



# MGB Berhad

## Cost Optimization Protecting Earnings

MGB's 1QFY26 results came in within expectations. YoY and QoQ core earnings registered growth on the back of cost optimization, despite YoY and QoQ topline decline. Construction segment expanded, driven by contributions from its overseas subsidiary while property development segment lagged due to certain projects nearing completion with minimal progress billings. Reiterate our BUY call with maintained SOP-derived TP of RM0.82, anchored on FY26E estimates pending the post-results briefing.

MGB's 1QFY26 core net profit came in within our expectations, accounting for 21%/27% of our/market estimates. A first interim single-tier dividend of 1.26 sen was declared and paid in respect of FY25.

**YoY**, topline contracted by 7.7% to RM210.1m from RM227.7m in 1QFY25, mainly attributable to minimal progress from certain projects nearing completion stages. However, gross, pre-tax and core earnings surged by 15.9%, 21.1% and 17.9% respectively. GP margin (20.8% vs 1Q25:16.5%) and PBT margin (9.8% vs 1Q25:7.5%) saw improvements as COGS dropped by 20.4% and OPEX was lower by 33.6% YoY. Concurrently, PATAMI margin (6.7% vs 1Q25:5.3%) improved despite the Group registering a marginally higher ETR at 32.0% vs 1Q25: 29.4%.

**QoQ**, topline fell by 14.4% due to certain projects nearing completion with minimal progress. Similar to its YoY performance, GP and PBT rose by 19.5%, and 20.2% on the back of cost optimisation strategies which saw the GP and PBT margins improve by 5.9 ppts and 2.8 ppts as OPEX went down by 27.2% QoQ. PATAMI only saw a 1.2% growth, as the Group's ETR was significantly higher by 13.8 ppts. Recall that the Group registered lower tax expenses in the previous quarter following a reversal of deferred tax amounting to RM4.5m.

**Construction segment recorded growth while property development lagged.** The construction and trading segment recorded a 4.1% YoY increase in revenue to RM200.7m in the current quarter, compared to RM192.8m in the corresponding period last year, primarily driven by contributions from its overseas subsidiary. Meanwhile, segmental PBT rose by RM6.5m YoY, supported by ongoing cost optimisation initiatives. The segment also includes the group's precast manufacturing operations, which recorded internal sales of RM4.4m, alongside local and overseas sales of RM0.7m and RM26.2m, respectively. Meanwhile, the property development segment saw revenue decline by 39.3% YoY to RM69.4m from RM114.2m previously, mainly attributable to certain projects nearing completion stages with minimal progress billings recognised during the quarter. Correspondingly, segmental PBT fell 22.0% YoY to RM8.9m versus RM11.4m in the previous corresponding period.

**Earnings estimates.** We maintain our FY26E earnings estimates as results came in within expectations. Historically, MGB records higher revenue recognitions in the third and fourth quarters. We maintain our SOP-derived TP of RM0.82 and target P/E multiple of 11x for the construction segment (detailed on page 2), pending a post-results briefing with management today.

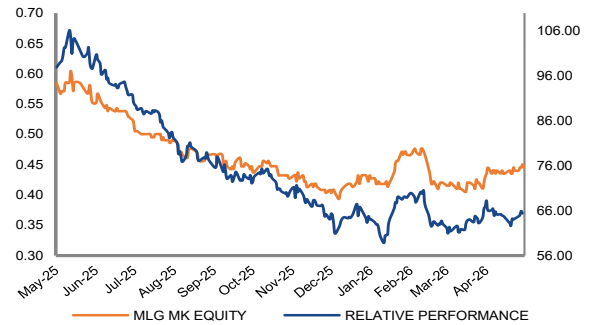
**Key risk include:** i) failure to replenish its construction order book, ii) subdued property sales, and iii) fluctuation in construction cost.

Main Market  
Construction Sector  
BUY (↔)

TP: RM 0.82 (↔)

Last Closing Price: RM 0.45

### 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)	1,740.22
YTD KLCI chg.	3.6%
YTD Stock Price chg.	3.5%

Price Performance	1M	3M	12M
Absolute (%)	3.5%	-4.5%	-23.9%
Relative to KLCI (%)	0.1%	-4.4%	-34.7%

### Stock Information

Market Cap (RM m)	263.2
Issued Shares (m)	591.7
52-week High (RM)	0.64
52-week Low (RM)	0.40
Est. Free Float (%)	20%
Beta vs FBM KLCI	0.8
3-month Avg Vol. (m)	192,402
Shariah Compliant	Yes
Bloomberg Ticker	MLG MK EQUITY

