



MGB Bhd

Undervalued Affordable Housing Specialist

Bloomberg: MLG MK | Stock Code: 7595

Valuation / Recommendation

We initiate coverage on MGB Berhad (MGB) with a BUY call and an **SOP-derived TP of RM1.18**, translating to 46% potential upside. Our TP implies 10.4x FY25F PE which is undemanding compared to similar peer average PE of 11.0x. We like MGB for its focus on affordable housing and healthy construction order book, complemented by its expertise in IBS solutions.

Investment Highlights

Beneficiary of government initiatives on affordable housing. As of August 2024, MGB has launched 5 affordable housing Idaman projects out of the 6 secured, with a total combined GDV of RM2.0bn. These projects have achieved a strong take-up rate of over 90%. Additionally, the group has also recently clinched another project in Puchong under the new Rumah Selangorku 3.0 scheme (RM399m GDV). We believe that affordable housing will be a key earnings driver for MGB going forward, supported by ongoing government initiatives to promote home ownership, especially among the B40 and M40 income groups. In our view, potential policy changes, such as REHDA's proposal to establish a national trust for building affordable housing, could be a game-changer for niche construction company such as MGB.

Healthy construction order book. MGB's latest outstanding order book amounted to RM1.3bn, representing a healthy cover of 1.5x FY23 construction revenue. YTD 2024, the group has secured two new projects from LBS Bina totalling RM396m, on track to meet its annual order book replenishment target of between RM400-600m. Besides in-house and Idaman projects, MGB is also looking to beef up its order book by tendering externally for RM500-600m worth of jobs from government projects such as schools and housing quarters.

Contribution from IBS JV in Saudi and KTIP. MGB will invest c.RM20m capex to upgrade the JV IBS plant in Saudi, and in return, MGB will be entitled to a portion of the manufacturing and installation revenue. Based on a minimum order of 270k cu m3, we estimate MGB will recognise about RM200m in total revenue from this JV over the next 3 years. Meanwhile, we understand MGB is currently working with the Terengganu state government, MIDA, and Bank of China to secure potential buyers for its industrial park development in Kertih (RM680m GDV). After deducting the state government's 14% cut and assuming a 20% PBT margin, we estimate this venture could contribute up to RM100m to MGB's earnings when all 7 plots of land are fully sold.

Risk factors for MGB include (1) Failure to replenish order book; (2) Fluctuation in construction cost; and (3) Subdued property sales.

FY Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	612.8	971.8	1,160.7	1,352.4	1,454.9
EBITDA	46.8	93.8	100.6	116.8	124.0
Net Profit	14.2	50.5	56.3	66.9	72.9
Core Net Profit	14.2	50.5	56.3	66.9	72.9
Core EPS (sen)	2.4	8.5	9.5	11.3	12.3
Core EPS growth (%)	(46.5)	255.1	11.6	18.8	9.0
Net DPS (sen)	0.5	0.8	1.9	2.3	2.5
BV Per Share (sen)	85.6	93.7	101.3	110.4	120.3
PE (x)	33.3	9.4	8.4	7.1	6.5
EV/EBITDA (x)	11.1	5.3	4.6	4.1	3.9
Net Yield (%)	0.6	1.0	2.4	2.8	3.1
PB (x)	0.9	0.9	0.8	0.7	0.7
Net Gearing (x)	0.1	0.0	Cash	0.0	0.0
ROE (%)	2.8	9.1	9.4	10.2	10.3

Main Market
Construction Sector
BUY

TP: RM1.18
Last Closing Price: RM0.81

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)	1,630.0
Upside (%)	45.7
Net Yield (%)	2.8
Total Return (%)	48.5

Price Performance

	1M	3M	12M
Absolute (%)	5.9	(8.0)	17.4
Relative to FBM KLCI (%)	8.0	(9.2)	5.4

Stock Information

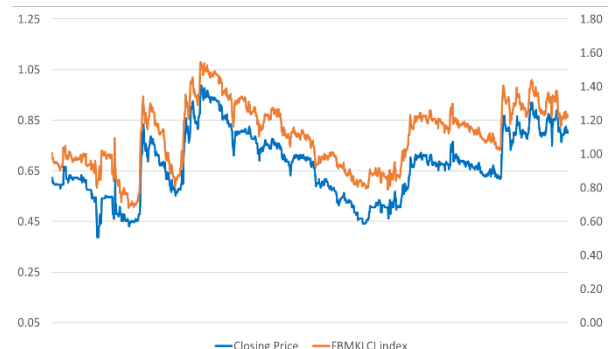
Market Cap (RM m)	479.2
Issued Shares (m)	591.7
52-week High (RM)	0.92
52-week Low (RM)	0.61
Estimated Free Float (%)	14.4
Beta vs FBM KLCI	0.77
3-month Average Vol. (m)	0.57
Shariah Compliant	Yes

Consensus

	FY24	FY25	FY26
EPS Forecast (sen)	10.0	11.0	13.0
Ratings	4 Buy	0 Hold	0 Sell

Top 3 Shareholders

LBS Bina	58.7%
Lim Lit Chek	14.3%
Kenanga Growth Fund	2.2%



Source: Mercury Securities, Bloomberg



Investment Merits

Beneficiary of government initiatives for affordable housing

A major player in affordable housing. MGB has been extensively involved in the affordable housing sector since 2021, having successfully secured various projects under the Rumah Selangorku initiative through collaborations with the Selangor state government and other property developers. This initiative encompasses various schemes, with the latest being Rumah Selangorku Idaman (RSI) and Rumah Selangorku 3.0 (RSKU 3.0). As of August 2024, the group has launched a total of 5 RSI projects (out of the 6 secured with a total combined GDV of RM2.0bn), with almost all projects achieving a strong take-up rate of over 90%. See Figure 1.

