



MGB Berhad

KSA Momentum Gathering Pace

YTD contract replenishments reached RM233.7m, successfully hitting 26% of our full-year RM900m target. Backed by an outstanding order book of RM1.7bn and unbilled property sales of RM402.3m, MGB offers robust earnings visibility spanning through 2027. We reiterate our BUY call on MGB Berhad with a new SOP-derived TP of RM0.87 (previously RM0.82) as we rollover our valuation base to FY27. The stock remains a highly attractive yield play, backed by an exciting forward dividend yield of >7%.

We attended MGB 1QFY26 post-results briefing and key-takeaways are;

1. Order Book Strengthened; External Replenishment Target Fully Achieved. MGB's outstanding order book stood at RM1.70bn as at end-March 2026, with domestic projects accounting for 74% and KSA projects contributing the remaining 26%. Year-to-date replenishment reached RM201m, driven primarily by the Penang CLQ contract win, which effectively fulfils management's FY2026 external replenishment target of RM200m. On the international front, 12% of the RM300m KSA replenishment target has been secured following the RM35m Marafy Al Arous villa superstructure contract secured in April 2026. We believe further KSA wins remain the key catalyst heading into 2HFY26. Encouragingly, the Group continues to maintain a healthy RM1.0bn tender book, while management guided that 34% of the current order book is slated for recognition within FY2026.

2. Robust Property Pipeline; Launch Momentum to Accelerate. Total estimated GDV of RM1.99bn across affordable housing and pocket land developments are scheduled between FY2026 and FY2028. Near-term launches include Idaman Cahaya Phase 3 (RM117.4m GDV) and Starlight Residences in Cameron Highlands (RM128.2m GDV), both targeted for launch in Q2 FY2026. Further out, Idaman KITA (RM328.1m GDV) and the Taman Putra Prima pocket land development (RM302.1m GDV) are expected to serve as key future billings contributors. Unbilled property sales stood at RM402.3m as at March 2026, providing reasonable near-term earnings visibility for the property segment.

3. KTIP Optionality Becoming Increasingly Visible. Separately, management disclosed an aggregate future revenue visibility pipeline of RM4.8bn spanning construction, KSA ventures, affordable housing, pocket land developments and the Kerteh Terengganu Industrial Park (KTIP). Notably, all seven industrial plots within KTIP have obtained Development Orders, with active marketing efforts now underway. While contribution remains longer-dated at this juncture, we view this as an incremental positive as it enhances the visibility and monetisation potential of MGB's industrial development exposure.

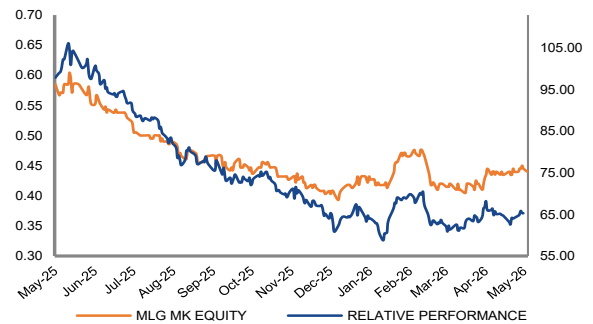
4. Middle East Risk Manageable at Present. On geopolitical concerns surrounding the Middle East, management indicated that domestic operations remain unaffected while KSA project execution continues largely business-as-usual, albeit with minor timeline adjustments on certain property launches. Raw material cost risks are also mitigated through the Variation of Price (VOP) mechanism. At this stage, we take comfort in management's commentary, particularly given that KSA projects now account for 26% of the group's outstanding order book and are becoming increasingly important to MGB's earnings profile.

Main Market
Construction Sector
BUY (↔)

TP: RM0.87 (↑)

Last Closing Price: RM0.44

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)	1,727.71
YTD KLCI chg.	2.8%
YTD Stock Price chg.	2.3%

Price Performance	1M	3M	12M
Absolute (%)	-1.1%	-7.6%	-22.9%
Relative to KLCI (%)	-4.6%	-7.3%	-35.7%

Stock Information

Market Cap (RM m)	260.3
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

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	1,362.2	1,591.2
EBITDA	92.9	120.5	138.2
PBT	69.8	89.3	109.3
Net Profit	50.3	64.3	78.7
Core Net Profit	50.2	64.3	78.7
Consensus Net Profit	-	52.8	60.9
Earnings Revision (%)	-	-2.8	-1.8
Core EPS (sen)	-	10.9	13.3
Core EPS Growth (%)	-	24.7%	22.5%
Net DPS (sen)	3.1	3.3	4.0
BV Per Share (sen)	107.0	115.1	124.4
Net Div. Yield (%)	7.1%	7.3%	9.0%
P/E (x)	5.1	4.1	3.3
ROE (%)	8.0%	9.4%	10.7%

No changes to our forecast. We revised down our FY26E/F27E by 3%/2% to RM64m/Rm79m on account of the stronger Ringgit. We maintain our RM900m order book replenishment target as recent 1QFY26 results were in line with expectations. We reiterate our BUY call with a new SOP-derived TP of RM0.87 (previously RM0.82), as we rollover our valuation base to FY27E estimates. Our valuation continues to peg the construction business at 11x FY26E P/E while incorporating a higher RNAV discount at 85% (previously 75%) for the property segment on execution risks. We remain positive on MGB for its undemanding valuations and an exciting dividend yield of over 7%-9%.

Moving Forward. We remain constructive on MGB's earnings outlook, supported by its RM1.70bn outstanding order book and RM402.3m unbilled property sales balance as at end-March 2026. The commencement of Medina EPC billings marks an important inflection point for the group's international operations and is expected to be the key earnings driver into 2HFY26. With the domestic external replenishment target already achieved, investor focus is likely to shift towards additional KSA contract wins and execution of the group's FY2026 property launch pipeline. Over the medium term, we continue to view MGB favourably given its expanding affordable housing exposure, improving earnings mix and growing international presence, with key re-rating catalysts being further KSA replenishment, stronger-than-expected take-up rates for upcoming launches, and continued margin expansion from overseas operations.

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

	FY27E
Construction:	
PAT (RM m)	36.2
Target P/E (x)	11
Total value (RM m)	398.4
Precast concrete:	
PAT (RM m)	8.2
Target P/E (x)	7.0
Total value (RM m)	57.5
Property development:	
RNAV	82.5
Net Cash/ (Debt) (RM m)	(24.1)
Total SOP (RM m)	517.2
Share base (m)	591.7
Target Price (RM)	0.87
<i>Source: Company, Mercury Securities</i>	

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