.9	344.0
Shareholder's equity	552.9	602.1	629.8	676.1	732.2
NCI	1.6	3.2	3.2	3.2	3.2
Equity	554.5	605.3	633.1	679.3	735.4
Equity and Liabilities	1,123.0	1,123.2	1,155.2	1,331.1	1,457.4

Cash Flow Statement

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Profit before taxation	69.2	87.1	69.8	91.8	111.3
Depreciation & amortisation	18.5	21.8	24.4	22.7	20.3
Changes in working capital	(18.1)	18.3	(101.8)	(78.2)	(28.8)
Net interest received/ (paid)	(7.6)	(5.4)	(4.9)	(5.3)	(6.1)
Share of associate profits	0.2	0.6	0.1	-	-
Tax paid	(16.6)	(27.0)	(33.1)	(25.7)	(31.2)
Others	46.5	47.9	51.8	50.9	51.9
Operating Cash Flow	92.1	143.3	6.4	56.1	117.5
Capex	(13.6)	(7.0)	(7.6)	(8.3)	(9.7)
Others	0.7	(16.4)	7.0	-	-
Investing Cash Flow	(12.9)	(23.4)	(0.7)	(8.3)	(9.7)
Issuance of shares	-	-	-	-	-
Changes in borrowings	(21.3)	-	-	-	1.0
Dividends paid	(3.0)	(9.7)	(18.1)	(19.8)	(24.0)
Others	(16.7)	-	-	-	1.0
Financing Cash Flow	(40.9)	(9.7)	(18.1)	(19.8)	(22.0)
Net cash flow	1.4	51.6	(15.4)	(17.6)	37.9
Forex	-	-	-	-	1.0
Beginning cash	33.8	35.0	84.5	66.5	48.9
Ending cash	35.2	86.5	69.1	48.9	87.8

Income Statement

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue	971.8	1,032.0	916.9	1,395.3	1,624.7
EBITDA	92.9	115.0	99.8	123.1	140.2
Depn & amort	18.5	21.8	24.4	22.7	20.3
Net interest expense	(6.1)	(7.2)	(6.5)	(9.6)	(9.6)
Associates & JV	0.2	0.6	0.1	0.1	0.1
EI	-	-	-	-	1.0
Pretax profit	69.2	87.1	69.8	91.8	111.3
Taxation	(18.7)	(25.5)	(19.5)	(25.7)	(31.2)
MI	-	-	-	-	1.0
Net profit	50.5	61.7	50.3	66.1	80.2
Core net profit	50.6	56.4	50.3	66.1	80.2

Key Statistics & Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Growth					
Revenue	58.6%	6.2%	-11.1%	52.2%	16.4%
EBITDA	101.5%	23.8%	-13.3%	23.3%	14.0%
Pretax profit	170.2%	25.9%	-19.9%	31.5%	21.3%
Net profit	255.1%	22.2%	-18.4%	31.3%	21.3%
Core EPS	255.1%	22.2%	-18.4%	31.3%	21.3%
Profitability					
EBITDA margin	9.6%	11.1%	10.9%	8.8%	8.6%
Net profit margin	5.2%	6.0%	5.5%	4.7%	4.9%
Effective tax rate	27.1%	29.2%	27.9%	28.0%	28.0%
ROA	4.5%	5.5%	4.4%	5.1%	5.6%
ROE	9.1%	10.2%	8.0%	9.7%	10.9%
Leverage					
Debt/ Assets (x)	0.06	0.06	0.11	0.10	0.09
Debt/ Equity (x)	0.12	0.11	0.20	0.19	0.17
Net debt/ equity (x)	0.03	Net cash	Net cash	Net cash	Net cash

Key Drivers

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Construction order book (RM m)	1,140	1,100	1,150	1,180	1,080
Order book replenishment (RM m)	969	396	971	934	978
PBT margin	5%	2%	-3%	6%	6%

Valuation

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	8.5	10.4	8.5	11.2	13.5
Core EPS (sen)	8.5	10.4	8.5	11.2	13.5
P/E (x)	5.0	4.1	5.1	3.9	3.2
EV/ EBITDA (x)	2.9	1.9	2.9	2.6	2.0
Net DPS (sen)	1.6	1.5	3.1	3.4	4.1
Yield	3.8%	3.5%	7.1%	7.8%	9.5%
BV per share (RM)	0.94	1.02	1.07	1.15	1.24
P/BV (x)	0.5	0.4	0.4	0.4	0.3

Source: Company, Mercury Securities



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