MGB has also recently secured an affordable housing project in Puchong under the new RSKU 3.0 Scheme, which we understand is likely to carry better margins due to its partial furnishing (as opposed to fully furnished requirements for the RSI projects). This project, estimated to have a GDV of RM399m, consists of 1,940 housing units scheduled for launch by 3Q25. See Figure 2.

Figure 1: RSI project list and its details


No.	Projects	Units	Official Launched Date	Developer	Estimated GDV (RM mil)	Units sold & take up rate
1.	Idaman Melur	1,448	Block A: Dec'22 Block B: April'23	Idaman Living SB	414	1,432 98.9%
2.	Idaman Cahaya	1,853	Plot 1: Feb'23 Plot 2: April'23 Plot 3 - TBC	Idaman Kukuh SB	511	1,342 / 1,440 (launched) 93.2%
3.	Idaman Sari	513	May'23	Idaman Aktif SB	146	504 98.2%
4.	Idaman BSP*	1,312	Jan'22	Senbu Baiduri SB	375	1,312 100%
5.	Idaman Perdana*	1,048	July'24	Kemudi Ehsan SB	294	57 5.4%
6.	Idaman Kita*	1,036	TBA	Seloka Sinaran SB	269	-
	Total	7,210			2,009	

Source: Company, Mercury Securities

Figure 2: Upcoming RSKU 3.0 Project

Proposed Development	
Project Name	TBC
No of Units	1,940
Location	Taman Putra Prima, Puchong
Est GDV	398.6 million
Product Type, Size & Units	(1) RSKU Trio - 750 sf (1,220u) (2) RSKU Quad - 900 sf (720u)
Pricing	(1) RSKU Trio - RM191,250 (2) RSKU Quad - RM229,500
Launching Date (target)	3Q 2025

FOR INFO/REF				
Type, size, pricing & other criteria as per RSKU 3.0				
Type	Size (sf)	Pricing (RM)	Household income	Marriage Status
Solo	450	114,750	Not exceeding RM14,500	Single
Duo	600	153,000		Married
Trio	750	191,250		
Quad	900	229,500		
Quad (Teres)	900	250,000		



Source: Company, Mercury Securities

Accommodative government initiatives. Going forward, we believe affordable housing will be a key earnings driver for MGB, underpinned by ongoing government initiatives to encourage home ownership, especially among the B40 and M40 income groups. At the national level, the Ministry of Housing & Local Government has proposed to introduce the Madani Deposit scheme in the upcoming Budget 2025. This proposal aims to help first-time home buyers, specifically individuals aged 21 to 40, by assisting them in paying a deposit of up to RM30,000 for a property valued at no more than RM500,000.

At the state level, the Selangor government is targeting to build a total of 60,000 affordable housing units by 2027 under the existing RSI scheme. According to Selangor Menteri Besar Datuk Seri Amirudin Shari, the momentum of house construction under this initiative is going well, with approximately 40,000 housing units currently awaiting related approvals.

Policy changes on affordable housing could be a game-changer. The Real Estate and Housing Developers Association (REHDA) has proposed the establishment of a national trust for affordable housing as a replacement to the current practice of mandating a specific allocation within large property developments. Under this structure, the government would assume responsibility for identifying suitable land and appointing suitable developers to carry out affordable housing initiatives. If implemented, we expect the construction of affordable housing to be more streamlined, leading to reduced lead times and ensuring a strategic supply that aligns with market demand. We believe this approach is well-suited for niche developers like MGB, and will create more opportunities for the group to participate in affordable housing projects in the future.



Healthy construction order book

Stable flow of in-house projects. As of August 2024, MGB's construction order book amounted to RM1.3bn, representing a healthy cover of 1.5x FY23 construction revenue. Of the total outstanding order book, 61% consists of in-house construction projects awarded by parent company LBS Bina, while the remaining is from Rumah Selangorku Idaman projects (refer to Figure 3 and 4). Year-to-date 2024, MGB has secured two new projects from LBS Bina, totalling RM396m. We believe the group is on track to meet its annual order book replenishment target of between RM400-600m.

Figure 3: Construction contracts awarded by LBS Bina

NO	PROJECT	AWARDED AMOUNT (RM mil)	WORKDONE CERTIFIED (RM mil)	BALANCE (RM mil)
LBS GROUP				
1	Kita @CyberSouth - Kita Mesra	112.52	107.48	5.04
2	Kita @CyberSouth - Kita Sejati	172.34	135.57	36.77
3	Kita @CyberSouth - Kita Bestari	156.83	48.93	107.90
4	Prestige	225.03	161.77	63.26
5	D'Island Astella 155	46.80	26.46	20.35
6	Bayu Hill	167.75	2.21	165.55
7	D'Island Skyria 999	207.03	1.00	206.03
8	Alam Perdana Central Hub	189.35	1.17	188.19
		1,277.66	484.58	793.08

