



# MEGA FIRST CORP

(MFCB MK, MEGA.KL)

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## Company Report

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Oleo JV still in the red

HOLD

(Downgraded)

Rationale for report: Company Results

Price	RM3.47
Target Price	RM3.95
52-week High/Low	RM4.70/RM3.34

## Key Changes

Target Price ↓  
EPS ↓

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	1,741.9	1,327.2	1,397.9	1,475.0
Net Profit (RMmil)	459.2	360.6	373.4	383.8
EPS (sen)	48.6	38.2	39.5	40.6
EPS growth (%)	19.7	(21.5)	3.5	2.8
Consensus net (RMmil)	438.2	458.8	474.4	
DPS (sen)	9.0	9.5	10.0	10.5
PE (x)	7.1	9.1	8.8	8.5
EV/EBITDA (x)	6.7	6.1	5.7	5.2
Div Yield (%)	2.6	2.7	2.9	3.0
ROE (%)	14.4	10.4	10.0	9.6
Net Gearing (%)	26.4	30.4	25.4	21.8

## Stock and Financial Data

Shares Outstanding (million)	945.2
Market Cap (RMmil)	3,279.8
Book Value (RM/Share)	3.52
P/BV (x)	1.0
ROE (%)	14.4
Net Gearing (%)	26.4

Major Shareholders	Goh Nan Kioh (35%) EPF (6.9%)
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Free Float	65.0
Avg Daily Value (RMmil)	2.5

Price performance	3mth	6mth	12mth
Absolute (%)	+0.2	-8.7	-10.2
Relative (%)	+0.5	-13.6	-11.7

## Investment Highlights

**Mega First (MFCB) is expected to be affected by the depreciation of the USD against the MYR as its earnings from Don Sahong Hydropower Plant (DSHP) in Laos are denominated in USD. We estimate that the division's EBIT would decline by 2% for every 10 sen decline in the USD. Hence, we downgrade MFCB to HOLD with a target price of RM3.95/share. Operationally, MFCB's net profit expanded by 42.6% QoQ to RM120.9mil in 3QFY25 as DSHP benefited from monsoon rains. However, the Edenor Oleo JV was still in the red due to poor market conditions.**

- **HOLD with a lower TP of RM3.95/share vs. RM5.18/share previously.** To arrive at MFCB's TP, we have assumed a FY26F PE of 10x, which is the average in the past five years. We have reduced MFCB's FY26F net profit by 21.9% to account for weaker earnings from DSHP and larger losses at the Edenor Oleo JV. We are now forecasting a share of net loss of RM50mil vs. a share of net profit of RM5mil previously.
- **MFCB's 9MFY25 core net profit was 10% below our forecast and 16% short of consensus.** MFCB disappointed due to weaker earnings from the RE (mainly DSHP) and resources divisions. DSHP's profitability was affected by a weak USD. We have reduced MFCB's FY25F net profit by 11.1% to account for these.
- **RE division's (mainly DSHP) EBIT was relatively flat at RM358.1mil in 9MFY25.** Although the USD fell by 7.6% against the MYR in 9MFY25, DSHP's earnings were resilient due to a 6% increase in sales volume and lower amortisation and royalty expenses. Electricity sales volume rose in 9MFY25 due to the commissioning of the fifth turbine in July 2024.
- **Edenor Oleo JV's losses narrowed in 3QFY25.** MFCB's share of net loss in the Edenor Oleo JV declined to RM13.7mil in 3QFY25 from RM16.4mil in 2QFY25 as gas supply resumed after being affected by the explosion at Putra Heights. On a yearly basis, MFCB's share of net loss in the Oleo JV widened to RM58.5mil in 9MFY25 from RM31.1mil in 9MFY24 due to capacity shutdowns in 1Q.



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**Company profile**

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Mega First Corporation (MFCB) is involved in hydropower plant, solar, lime mining and packaging activities. Apart from these, MFCB has coconut, macadamia, vegetable and fruit farms.

About 93% of MFCB's FY23 EBIT (ex-investment holding) came from the renewable energy (RE) division while the balance 7% came from the resources (lime mining) and packaging divisions. The RE division consists of hydropower and solar activities.

MFCB's Don Sahong Hydropower Plant (DSHP) sells electricity to Electricite du Laos (EDL). EDL in turn sells the electricity to Cambodia.

MFCB's operations are in Laos, Malaysia and Cambodia.

MFCB's competitive advantage lies in its recurring income from DSHP, which are denominated in USD. MFCB also has one of the largest lime mines in Malaysia. MFCB has high exposure to RE via its hydropower and solar operations.

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**Investment thesis and catalysts**

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We have a HOLD on MFCB as its earnings from DSHP are expected to be affected by the depreciation of the USD against the MYR. The Edenor oleo JV is also still in the red.

Share price kickers are stronger-than-expected earnings from the oleochemical joint venture and an appreciation of the USD.

