



# MGB Berhad

Bloomberg: MLG MK | Stock Code: 7595

## 3QFY24: Within expectations

MGB reported a 3QFY24 net profit of RM16.5m (+30% yoy), taking 9MFY24 earnings to account for 84% and 82% of our and consensus full-year estimate, respectively. We deem this roughly in line with our expectations, as there were higher gains on PPE disposal in 3QFY24 (about RM2.8m), which is unlikely to recur in the coming quarter. We believe MGB is on track to achieve our earnings growth projection of 19% in FY24F, supported by stronger progress billing from Idaman Projects and a healthy construction order book. As such, no changes are made to our valuation forecast, and we maintain a BUY call on MGB with an unchanged SOP-derived TP of RM1.18 (14x PE for construction division, 40% discount to RNAV for property division)

### Results Highlights

**3QFY24 results in line.** MGB's 3QFY24 net profit of RM16.5m (+30% yoy) brought 9MFY24 cumulative core earnings to RM47.4m (+26.9% yoy), representing 84% and 82% of our and consensus full-year forecasts, respectively. We deem this roughly in line with our expectations, as there were higher gains on PPE disposal in 3QFY24 (about RM2.8m), which is unlikely to recur in the coming quarter. MGB's 3QFY24 revenue grew 12.9% yoy, underpinned by substantially higher revenue contributions from its property arm (+351.9% yoy). This is attributable to the increase in progress development for the ongoing projects like Idaman Melur, Idaman Cahaya Phase 1 & 2, Idaman Sari and Saujana Indah Phase 1 & 2. As such, this supported a 24.3% yoy increase in PBT to RM22.2m. Construction arm PBT declined sharply (-66.5% yoy), reflecting reduced contributions from near-completion projects like Project Kita @ CyberSouth.

**Construction order book remains healthy.** As at 3QFY24, MGB's construction order book stood at RM1.2bn, representing a healthy cover of 1.4x of its construction division revenue. With YTD order book replenishment of RM396m, MGB is on track to achieve its annual replenishment target rate of RM400-600m. The company has recently inked 2 RM860m GDV JV agreements with Talam Transform Bhd and Kandis Permai S/B to undertake a mixed development and a residential project on 26 acres of land in Taman Bukit Serdang, Seri Kembangan whereby the construction work of these projects is expected to be awarded to its construction division.

**Earnings forecast and valuation.** No changes to our earnings forecasts. Our SOP-derived TP remains unchanged at RM1.18, with the construction division valuation pegged to an unchanged target P/E of 14x to FY25F EPS, while the property division is valued at 40% discount to RNAV. We continue to like MGB for its focus on affordable housing and healthy construction order book, complemented by its expertise in IBS solutions.

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
P/E (x)	31.8	9.0	8.0	6.8	6.2
EV/EBITDA (x)	10.5	5.0	4.3	3.9	3.7
Net Dividend Yield (%)	0.7	1.1	2.5	3.0	3.2
P/B (x)	0.9	0.8	0.8	0.7	0.6
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: RM 1.18

Last Closing Price: RM 0.765

### 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)	1,598.2
Upside (%)	54.2
Net Yield (%)	3.0
Total Return (%)	57.2

### Price Performance

	1M	3M	12M
Absolute (%)	(5.6)	(9.4)	14.9
Relative to KLCI (%)	(3.0)	(7.1)	5.1

### Stock Information

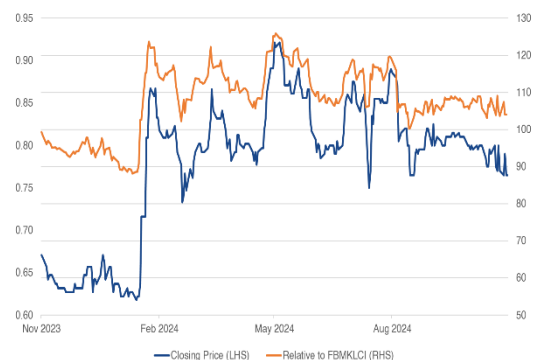
Market Cap (RM m)	452.6
Issued Shares (m)	591.7
52-week High (RM)	0.921
52-week Low (RM)	0.618
Estimated Free Float (%)	14.4
Beta vs FBM KLCI	0.83
3-month Average Vol. (m)	0.4
Shariah Compliant	Yes