Annual Target Replenishment Orderbook
 RM400 mil - RM600 mil

Total Replenishment as at 31/8/24
 RM396 mil

As at 31 Aug 2024
7 Contracts secured in FYE2024

Source: Company, Mercury Securities

Figure 4: Construction contracts under RSI

NO	PROJECT	AWARDED AMOUNT (RM mil)	WORKDONE CERTIFIED (RM mil)	BALANCE (RM mil)
Construction				
1	Idaman BSP	310.32	306.46	3.87
2	Idaman Kita	218.51	-	218.51
3	Idaman Perdana	225.85	6.26	219.59
		754.69	312.72	441.97
Project Management Contract				
1	Idaman BSP	29.84	29.84	-
2	Idaman Kita	28.56	-	28.56
3	Idaman Perdana	29.45	3.62	25.83
		87.85	33.46	54.39
TOTAL				496.36

As at 31 August 2024

Source: Company, Mercury Securities

Supplemented by own pocket lands development. Besides in-house and Rumah Selangorku projects, MGB also undertakes its own property development projects occasionally, albeit on a smaller scale. The group has an ongoing development project in Johor, comprising two blocks of apartments with an estimated GDV of RM545m (see Figure 5). Future developments in the pipeline include 1) A 670-unit condominium project in Puchong (RM271m GDV), targeted to be launched by 3Q25; and 2) A 324-unit apartment project in Cameron Highland (RM107m GDV).

Tendering for selective government projects. Apart from residential projects, MGB is also exploring opportunities in selective government projects, tendering for RM500-600m worth of jobs. We understand that these projects primarily involve the construction of public amenities, such as schools and housing quarters for government agencies (which are quite standardised and fall within MGB's strengths).

Figure 5: On-going pocket land development in Johor

Project Name	Pangsapuri Saujana Indah
No of Units	988
Location	Taman Molek, Johor
Est GDV	RM 545 million
Launch Date	Block B – March'23 (595 units) Block A – April'24 (393 units)
Sold Units / rate	Block B: 309/ 51.9% Block A: 36/ 9.2%
Unbilled sales	RM 128.08 million

As of 31 Aug 2024

Source: Company, Mercury Securities

Figure 6: Pocket land development in Puchong

Proposed Up-Coming Development	
Project Name	TBC
No of Units, Type & Size	670u, Condominium, 900 sq ft
Location	Taman Putra Prima, Puchong
Est GDV	271.4 million
Target launching	3Q 2025

Illustrative purpose only

As of 31 Aug 2024

Source: Company, Mercury Securities



Synergistic benefits with IBS

Foresight to invest in IBS precast. MGB was an early adopter in the construction industry, pioneering the establishment of an IBS (Industrialised Building System) factory to produce steel and aluminium formwork products 15 years ago. Subsequently, in 2018, MGB further expanded its IBS capabilities by setting up a precast concrete facility in partnership with China's SANY Group. MGB's two IBS manufacturing plants have enabled the group to enhance its construction capabilities, allowing it to build up to 6,000 units of properties annually.

Leveraging IBS to boost margins. Despite the challenging circumstances facing the construction industry in recent years, MGB was still able to maintain decent operating margins of 5-8% from FY21-23. Leveraging on its IBS expertise has helped MGB to mitigate the razor-thin margins typical of affordable housing, and counteract the increase in building materials costs, particularly for steel and cement. This was achieved through significant cost savings arising from faster project completion, reduced reliance on labour, and minimised wastage of building materials.

Expanding overseas with IBS. In July 2023, MGB entered into a joint venture with Sany Alameriah Industrial ("SA") to supply precast concrete products in the Kingdom of Saudi Arabia (KSA). The group was chosen for its technical expertise in IBS, which will help to optimise SA's existing IBS plant in Mekkah (largest among the 3 factories serving that area). Meanwhile, its JV partner SA is responsible for securing a minimum 270k cu m3 of precast concrete product contracts within 3 years, starting from January 2024. In 2024, SA has successfully secured the first contract (worth close to RM120m) to supply and install approximately 60,000 cu m3 of precast concrete products for a 400-villa housing project called Roshn Alarous in North Jeddah (see Figure 7 and 8).

Figure 7: ROSHN Alarous Master Plan



Source: ROSHN Alarous

Figure 8: Villa unit under ROSHN Alarous



Source: ROSHN Alarous

MGB to recognise >RM200m in sales over 3 years. According to management, the JV arrangement with SA is split into manufacturing and installation portions, with MGB having 33% and 50% interest, respectively – in return for injecting c.RM20m capex to upgrade the existing IBS plant. Based on the minimum order of 270k cu m3, we estimate MGB will recognise more than RM200m in total revenue from this JV over the next 3 years, thereby contributing further to its overall revenue growth. We believe there are opportunities for the JV to broaden its scope or extend beyond the 3-year period, considering the supportive government policies aimed at promoting home ownership in KSA.

Strategic opportunity to develop KTIP

JV to develop industrial park in Kertih. Recognising the lucrative opportunity presented by China+1 strategy, MGB established a joint venture with the Terengganu state government to develop the Kertih Terengganu Industrial Park (“KTIP”) in 2022. The goal is to develop KTIP into a thriving regional heavy industry hub, targeting petrochemical heavy industry players over a 10-year period. The industrial park will boast 780 acres of saleable land lots with an estimated GDV of RM680m (see Figure 9).

As of June 2024, 2 out of the 7 development orders have been approved, and all 7 individual titles for the leasehold land of the project have been issued. We understand that MGB is currently actively working with the Terengganu state government, Malaysia Investment Development Authority (MIDA), and Bank of China to secure potential buyers from China. With the East Coast Rail Link (ECRL) scheduled to be completed by the end of 2026, we believe that this will enhance the attractiveness of KTIP and lead to positive developments in 2025-2026.