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**Valuation methodology**

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We applied a FY26F PE of 10x to arrive at MFCB's target price of RM3.95/share. The PE of 10x is the five-year average.

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**Risk factors**

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Key risks are losses in the oleochemical joint venture and increases in logistics and petcoke costs.

We estimate that a 10 sen depreciation in the USD vs. MYR would affect the RE division's EBIT by 2%, assuming everything else is the same.

## EXHIBIT 1: EARNINGS SUMMARY

	9MFY24	9MFY25	YoY	2QFY25	3QFY25	QoQ
Revenue	1,017.4	1,065.7	4.7%	339.9	384.3	13.0%
Cost of sales	(555.1)	(615.1)		(193.3)	(210.8)	
Gross profit	462.3	450.7	-2.5%	146.6	173.4	18.3%
Other exp/income	83.4	25.7		(4.7)	9.5	
Operating exp	(104.5)	(86.9)		(19.9)	(26.1)	
Op profit	441.3	389.4	-11.7%	122.0	156.8	28.5%
Finance costs	(47.3)	(37.4)	-20.8%	(14.3)	(11.7)	-18.1%
Share of results in assoc/JV	(31.1)	(58.5)	88.2%	(16.4)	(13.7)	-16.5%
Pre-tax profit	362.9	293.4	-19.1%	91.3	131.4	43.9%
Income tax exp	(18.4)	(13.7)	-25.8%	(3.9)	(5.0)	27.2%
Minority interest	(27.0)	(11.3)	-58.1%	(2.6)	(5.5)	>100
Net profit	317.5	268.5	-15.4%	84.8	120.9	42.6%
Core net profit (ex-insurance claims)	285.4	268.5	-5.9%	84.8	120.9	42.6%
EPS (sen)	33.7	28.5	-15.4%	9.0	12.8	42.7%
DPS (sen)	4.5	4.8		4.8	0.0	
Effec tax rate	5.1%	4.7%		4.3%	3.8%	
GP margin	45.4%	42.3%		43.1%	45.1%	

Source: Bursa Announcement

## EXHIBIT 2: VALUATIONS

Target PE (x)	10
FY26F EPS	39.5 (from 51.8)
ESG premium	-
12-month TP (RM)	3.95 (from 5.18)

## EXHIBIT 3: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	1,371.9	1,327.2	(3.3)	1,473.7	1,397.9	(5.1)	1,584.1	1,475.0	(6.9)
Net earnings	405.8	360.6	(11.1)	478.3	373.4	(21.9)	481.8	383.8	(20.3)

## EXHIBIT 4: ESG MATRIX

Assessment		Parameters	Weightage	Rating					Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*	*			Scope 1, 2 and 3 emissions were 799,204 tCO2e in FY24 vs. 800,773 tCO2e in FY23
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*	*	*	*	High exposure to hydro and solar
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*	*	*	Zero coal
4	Workplace noise and chemical exposure - resource division	Noise exposure limit of 85 dB(A)	25%	*	*	*	*		Zero case of non-compliance in FY24
<b>Weighted score for environmental assessment</b>			<b>100%</b>	*	*	*	*		
1	Workers welfare	Learning and development hours	50%	*	*	*			Average training hours per executive was 25.8 in FY24 vs. 24.6 in FY23
2	Work related injuries	Zero	50%	*	*				13 work related injuries to hands and legs in FY24 vs. 12 in FY23; one fatality of third-party contractor in FY24
<b>Weighted score for social assessment</b>			<b>100%</b>	*	*	*			
1	Related party transactions	Value of RPTs	40%	*	*	*			RM97.2mil in FY24, mainly repayment of loan to shareholder
2	Women in workforce	% in workforce	30%	*	*	*			23.9% of workforce were women in FY24 vs. 23% in FY23
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM2.8mil in FY24 vs. RM3mil in FY23
<b>Weighted score for governance assessment</b>			<b>100%</b>	*	*	*			
	Environmental score		50%	*	*	*	*		
	Social score		30%	*	*	*			
	Governance score		20%	*	*	*			
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*			