### Consensus

	FY24	FY25	FY26
EPS Forecast (sen)	9.9	11.0	12.3
Ratings	4 Buy	0 Hold	0 Sell

### Top 3 Shareholders

	%
LBS Bina	57.6
Lim Lit Chek	13.3
Kenanga Growth Fund	2.2



Source: Mercury Securities, Bloomberg



**Figure 1 : 3QFY24 results review**

FY Dec (RM m)	3Q23	2Q24	3Q24	% y-o-y change	% q-o-q change	9M23	9M24	% y-o-y change	Comments
<b><u>Key financial highlights</u></b>									
Revenue	256.1	268.0	289.2	12.9	7.9	666.5	775.1	16.3	Stronger contributions from property development arm
Gross Profit	38.2	45.6	45.5	19.1	-0.3	105.4	132.9	26.1	Better GP margin YoY
PBT profit	17.9	22.0	22.2	24.3	1.1	50.8	64.8	28.2	Better PBT margin YoY
Net profit	12.7	15.8	16.5	30.0	4.9	37.4	47.4	26.9	
Core net profit	12.7	15.8	16.5	30.0	4.9	37.4	47.4	26.9	
<b><u>Per share data</u></b>									
EPS (sen)	2.08	2.57	2.75	32.2	7.0	6.3	8.0	26.9	
Core EPS (sen)	2.08	2.57	2.75	32.2	7.0	6.3	8.0	26.9	
Net DPS (sen)	0	0	0	-	-	-	-	-	No dividend issuance to date.
BV/share (RM)	0.91	0.98	1.00	9.9	2.0	0.91	1.00	9.9	
<b><u>Margins</u></b>									
Gross Profit (%)	14.9	17.0	15.7	0.8 pts	-1.3 pts	15.8	17.1	1.3 pts	
EBIT (%)	7.4	8.9	8.2	0.8 pts	-0.1 pts	8.1	8.9	0.8 pts	
PBT (%)	7.0	8.2	7.7	0.7 pts	-0.1 pts	7.6	8.4	0.7 pts	
Net profit (%)	5.0	5.9	5.7	0.7 pts	0.0 pts	5.6	6.1	0.5 pts	
<b><u>Other highlights</u></b>									
Revenue breakdown									
- Construction	226.9	118.5	157.1	-30.8	32.6	614.8	405.8	-34.0	Project nearing completion
- Property Development	29.2	149.5	132.2	>100	-11.6	51.7	369.3	>100	Stronger contributions from Idaman projects
PBT breakdown									
- Construction	14.1	(1.6)	4.7	-66.5	>-100	43.8	8.7	-80.2	
- Property Development	4.3	24.4	18.2	>100	-25.6	8.3	58.0	>100	
PBT margin breakdown									
- Construction	6.2	-1.3	3.0	-3.2 pts	4.3 pts	7.1	2.1	-5.0 pts	
- Property Development	14.6	16.3	13.7	-0.9 pts	-2.6 pts	16.0	15.7	-0.3 pts	
Construction order book (RM m)	1,890	1,310	1,190	-37.0	-9.2	1,890	1,190		Completion of RM700m worth of construction works up to 3QFY24.

Source: Company, Mercury Securities



## 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
<b>Assets</b>	<b>916.8</b>	<b>1,123.0</b>	<b>1,224.5</b>	<b>1,303.4</b>	<b>1,355.1</b>
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
<b>Liabilities</b>	<b>410.1</b>	<b>568.5</b>	<b>625.0</b>	<b>650.3</b>	<b>643.6</b>
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
<b>Shareholder's equity</b>	<b>507.4</b>	<b>552.9</b>	<b>598.0</b>	<b>651.5</b>	<b>709.9</b>
NCI	(0.7)	1.6	1.6	1.6	1.6
<b>Equity</b>	<b>506.7</b>	<b>554.5</b>	<b>599.6</b>	<b>653.1</b>	<b>711.5</b>
<b>Equity and Liabilities</b>	<b>916.8</b>	<b>1,123.0</b>	<b>1,224.5</b>	<b>1,303.4</b>	<b>1,355.1</b>

### 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
<b>Operating Cash Flow</b>	<b>27.7</b>	<b>92.1</b>	<b>121.3</b>	<b>56.0</b>	<b>77.6</b>
Capex	(3.1)	(13.6)	(35.9)	(14.6)	(15.7)
Others	0.2	0.7	-	-	-
<b>Investing Cash Flow</b>	<b>(2.9)</b>	<b>(12.9)</b>	<b>(35.9)</b>	<b>(14.6)</b>	<b>(15.7)</b>
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)	-	-	-
<b>Financing Cash Flow</b>	<b>7.8</b>	<b>(40.9)</b>	<b>(11.3)</b>	<b>(13.4)</b>	<b>(14.6)</b>
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
<b>Ending cash</b>	<b>33.8</b>	<b>35.2</b>	<b>66.6</b>	<b>47.7</b>	<b>49.4</b>

### 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
Depn & 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	-	-	-	-	-
<b>Pretax profit</b>	<b>25.6</b>	<b>69.2</b>	<b>74.1</b>	<b>88.1</b>	<b>96.0</b>
Taxation	(11.4)	(18.7)	(17.8)	(21.1)	(23.0)
MI	-	-	-	-	-
<b>Net profit</b>	<b>14.2</b>	<b>50.5</b>	<b>56.3</b>	<b>66.9</b>	<b>72.9</b>
<b>Core net profit</b>	<b>14.2</b>	<b>50.5</b>	<b>56.3</b>	<b>66.9</b>	<b>72.9</b>

### Key Statistics & Ratios

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
<b>Growth</b>					
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	4%	5%	6%	6%	6%

### 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)	31.8	9.0	8.0	6.8	6.2
EV/ EBITDA (x)	10.5	5.0	4.3	3.9	3.7
Net DPS (sen)	3.0	4.8	11.3	13.4	14.6
Yield	3.9%	6.3%	14.7%	17.5%	19.1%
BV per share (RM)	0.86	0.94	1.01	1.10	1.20
P/BV (x)	0.9	0.8	0.8	0.7	0.6



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