Figure 9: Kertih Terengganu Industrial Park Details



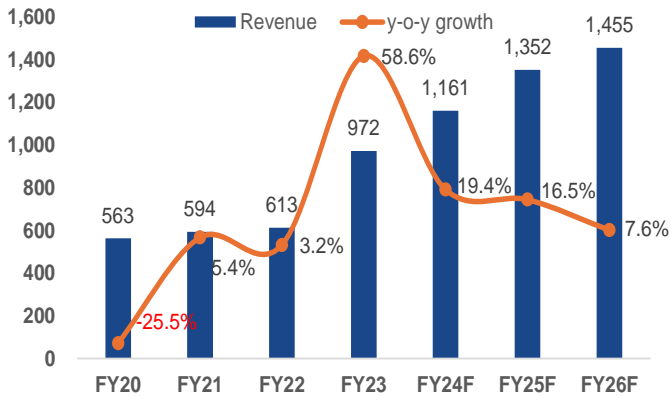
Source: Company, Mercury Securities

A lucrative venture. Based on an estimated selling price of RM22 per square foot, KTIP is expected to generate a GDV of approximately RM680m from land sales. There could be additional revenue for MGB if the potential buyers choose MGB as the contractor to build their factory. After deducting the Terengganu state government’s 14% cut and assuming a 20% PBT margin, this venture could contribute up to RM100m to MGB’s earnings when all 7 plots of land are fully sold.



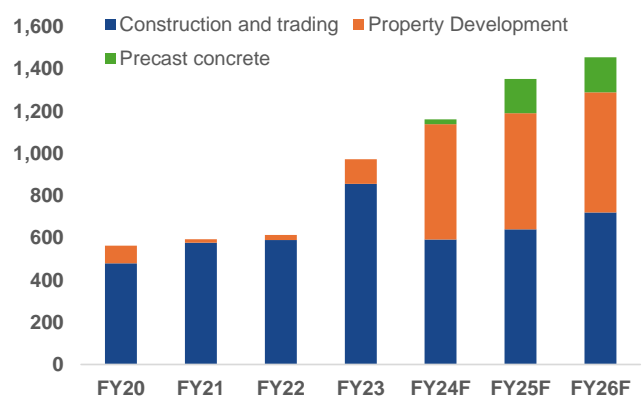
Financial Highlights

Figure 10: Revenue Trend (in RM m)



Source: Company, Mercury Securities

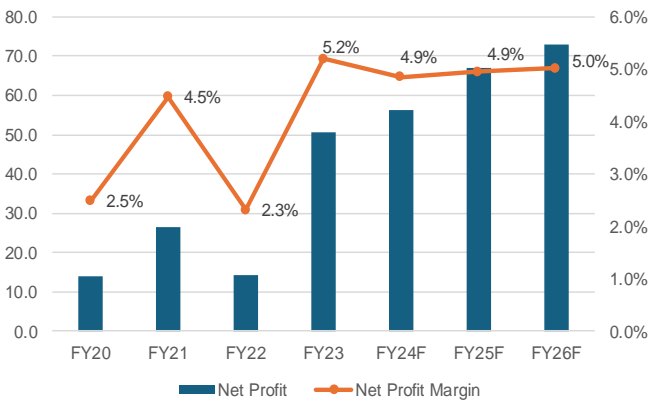
Figure 11: Revenue contribution, by segment (in RM m)



Source: Company, Mercury Securities

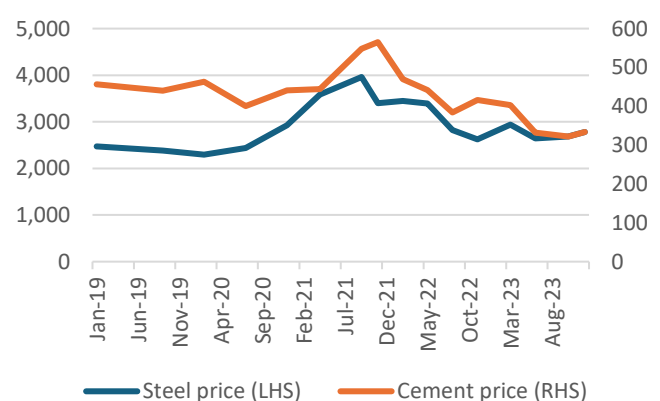
Robust revenue growth. MGB saw a significant increase in FY23 revenue as it started constructing those affordable housing projects it secured (back in 2021), in addition to clearing its accumulated orderbook backlog since the COVID-19 pandemic. Given a healthy orderbook of RM1.3bn and more of its affordable housing projects starting construction, we expect MGB will continue to record robust revenue growth of 8%-19% in FY24F-FY26F, respectively. Its precast concrete JV in KSA should see more meaningful revenue contribution in FY25F, while any potential land sales for the KTIP project will be a bonus (not factored into our forecasts).

Figure 12: MGB's margin trend (in RM m)



Source: Company, Mercury Securities

Figure 13: Steel and cement price trend (in RM per tonne)



Source: DOSM, Mercury Securities

Stable margins. Apart from slower construction jobs, MGB's profitability was subdued and erratic in FY20-22 mainly due to the spike in building materials costs. As building materials prices normalised in FY23, margins recovered in tandem with the higher revenue. Leveraging on its IBS expertise and in the absence of major cost increases, we anticipate that MGB will be able to maintain relatively stable margins of 4.9%-5.0% for FY24F-26F. See Figure 13.

