



# MGB Berhad

Bloomberg: MLG MK | Stock Code: 7595

Main Market  
Construction Sector  
BUY

TP: RM 1.18

Last Closing Price: RM 0.620

## New Contracts Win for KSA Precast Venture

MGB has secured additional SAR75.1m (~RM88.6m) in precast orders under its Joint Venture Agreement (JVA) with SANY Alameriah Industrial (SA) in Kingdom of Saudi Arabia (KSA), reinforcing its presence in fast-growing KSA's precast industry. This brings the total secured precast volume to date to 105,000 cubic m3, representing 39% of the 270,000 cu m3 commitment under the JVA by 2026. While contract wins have been gradual, we believe SA remains on track to fulfil its commitment, supported by KSA's strong property market outlook and the supportive KSA government housing policies. Most importantly, the contracts win is expected to enhance MGB's earnings visibility in FY25 and beyond, with potential for recurring orders from SA and other regional developers that could further enhance its precast orderbook. We reiterate our BUY call with an unchanged SOP-derived TP of RM1.18, valuing the construction division at 14x FY25F EPS and the property segment at a 40% discount to RNAV.

## Results Highlights

**Key details.** MGB through its wholly-owned subsidiary, MGB International For Industrial (MGBI), has secured 2 purchase orders totalling SAR75.1m (~RM88.6m) from SA. The order is in relation to an existing contract between SA and Shapoorji Pallonji Mideast L.L.C. for the supply and installation of precast concrete in the ROSHN ALAROUS development, a large-scale residential project in northern Jeddah, KSA. Under the orders, MGBI will supply and install approximately 42,000 cu m3 of precast concrete, supporting the construction of 326 residential units within Al Arous - Phase 1 (Zones B & C) along with related public amenities. The scope of work includes design & build, engineering, fabrication, rectification, and installation.

**Key takeaways.** MGB continue to scale its presence in its KSA precast venture with the secure of two additional purchase orders under its JVA with SA which was announced in July 2023. This brings total secured precast volume to 105,000 cu m3, representing 39% of the 270,000 cu m3 commitment set under the JVA by 2026. Despite the contracts secure have been gradual, we believe SA remain on track to secure the remaining precast concrete order, underpinned by the KSA's robust property market outlook and the supportive government policies aimed at promoting home ownership in KSA (Saudi Arab's Vision 2030). In addition to strengthening MGB's order book, these contracts will also bolster its earnings visibility in FY25 and beyond. Given the increasing adoption of precast technology in KSA's large-scale housing projects, we see potential for recurring contracts from SA and other regional developers which could further enhance MGB's precast concrete orderbook.

**Earnings forecast and valuation.** No changes to our earnings forecasts as the precast contract secured are within our forecast. 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	FY24	FY25F	FY26F
Revenue	612.8	971.8	1,032.0	1,352.4	1,454.9
EBITDA	46.8	93.8	116.2	119.6	124.1
Net Profit	14.2	50.5	61.7	66.9	72.9
Core Net Profit	14.2	50.6	56.4	66.9	72.9
Core EPS (sen)	2.4	8.3	9.4	11.3	12.3
Core EPS Growth (%)	(46.5)	255.1	13.6	8.5	9.0
Net DPS (sen)	0.5	1.6	1.5	3.4	3.7
BV per share (sen)	85.6	93.7	102.3	110.2	118.9
P/E (x)	25.8	7.3	5.9	5.5	5.0
EV/EBITDA (x)	8.7	4.1	2.9	3.0	2.8
Net Dividend Yield (%)	0.8%	2.6%	2.5%	5.5%	6.0%
P/B (x)	0.7	0.7	0.6	0.6	0.5
Net Gearing (x)	0.1	0.0	Cash	Cash	Cash
ROE (%)	2.8	9.1	10.2	10.3	10.4

### 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)	1,536.5
Upside (%)	90.3
Net Yield (%)	5.5
Total Return (%)	95.8

### Price Performance

	1M	3M	12M
Absolute (%)	(11.4)	(12.7)	(21.0)
Relative to KLCI (%)	(8.0)	(8.1)	(20.5)

### Stock Information

Market Cap (RM m)	366.8
Issued Shares (m)	591.7
52-week High (RM)	0.898
52-week Low (RM)	0.610
Estimated Free Float (%)	14.0
Beta vs FBM KLCI	0.49
3-month Average Vol. (m)	0.1
Shariah Compliant	Yes

