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Results Note
Thursday, November 19, 2026
Research Team Coverage
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MGB Berhad

Main Market
Construction Sector
BUY (↔)
TP: RM 0.490 (↔)
Last Closing Price: RM 0.360

Margins Outrun Softer Billings

MGB's 9MFY26 earnings came in above our expectations but within market full-year estimates. The beat came from stronger margins, as cost optimisation lifted 9MFY26 GP margin to 22% from 17% a year earlier, more than offsetting a 15% YoY decline in revenue as property development and local construction projects neared completion. We raise our FY26E earnings by 2% to RM49.6m on higher margin assumptions. The construction order book of RM1.62bn and unbilled property sales of RM0.25bn provide earnings visibility, although replenishment remains slow. We maintain our SOP-derived TP of RM0.49. Maintain BUY.

9MFY26 results came in above our expectations but within market expectations, with core net profit of RM39.9m making up 82%/74% of our/market full-year estimates. The beat came from stronger profitability margins, as GP margin of 22% for 9MFY26 (helped by cost optimisation) was well above our 15% assumption. No dividend was declared in 3QFY26 (9MFY25: nil), as MGB typically declares its dividend in the final quarter.

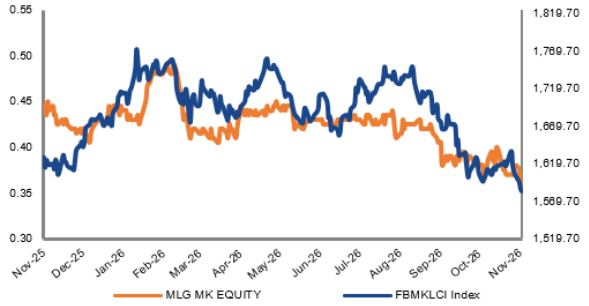
YoY, 9MFY26 Topline declined 15% to RM569.5m, mainly due to the completion or near completion of property development and local construction projects, partly offset by stronger overseas contributions. Gross profit rose 10% YoY to RM123m and GP margin expanded 5ppts to 22%, supported by cost optimisation. PBT rose +11% YoY to RM59m, broadly in tandem with GP, with PBT margin expanding to 10% (9MFY25: 8%) as a -7% YoY decline in Opex offset lower other income (RM2.3m vs RM10.5m in 9MFY25). Bottomline grew 10% YoY to RM40m, with PATAMI margin up 2ppts to 7.0%. Growth lagged PBT slightly as the effective tax rate rose 2ppts to 33%.

QoQ, Topline fell 22% QoQ to RM158m as certain property development projects reached completion or near completion. Gross profit slipped 17% QoQ to RM36m, although GP margin improved 1ppt to 23%. PBT declined 15% QoQ to RM17m on the same lower property contributions, while PATAMI fell a smaller 7% QoQ to RM12m, cushioned by the effective tax rate easing 6ppts to 30% from 36% in 2QFY26. YoY, 3QFY26 PATAMI was flat (+0.5% YoY) despite a 31% fall in revenue, reflecting a GP margin 6ppts higher.

Construction earnings stayed resilient while property billings weakened further. For 9MFY26, local construction revenue fell 17% YoY to RM478m, but PBT jumped 81% to RM39m on cost optimisation. Overseas revenue surged to RM78m (9MFY25: RM16m), with overseas precast sales of RM66m, narrowing the segment's LBT to RM0.6m (9MFY25: RM7.3m). Property revenue fell 33% YoY to RM200m and PBT declined 42% to RM24m, as certain projects were completed or nearing completion with minimal progress.

Order book update. The outstanding construction order book stood at RM1.62bn as at end-September 2026 (end-June: RM1.68bn), while unbilled property sales eased to RM0.25bn (end-June: RM0.29bn). The only new contract disclosed was a second ROSHN contract for the Marafy Al Arous 75 Villas project in Saudi Arabia worth RM44.7m, bringing the project's total value to c.RM79m. Management also framed the Medina award as a move beyond precast supply into a broader main-contractor role in Saudi Arabia. On the property front, MGB launched Starlight Residences in Cameron Highlands (GDV: RM130m) during the quarter, in line with its September timeline.

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)	1,566.73
YTD KLCI chg.	-6.7%
YTD Stock Price chg.	-16.3%

Price Performance	1M	3M	12M
Absolute (%)	-5.3%	-13.3%	-19.1%
Relative to KLCI (%)	-2.7%	-3.6%	-16.2%

Stock Information	
Market Cap (RM m)	212.2
Issued Shares (m)	589.5
52-week High (RM)	0.50
52-week Low (RM)	0.36
Est. Free Float (%)	20%
Beta vs FBM KLCI	0.7
3-month Avg Vol. (m)	154,389
Shariah Compliant	Yes
Bloomberg Ticker	MLG MK EQUITY

Top 3 Shareholders	%
LBS Bina Group Bhd	58.2%
Chek Lim Lit	13.3%
CIMB Group Holdings	2.4%