Healthy balance sheet. MGB maintained a healthy balance sheet with a relatively low gearing ratio of 3%. This strong financial position has allowed MGB to adopt a 20% dividend payout policy to shareholders since FY21.



Valuation

Initiate coverage with a BUY call and an SOP-derived TP of RM1.18. We derive our TP using the sum of part valuation (SOP). The construction division is valued at a target P/E of 14x based on our FY25F EPS forecast, while the property development division is valued using the RNAV method with a 40% discount.

We deem pegging a target PE of 14x for MGB's construction division is reasonable, given its focus on affordable housing and healthy construction order book of RM1.3bn (1.5x cover).

Figure 14: SOP valuation table

	FY25F
Construction	
PAT (RM m)	29.2
Target P/E (x)	14.0
Total value (RM m)	408.6
Precast Concrete	
PAT (RM m)	9.2
Target P/E (x)	7.0
Total value (RM m)	64.7
Property development	
RNAV (in RM m)	225.8
Net Cash / (Debt)	(3.3)
Total SOP (RM m)	695.7
Share base (m)	591.7
Target Price	1.18

Source: Mercury Securities

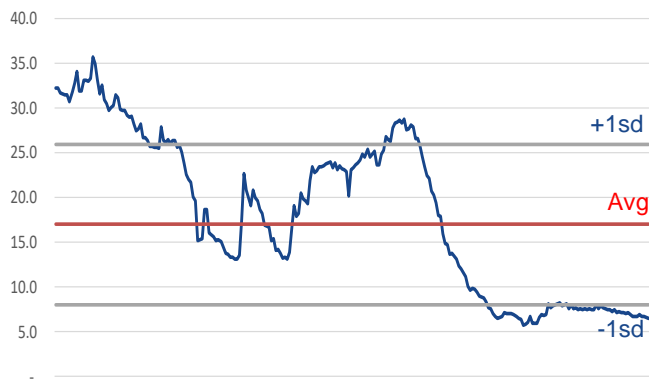
Peer Comparison (as of 4 October 2024)

Company	Bloomberg Ticker	Share Px (RM)	Mkt Cap	EPS Growth (%)		P/E (x)		P/B		ROE (%)		Net Dividend Yield (%)	
				2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Malaysia			RM m	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Kerjaya Prospek	KPG MK	1.91	2,408.6	27.7	14.9	14.3	12.4	1.6	1.5	13.9	15.4	5.1	5.0
WCT Holdings	WCTHG MK	0.93	1,384.9	126.8	29.2	19.3	14.9	0.4	0.5	1.5	2.1	2.2	3.2
AME Elite Consortium	AME MK	1.65	1,054.5	28.9	(12.6)	7.5	8.6	1.1	1.0	16.0	10.4	2.9	3.1
Muhibbah Engineering	MUHI MK	0.85	615.6	763.6	27.4	11.6	9.1	0.5	0.4	4.0	5.1	2.6	4.1
Kimlun Corp	KICB MK	1.42	501.8	230.0	112.1	21.5	10.1	67.6	64.5	4.6	6.9	0.6	0.9
Simple Average MY				235.4	34.2	14.8	11.0	14.2	13.6	8.0	8.0	2.7	3.3

Source: Bloomberg

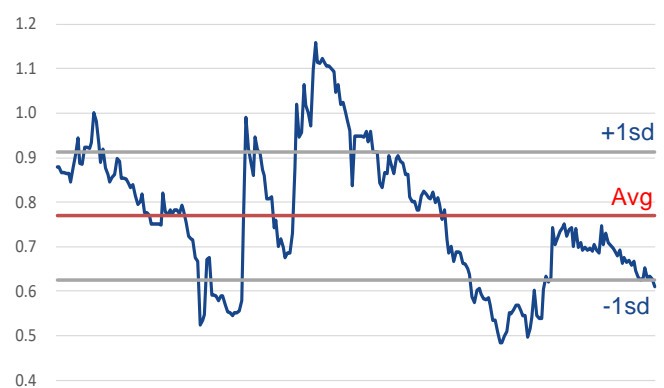


Figure 15: Forward PE band (x)



Source: Company, Mercury Securities

Figure 16: Forward PB band (x)



Source: Company, Mercury Securities

Key Risks

Failure to replenish its construction order book. The construction and trading segment contributes the most to MGB's total revenue. If the construction order book is replenished at a slower rate, it could lead to slower topline and bottomline growth for the group.

Subdued property sales. A slowdown in the domestic economy outlook could reduce property sales for MGB, leading to slower launch of property projects and weaker revenue growth. Nevertheless, MGB is mainly involved in the affordable housing segment, which should fare relatively better.

Fluctuation in construction cost. As a developer of affordable housing properties, MGB will be affected by the fluctuation in construction costs, including building materials and labour. These increases could negatively impact the already thin profit margin from constructing affordable housing projects.

Sluggish precast concrete purchase order secured in KSA. The volume of precast concrete purchase orders largely depends on the property market outlook in KSA. A weaker property demand in KSA could lead to a weaker demand for precast concrete products.