Source: AmlInvestment Bank

## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	2023	2024	2025F	2026F	2027F
Revenue	1,317.6	1,741.9	1,327.2	1,397.9	1,475.0
EBITDA	530.8	624.7	716.1	746.2	800.7
Depreciation	(132.1)	(144.0)	(229.3)	(251.9)	(290.9)
Operating income (EBIT)	398.8	480.6	486.9	494.3	509.9
Other income & associates	94.5	34.9	(10.0)	-	20.0
Net interest	(16.5)	(38.0)	(62.3)	(65.2)	(61.8)
Exceptional items	-	31.8	-	-	-
<b>Pretax profit</b>	<b>476.8</b>	<b>509.3</b>	<b>414.5</b>	<b>429.2</b>	<b>468.1</b>
Taxation	(25.1)	(18.3)	(20.7)	(21.5)	(46.8)
Minorities/pref dividends	(67.9)	(31.8)	(33.2)	(34.3)	(37.4)
<b>Net profit</b>	<b>383.7</b>	<b>459.2</b>	<b>360.6</b>	<b>373.4</b>	<b>383.8</b>
<b>Core net profit</b>	<b>383.7</b>	<b>427.4</b>	<b>360.6</b>	<b>373.4</b>	<b>383.8</b>
Balance Sheet (RMmil, YE 31 Dec)	2023	2024	2025F	2026F	2027F
Fixed assets	531.9	775.8	1,408.3	1,685.7	1,946.7
Intangible assets	54.7	57.9	57.9	57.9	57.9
Other long-term assets	2,771.9	3,441.3	3,379.7	3,328.1	3,296.5
<b>Total non-current assets</b>	<b>3,358.5</b>	<b>4,275.1</b>	<b>4,845.9</b>	<b>5,071.7</b>	<b>5,301.1</b>
Cash & equivalent	528.2	268.3	167.5	403.8	621.4
Stock	131.7	185.9	145.4	137.9	145.5
Trade debtors	488.7	391.8	309.1	306.4	323.3
Other current assets	1.4	0.3	-	-	-
<b>Total current assets</b>	<b>1,150.0</b>	<b>846.3</b>	<b>622.1</b>	<b>848.0</b>	<b>1,090.1</b>
Trade creditors	168.8	214.5	140.6	152.0	161.8
Short-term borrowings	435.2	615.5	677.1	744.8	819.3
Other current liabilities	6.0	3.8	3.8	3.8	3.8
<b>Total current liabilities</b>	<b>610.0</b>	<b>833.8</b>	<b>821.5</b>	<b>900.6</b>	<b>984.9</b>
Long-term borrowings	466.1	530.9	584.0	642.4	706.7
Other long-term liabilities	208.4	212.1	214.1	215.1	216.1
<b>Total long-term liabilities</b>	<b>674.5</b>	<b>743.1</b>	<b>798.1</b>	<b>857.5</b>	<b>922.7</b>
Shareholders' funds	3,056.9	3,324.5	3,595.4	3,874.2	4,158.8
Minority interests	167.1	219.9	253.1	287.4	324.9
BV/share (RM)	3.23	3.52	3.80	4.10	4.40
Cash Flow (RMmil, YE 31 Dec)	2023	2024	2025F	2026F	2027F
Pretax profit	476.8	509.3	414.5	429.2	468.1
Depreciation	132.1	144.0	229.3	251.9	290.9
Net change in working capital	(99.4)	(227.5)	28.5	0.2	(61.5)
Others	77.3	53.6	3.4	(12.2)	(38.5)
<b>Cash flow from operations</b>	<b>586.8</b>	<b>479.4</b>	<b>675.7</b>	<b>669.0</b>	<b>659.0</b>
Capital expenditure	(238.4)	(617.5)	(300.0)	(300.0)	(300.0)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	(432.1)	(154.1)	(437.8)	(136.1)	(147.2)
<b>Cash flow from investing</b>	<b>(670.5)</b>	<b>(771.6)</b>	<b>(737.8)</b>	<b>(436.1)</b>	<b>(447.2)</b>
Debt raised/(repaid)	179.4	218.9	114.6	126.1	138.7
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(81.7)	(97.5)	(71.8)	(75.6)	(79.4)
Others	(52.3)	(58.1)	(56.6)	(62.2)	(68.5)
<b>Cash flow from financing</b>	<b>45.5</b>	<b>63.4</b>	<b>(13.8)</b>	<b>(11.7)</b>	<b>(9.2)</b>
Net cash flow	(38.2)	(228.8)	(75.9)	221.2	202.6
Net cash/(debt) b/f	482.8	462.9	228.4	167.5	403.8
Forex	18.4	(5.7)	15.0	15.0	15.0
Net cash/(debt) c/f	462.9	228.4	167.5	403.8	621.4
Key Ratios (YE 31 Dec)	2023	2024	2025F	2026F	2027F
Revenue growth (%)	-1.6	32.2	-23.8	5.3	5.5
EBITDA growth (%)	-4.8	17.7	14.6	4.2	7.3
Pretax margins (%)	36.2	29.2	31.2	30.7	31.7
Net profit margins (%)	29.1	26.4	27.2	26.7	26.0
Interest cover (x)	32.2	16.4	11.5	11.5	13.0
Effective tax rate (%)	5.3	3.6	5.0	5.0	10.0
Net dividend payout (%)	20.3	18.5	24.9	25.3	25.9
Trade debtors turnover (days)	135.4	82.1	85.0	80.0	80.0
Stock turnover (days)	36.5	39.0	40.0	36.0	36.0
Trade creditors turnover (days)	82.3	72.2	72.0	72.0	72.0

Source: Company, AmlInvestment Bank estimates

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