FY DEC (RM m)	FY25A	FY26E	FY27E
Revenue	**917.1**	**984.3**	**1,299.8**
Gross Profit	**148.3**	**204.9**	**266.6**
EBITDA	101.4	104.8	125.7
PBT	71.4	73.8	97.4
Net Profit	51.5	53.2	70.1
Core Net Profit	**51.5**	**53.2**	**70.1**
Consensus Net Profit	-	53.9	60.9
Earnings Revision (%)	-	2.0%	-
Core EPS (sen)	8.7	9.0	11.9
Core EPS Growth (%)	-16.4%	3.1%	32.0%
Net DPS (sen)	3.1	2.7	3.6
Net Div. Yield (%)	8.5%	7.5%	9.9%
BV Per Share (sen)	107.5	113.7	122.0
P/E (x)	5.1	5.0	3.8
ROE (%)	8.1%	7.9%	9.7%

Earnings revised. We raise our FY26E earnings by 2% to RM49.6m, lifting our blended GP margin assumption to 20% (previously 15%) and PBT margin to 7.5% (previously 6.9%) to reflect the Group's cost optimisation. Our assumptions remain below the 9M run-rate to allow for potentially slower property billings in 4QFY26.

Valuation. We maintain our SOP-derived TP of RM0.49 ascribed to our revised FY27E earnings. We value MGB's construction business at 6.7x FY27E P/E, representing a 20% discount to the selected local construction peers' best forward P/E of 8.34x. The discount reflects MGB's relatively small market capitalisation, we value the precast concrete business at 3.3x FY27E P/E, reflecting its early-stage operations and comparatively limited earnings visibility. This implies a capital upside of 37% to its current share price of RM0.36, or a total return of 47% including a FY27E dividend yield of 9.9%. **BUY** Call maintained.

Key risks include: i) Delays in converting the construction order book, ii) Weaker-than-expected property sales, iii) Escalation of Middle East geopolitical risks, and iv) Construction cost volatility.

Results Highlights

Y/E: Dec (RMm)	3QFY26	2QFY26	QoQ Chg	3QFY25	YoY Chg	9M26	9M25	YoY Chg
Turnover	**157.7**	**201.7**	***-21.8%***	**227.2**	***-30.6%***	**569.5**	**671.3**	***-15.2%***
Gross Profit	**35.8**	**43.1**	***-17.0%***	**37.0**	***-3.2%***	**122.6**	**111.6**	***9.9%***
OPEX	**(12.1)**	**(16.3)**	***-26.2%***	**(14.3)**	***-15.7%***	**(44.0)**	**(47.4)**	***-7.1%***
EBITDA	24.3	28.3	*-14.0%*	25.8	*-5.9%*	80.9	74.7	*8.2%*
EBIT	18.5	22.4	*-17.4%*	19.6	*-5.8%*	63.2	56.6	*11.7%*
PBT/(LBT)	**17.4**	**20.5**	***-15.2%***	**18.5**	***-6.2%***	**58.5**	**52.6**	***11.2%***
Taxation	(5.2)	(7.3)	*-29.1%*	(6.2)	*-16.6%*	(19.1)	(16.3)	*17.0%*
Net Profit	12.2	13.2	*-7.5%*	12.3	*-0.9%*	39.4	36.3	*8.6%*
PATAMI	**12.4**	**13.3**	***-7.1%***	**12.3**	***0.5%***	**39.9**	**36.1**	***10.4%***
Core EPS (sen)	2.1	2.3	*-6.9%*	2.1	*0.7%*	6.7	6.1	*10.4%*
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
Gross Margin	22.7%	21.4%		16.3%		21.5%	16.6%	
OPEX	-7.6%	-8.1%		-6.3%		-7.7%	-7.1%	
EBITDA Margin	15.4%	14.0%		11.4%		14.2%	10.3%	
EBIT Margin	11.7%	11.1%		8.6%		11.1%	8.4%	
PBT Margin	11.0%	10.2%		8.1%		10.3%	7.8%	
PATAMI Margin	7.9%	6.6%		5.4%		7.0%	5.4%	
ETR	-29.9%	-35.7%		-33.6%		-32.7%	-31.0%	
Revenue Breakdown (RMm)								
Construction (Domestic)	83.4	93.5	*-10.8%*	128.0	*-34.8%*	291.5	354.7	*-17.8%*
Construction (Overseas)	25.9	25.6	*1.0%*	10.2	*153.6%*	77.6	15.7	*395.9%*
Property	48.4	82.6	*-41.3%*	89.0	*-45.6%*	200.4	301.0	*-33.4%*
Construction order book (RMm)	1,620.0	1,680.0	*-3.6%*	1,130.0	*43.4%*	1,620.0	1,130.0	*43.4%*
Unbilled(billed) property sales (RMm)	250.0	290.0	*-13.8%*	420.0	*-40.5%*	250.0	420.0	*-40.5%*

Source: Company, Bursa Malaysia, Mercury Securities

SOP Valuation Table

	FY27E
Construction:	
PAT (RM m)	32.8
Target P/E (x)	6.67
Total value (RM m)	**219.0**
Precast concrete:	
PAT (RM m)	1.0
Target P/E (x)	3.00
Total value (RM m)	**3.1**
Property development:	
RNAV	**70.6**
Net Cash/ (Debt) (RM m)	(0.8)
Total SOP (RM m)	291.9
Share base (m)	591.7
Target Price (RM)	**0.49**

Source: Company, Mercury Securities

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