Company Background

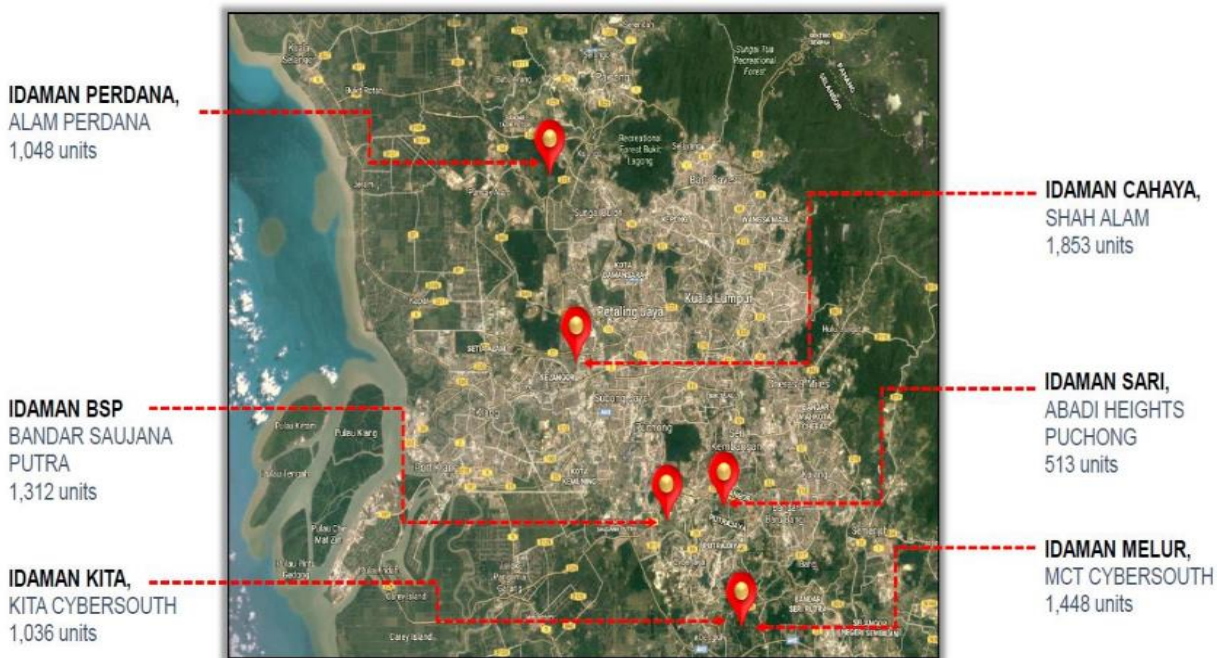
Established full-range construction service provider. MGB Berhad, a 59% subsidiary of LBS Bina Group Berhad, is an established construction group providing a full range of construction and engineering services, including design and build, project management, civil engineering, value engineering, geotechnical specialisation, and manufacturing in IBS precast concrete products. The group has completed over 25,000 properties, focusing on affordable housing in Malaysia.

In 2017, MGB made significant changes to steer itself in a new direction. The group diversified its business to include property development, focusing on small-scale projects (on land acreage below 10 acres for high-rise buildings or below 100 acres for landed property). Additionally, the group also ventured into manufacturing IBS concrete products through a joint venture with SANY Group in 2018.

Construction division. MGB's order book mostly comprises in-house projects from LBS Bina and its own pocket land development initiatives. Externally, the group has delivered several government-related projects like the YBJ project in Kulai and the TNB project in Cameron Highlands. Its construction projects encompass residential, commercial, and industrial properties, as well as pre-construction activities such as earthworks and piling.

Property development division. The property development arm of MGB specialises in developing affordable housing projects, in collaboration with the Selangor state government and other developers. The group have successfully delivered the Idaman BSP project, while 5 other RSI projects are still ongoing. It recently secured a new affordable housing project in Puchong under the new Rumah Selangorku 3.0 scheme.

Figure 17: Location of RSI Projects



Source: Company, Mercury Securities

IBS division. MGB is also involved in the manufacturing of IBS precast concrete products, which are supplied internally for its construction projects. The group owns two precast concrete factories in Malaysia, which include one mobile plant in Alam Perdana and another permanent plant in Nilai, Negeri Sembilan. With the venture into the precast business in KSA, MGB is also responsible for operating and managing the IBS plant owned by its JV partner.