### Consensus

	FY24	FY25	FY26
EPS Forecast (sen)	9.8	11.3	12.3
Ratings	4 Buy	0 Hold	0 Sell

### Top 3 Shareholders

	%
LBS Bina	57.8
Lim Lit Chek	13.3
Kenanga Growth Fund	2.2



Source: Mercury Securities, Bloomberg



## Key Financial Data

### Balance Sheet

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
PPE	21.5	34.1	84.8	72.0	62.7
Rights of use of assets	83.0	93.4	59.1	54.3	49.9
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	517.9	744.8	662.3
Deposit, bank and cash	53.4	52.6	100.2	71.3	86.0
<b>Assets</b>	<b>916.8</b>	<b>1,123.0</b>	<b>1,123.2</b>	<b>1,258.3</b>	<b>1,302.6</b>
LT borrowings	44.8	38.5	50.9	50.9	50.9
ST borrowings	47.8	30.1	13.9	13.9	13.9
Payables	246.9	377.9	371.8	460.1	453.4
Other liabilities	70.5	121.9	81.3	81.3	81.3
<b>Liabilities</b>	<b>410.1</b>	<b>568.5</b>	<b>517.9</b>	<b>606.1</b>	<b>599.4</b>
Share capital	388.2	388.2	388.2	388.2	388.2
Reserves and retained earning	119.2	164.7	213.9	260.8	311.9
<b>Shareholder's equity</b>	<b>507.4</b>	<b>552.9</b>	<b>602.1</b>	<b>649.0</b>	<b>700.0</b>
NCI	(0.7)	1.6	3.2	3.2	3.2
<b>Equity</b>	<b>506.7</b>	<b>554.5</b>	<b>605.3</b>	<b>652.1</b>	<b>703.2</b>
<b>Equity and Liabilities</b>	<b>916.8</b>	<b>1,123.0</b>	<b>1,123.2</b>	<b>1,258.3</b>	<b>1,302.6</b>

### Cash Flow Statement

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Profit before taxation	25.6	69.2	87.1	88.1	96.0
Depreciation & amortisation	15.6	18.5	21.8	26.6	23.2
Changes in working capital	(30.9)	(18.1)	18.3	(94.3)	(50.9)
Net interest received/ (paid)	(9.5)	(7.6)	(5.4)	(4.9)	(5.3)
Share of associate profits	0.2	0.2	0.6	-	-
Tax paid	(13.8)	(16.6)	(27.0)	(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>143.3</b>	<b>46.1</b>	<b>90.8</b>
Capex	(3.1)	(13.6)	(7.0)	(8.1)	(8.7)
Others	0.2	0.7	(16.4)	-	-
<b>Investing Cash Flow</b>	<b>(2.9)</b>	<b>(12.9)</b>	<b>(23.4)</b>	<b>(8.1)</b>	<b>(8.7)</b>
Issuance of shares	-	-	-	-	-
Changes in borrowings	27.4	(21.3)	-	-	-
Dividends paid	(5.4)	(3.0)	(9.7)	(20.1)	(21.9)
Others	(14.2)	(16.7)	-	-	-
<b>Financing Cash Flow</b>	<b>7.8</b>	<b>(40.9)</b>	<b>(9.7)</b>	<b>(20.1)</b>	<b>(21.9)</b>
Net cash flow	1.3	1.4	51.6	(28.9)	14.7
Forex	-	-	-	-	-
Beginning cash	32.4	33.8	35.0	84.5	55.5
<b>Ending cash</b>	<b>33.8</b>	<b>35.2</b>	<b>86.5</b>	<b>55.5</b>	<b>70.2</b>

### Income Statement

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Revenue	612.8	971.8	1,032.0	1,352.4	1,454.9
EBITDA	46.8	93.8	116.2	119.6	124.1
Depn & amort	15.6	18.5	21.8	26.6	23.2
Net interest expense	(5.5)	(6.1)	(7.2)	(4.9)	(4.9)
Associates & JV	0.2	0.2	0.6	0.6	0.6
EI	-	-	-	-	-
<b>Pretax profit</b>	<b>25.6</b>	<b>69.2</b>	<b>87.1</b>	<b>88.1</b>	<b>96.0</b>
Taxation	(11.4)	(18.7)	(25.5)	(21.1)	(23.0)
MI	-	-	-	-	-
<b>Net profit</b>	<b>14.2</b>	<b>50.5</b>	<b>61.7</b>	<b>66.9</b>	<b>72.9</b>
<b>Core net profit</b>	<b>14.2</b>	<b>50.6</b>	<b>56.4</b>	<b>66.9</b>	<b>72.9</b>

### Key Statistics & Ratios

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
<b>Growth</b>					
Revenue	3.2%	58.6%	6.2%	31.0%	7.6%
EBITDA	-23.5%	100.5%	23.9%	2.9%	3.8%
Pretax profit	-35.9%	170.2%	25.9%	1.1%	9.0%
Net profit	-46.5%	255.1%	22.2%	8.5%	9.0%
Core EPS	-46.5%	255.1%	22.2%	8.5%	9.0%

### Profitability

EBITDA margin	7.6%	9.6%	11.3%	8.8%	8.5%
Net profit margin	2.3%	5.2%	6.0%	4.9%	5.0%
Effective tax rate	44.5%	27.1%	29.2%	24.0%	24.0%
ROA	1.6%	4.5%	5.5%	5.3%	5.6%
ROE	2.8%	9.1%	10.2%	10.3%	10.4%

### Leverage

Debt/ Assets (x)	0.10	0.06	0.06	0.05	0.05
Debt/ Equity (x)	0.18	0.12	0.11	0.10	0.09
Net debt/ equity (x)	0.08	0.03	Net cash	Net cash	Net cash

### Key Drivers

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Construction order book (RM m)	1,930	1,140	1,100	1,000	900
Order book replenishment (RM m)	673	969	396	700	800
PBT margin	4%	5%	2%	6%	6%

### Valuation

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	2.4	8.5	10.4	11.3	12.3
Core EPS (sen)	2.4	8.5	10.4	11.3	12.3
P/E (x)	25.8	7.3	5.9	5.5	5.0
EV/ EBITDA (x)	8.7	4.1	2.9	3.0	2.8
Net DPS (sen)	0.5	1.6	1.5	3.4	3.7
Yield	0.8%	2.6%	2.5%	5.5%	6.0%
BV per share (RM)	0.86	0.94	1.02	1.10	1.19
P/BV (x)	0.7	0.7	0.6	0.6	0.5



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