### Top 3 Shareholders

	%
LBS Bina Group Bhd	58.0%
Chek Lim Lit	13.3%
Kenanga Unit Trust B	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	66.1	80.2
Core Net Profit	50.2	66.1	80.2
Consensus Net Profit	-	52.8	60.9
Earnings Revision (%)	-	0.0	0.0
Core EPS (sen)	8.7	11.2	13.5
Core EPS Growth (%)	-16.4%	28.2%	21.3%
Net DPS (sen)	3.1	3.4	4.1
Net Div. Yield (%)	7.1%	7.8%	9.5%
BV Per Share (sen)	107.5	115.3	124.8
P/E (x)	4.9	3.9	3.2
ROE (%)	8.1%	9.7%	10.9%



**Outlook.** MGB's near-term earnings visibility remains well-supported by a RM1.65bn backlog as at 31 March 2026 (RM1.25bn construction order book; RM400m unbilled property sales), with post-quarter replenishment of RM235.5m — comprising a RM200.74m CLQ project in Penang and a RM34.8m villa contract in Saudi Arabia — providing further top-line runway into FY26. We view the Medina award as a strategic milestone, marking MGB's transition in KSA from a niche IBS precast supplier to a full-fledged main contractor, which could broaden its regional project pipeline and support a re-rating of its overseas growth narrative over time. Underpinned by its proprietary IBS precast technology, BIM adoption, and AI-driven workflow integration, MGB's tech-enabled delivery model should continue to provide meaningful margin insulation against input cost volatility, and we maintain a constructive view on earnings delivery through the remainder of FY26, with order book conversion and progress billings on recently secured contracts as the key near-term catalysts.

<b>Results Highlights</b>								
Y/E: Dec (RMm)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg	3M26	3M25	YoY Chg
<b>Turnover</b>	<b>210.1</b>	<b>245.6</b>	<b>-14.4%</b>	<b>227.7</b>	<b>-7.7%</b>	<b>210.1</b>	<b>227.7</b>	<b>-7.7%</b>
<b>Gross Profit</b>	<b>43.7</b>	<b>36.6</b>	<b>19.45%</b>	<b>37.7</b>	<b>15.9%</b>	<b>43.7</b>	<b>37.7</b>	<b>15.9%</b>
<b>OPEX</b>	<b>(15.6)</b>	<b>(21.4)</b>	<b>-27.2%</b>	<b>(23.5)</b>	<b>-33.6%</b>	<b>(15.6)</b>	<b>(23.5)</b>	<b>-33.6%</b>
EBITDA	28.3	25.1	12.7%	18.5	52.9%	28.3	18.5	52.9%
EBIT	22.4	18.7	19.7%	18.5	21.3%	22.4	18.5	21.3%
<b>PBT/(LBT)</b>	<b>20.6</b>	<b>17.2</b>	<b>20.2%</b>	<b>17.0</b>	<b>21.1%</b>	<b>20.6</b>	<b>17.0</b>	<b>21.1%</b>
Taxation	(6.6)	(3.1)	110.6%	(5.0)	31.6%	(6.6)	(5.0)	31.6%
Net Profit	14.0	14.0	0.0%	12.0	16.7%	14.0	12.0	16.7%
<b>PATAMI</b>	<b>14.1</b>	<b>14.0</b>	<b>1.2%</b>	<b>12.0</b>	<b>17.9%</b>	<b>14.1</b>	<b>12.0</b>	<b>17.9%</b>
Core EPS (sen)	2.4	2.4	1.2%	2.0	17.9%	2.4	2.0	17.9%
DPS (sen)	0.0	0.0	-	1.5		0.0	1.5	
Gross Margin	20.8%	14.9%		16.5%		20.8%	16.5%	
OPEX	-7.4%	-8.7%		-10.3%		-7.4%	-10.3%	
EBITDA Margin	13.4%	10.2%		8.1%		13.4%	8.1%	
EBIT Margin	10.7%	7.6%		8.1%		10.7%	8.1%	
PBT Margin	9.8%	7.0%		7.5%		9.8%	7.5%	
PATAMI Margin	6.7%	5.7%		5.3%		6.7%	5.3%	
ETR	-32.0%	-18.2%		-29.4%		-32.0%	-29.4%	
<b>Revenue Breakdown (RMm)</b>								
Construction	200.7	156.6		113.5		200.7	113.5	
Property	69.3	89.0		114.2		69.3	114.2	
Construction order book (RMm)	1,250.0	1,150.0		1,200.0		1,250.0	1,150.0	
Unbilled property sales (RMm)	400.0	410.0		600.0		400.0	410.0	

Source: Company, Bursa Malaysia, Mercury Securities

### SOP Valuation Table

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

Source: Company, Mercury Securities

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