Figure 18: Mobile IBS plant in Alam Perdana



Source: Company, Mercury Securities

Figure 19: IBS plant in Nilai



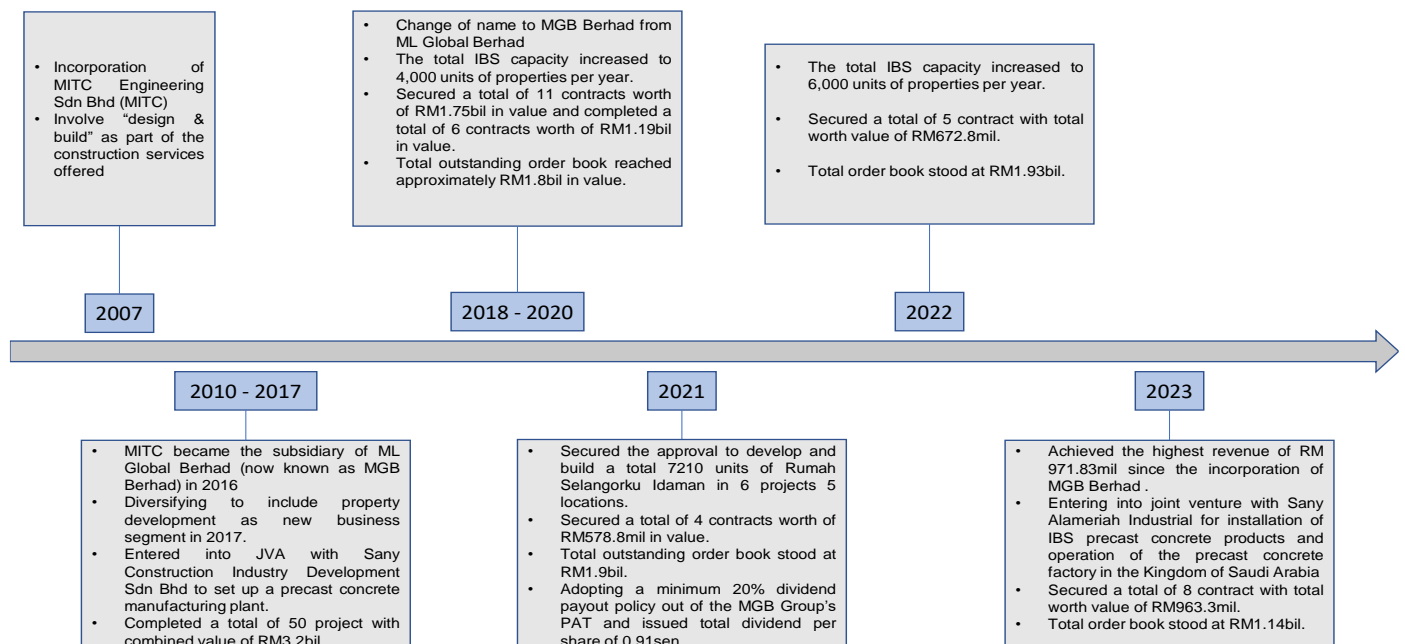
Source: Company, Mercury Securities

Figure 20: IBS plant in KSA



Source: Company, Mercury Securities

Figure 21: Corporate Milestone



Source: Company, Mercury Securities



Figure 22: Key Management Team

Name and Designation	Age	Profile
Tan Sri Dato' Sri IR. (DR.) Lim Hock San, JP Group Executive Chairman	66	<ul style="list-style-type: none"> Appointed as non-independent and non-executive director on 2014 before redesigned as the Group Managing Director in 2016. Subsequently, he was then redesigned as Executive Vice Chairman in 2021 before redesigned as Group Executive Chairman in 2024. Lead and run LBS Bina Group Berhad, a Main Market listed construction company and the parent company to MGB Berhad. More than 30 years of experience in construction and property development sector.
Datuk Wira Lim Hock Guan, JP Group Managing Director	62	<ul style="list-style-type: none"> More than 30 years of extensive experiences in property development and construction sector. Group managing director/ chief executive officer of LBS Bina Group Berhad that lead execution of projects.
Lim Lit Chek Executive Director and Chief Executive Officer	59	<ul style="list-style-type: none"> Overseeing day to day business management and setting the future direction of MGB Group. Double Degree with Bachelor of Civil Engineering) and Bachelor of Business Administration from RMIT University, Australia. Masters of Degree in Engineering Management from Ivy League's Cornell University, USA.
Lim Kim Hoe Deputy Chief Executive Officer	39	<ul style="list-style-type: none"> Overseeing MGB Group's construction and property development division related matters. Bachelor Degrees (Hons) in Engineering (Civil) from the University of Melbourne, Australia
Wong Tack Leong Deputy Chief Executive Officer	51	<ul style="list-style-type: none"> Responsible for overseeing MGB Group's operational functions such as human resources and administrative, construction and project management, contract and procurement, infrastructure division and the IBS precast concrete manufacturing. Overseeing MGB Group's international business development and operations functions Bachelor of Building (Quantity Surveying) from University of South Australia, Australia More than 25 years of experience in construction sector that specialise in building and infrastructure projects.
Chew Wee Seong Deputy Chief Executive Officer	53	<ul style="list-style-type: none"> Responsible for overseeing MGB Group's corporate functions including accounts, account payables, legal, treasury, investor relations, secretarial, corporate affairs and corporate control. Bachelor of Finance Degree from St. Cloud State University, United States and MBA with merit from Cardiff Metropolitan University, UK.
Lau Chee Tat Chief Executive Officer, International Division	51	<ul style="list-style-type: none"> Responsible for overseeing the operation of MGB International for Industry, a wholly-owned subsidiary of MGB Construction Sdn Bhd located in Kingdom of Saudi Arab. Bachelor of Computer Science (Hons) from University Science of Malaysia More than 21 years experiences in business development with the expertise spans on both the local and international market.
IR Ong Lek Shoen Chief Operating Officer, Integrated Engineering Division	51	<ul style="list-style-type: none"> Responsible for overseeing the primary infrastructure and water treatment projects within the MGB Group. Bachelor of Engineering (Hons) in Civil Engineering from University of Melaya, Malaysia and licensed Professional Engineers with a Practising Certificate from the Board of Engineers Malaysia (BEM).
Tan Suan Suan Head of Department of Treasury and Investor Relations	41	<ul style="list-style-type: none"> Responsible for cash flow management, strategic funding, banking matters, corporate finance exercises and communication between company and its investors and analysts' management. Bachelor of Commerce majoring in Account and Finance from University of Queensland, Australia Held membership with Malaysian Institute of Accountants (MIA) and Certified Public Accountant (CPA)

Source: Company



Key Financial Data

Balance Sheet

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
PPE	21.5	34.1	57.8	57.2	57.6
Rights of use of assets	83.0	93.4	85.3	77.9	71.2
Contract Assets	146.4	62.9	80.7	32.4	52.4
Amount due from related parties	248.4	345.9	280.4	283.6	389.4
Other assets	363.9	534.0	636.0	787.0	717.4
Deposit, bank and cash	53.4	52.6	84.3	65.4	67.0
Assets	916.8	1,123.0	1,224.5	1,303.4	1,355.1
LT borrowings	44.8	38.5	38.5	38.5	38.5
ST borrowings	47.8	30.1	30.1	30.1	30.1
Payables	246.9	377.9	434.4	459.7	453.0
Other liabilities	70.5	121.9	121.9	121.9	121.9
Liabilities	410.1	568.5	625.0	650.3	643.6
Share capital	388.2	388.2	388.2	388.2	388.2
Reserves and retained earning	119.2	164.7	209.8	263.4	321.7
Shareholder's equity	507.4	552.9	598.0	651.5	709.9
NCI	(0.7)	1.6	1.6	1.6	1.6
Equity	506.7	554.5	599.6	653.1	711.5
Equity and Liabilities	916.8	1,123.0	1,224.5	1,303.4	1,355.1

Cash Flow Statement

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
Profit before taxation	25.6	69.2	74.1	88.1	96.0
Depreciation & amortisation	15.6	18.5	21.2	23.5	22.8
Changes in working capital	(30.9)	(18.1)	1.3	(81.3)	(63.7)
Net interest received/ (paid)	(9.5)	(7.6)	(5.4)	(4.9)	(5.3)
Share of associate profits	0.2	0.2	-	-	-
Tax paid	(13.8)	(16.6)	(17.8)	(21.1)	(23.0)
Others	40.5	46.5	47.9	51.8	50.9
Operating Cash Flow	27.7	92.1	121.3	56.0	77.6
Capex	(3.1)	(13.6)	(35.9)	(14.6)	(15.7)
Others	0.2	0.7	-	-	-
Investing Cash Flow	(2.9)	(12.9)	(35.9)	(14.6)	(15.7)
Issuance of shares	-	-	-	-	-
Changes in borrowings	27.4	(21.3)	-	-	-
Dividends paid	(5.4)	(3.0)	(11.3)	(13.4)	(14.6)
Others	(14.2)	(16.7)	-	-	-
Financing Cash Flow	7.8	(40.9)	(11.3)	(13.4)	(14.6)
Net cash flow	1.3	1.4	31.6	(18.9)	1.7
Forex	-	-	-	-	-
Beginning cash	32.4	33.8	35.0	66.6	47.7
Ending cash	33.8	35.2	66.6	47.7	49.4

Income Statement

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
Revenue	612.8	971.8	1,160.7	1,352.4	1,454.9
EBITDA	46.8	93.8	100.6	116.8	124.0
Deprn & amort	15.6	18.5	21.2	23.5	22.8
Net interest expense	(5.5)	(6.1)	(5.2)	(5.2)	(5.2)
Associates & JV	0.2	0.2	0.2	0.2	0.2
EI	-	-	-	-	-
Pretax profit	25.6	69.2	74.1	88.1	96.0
Taxation	(11.4)	(18.7)	(17.8)	(21.1)	(23.0)
MI	-	-	-	-	-
Net profit	14.2	50.5	56.3	66.9	72.9
Core net profit	14.2	50.5	56.3	66.9	72.9

Key Statistics & Ratios

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
Growth					
Revenue	3.2%	58.6%	19.4%	16.5%	7.6%
EBITDA	-23.5%	100.5%	7.3%	16.1%	6.2%
Pretax profit	-35.9%	170.2%	7.1%	18.8%	9.0%
Net profit	-46.5%	255.1%	11.6%	18.8%	9.0%
Core EPS	-46.5%	255.1%	11.6%	18.8%	9.0%

Profitability

EBITDA margin	7.6%	9.6%	8.7%	8.6%	8.5%
Net profit margin	2.3%	5.2%	4.9%	4.9%	5.0%
Effective tax rate	44.5%	27.1%	24.0%	24.0%	24.0%
ROA	1.6%	4.5%	4.6%	5.1%	5.4%
ROE	2.8%	9.1%	9.4%	10.2%	10.3%

Leverage

Debt/ Assets (x)	0.10	0.06	0.06	0.05	0.05
Debt/ Equity (x)	0.18	0.12	0.11	0.11	0.10
Net debt/ equity (x)	0.08	0.03	(0.03)	0.01	0.00

Key Drivers

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
Construction order book (RM m)	1,930	1,140	1,100	1,000	900
Order book replenishment (RM m)	673	969	700	700	800
PBT margin (construction)	3.7%	5.0%	6.0%	6.0%	6.0%

Valuation

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
EPS (sen)	2.4	8.5	9.5	11.3	12.3
Core EPS (sen)	2.4	8.5	9.5	11.3	12.3
P/E (x)	33.7	9.5	8.5	7.2	6.6
EV/ EBITDA (x)	11.1	5.3	4.6	4.1	3.9
Net DPS (sen)	0.5	0.8	1.9	2.3	2.5
Yield	0.6%	1.0%	2.4%	2.8%	3.0%
BV per share (RM)	0.86	0.94	1.01	1.10	1.20
P/BV (x)	0.9	0.9	0.8	0.7	0.7



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Published & Printed By:

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