



AmInvestment Bank

Company Report

MEGA FIRST CORP

(MFCB MK EQUITY, MEGA.KL)

22 May 2025

Oleo JV is still in the red

BUY

(Maintained)

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Rationale for report: Company Results

Price RM3.97
Target Price RM5.18
52-week High/Low RM5.09/RM3.67

Key Changes

Target Price
EPS

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	1,741.9	1,371.9	1,473.7	1,584.1
Net Profit (RMmil)	459.2	405.8	489.2	511.2
EPS (sen)	48.6	42.9	51.8	54.1
EPS growth (%)	19.7	(11.6)	20.6	4.5
Consensus net (RMmil)		469.2	483.8	491.8
DPS (sen)	9.0	9.5	10.0	10.5
PE (x)	8.2	9.2	7.7	7.3
EV/EBITDA (x)	7.4	6.4	5.7	5.2
Div Yield (%)	2.3	2.4	2.5	2.6
ROE (%)	14.4	11.7	12.7	12.1
Net Gearing (%)	26.4	29.1	22.0	16.2

Stock and Financial Data

Shares Outstanding (million) 945.2
Market Cap (RMmil) 3,752.4
Book Value (RM/Share) 3.52
P/BV (x) 1.1
ROE (%) 14.4
Net Gearing (%) 26.4

Major Shareholders Goh Nan Kioh (35%)
EPF (6.9%)

Free Float 65.0
Avg Daily Value (RMmil) 4.8

Price performance	3mth	6mth	12mth
Absolute (%)	-0.3	-5.9	-16.5
Relative (%)	-3.8	-0.9	-13.1



— MFCB MK — FBMKLCI Index

Investment Highlights

Mega First's (MFCB) core net profit (ex-1QFY24's insurance claims of RM22.4mil) slid by 14% YoY to RM62.8mil in 1QFY25 due to larger losses in the Edenor Oleo JV and lower earnings from the resources and packaging divisions. In spite of the weak results, we maintain BUY on MFCB with a target price of RM5.18/share. We believe that the poor oleo performance and impact of a weak USD on the hydropower earnings have already been reflected in the 14.4% fall in MFCB's share price from the high of RM4.64 this year. Catalysts for the stock include the strengthening of the USD against the MYR and an earnings turnaround at the Edenor Oleo JV.

- **BUY with a lower TP of RM5.18/share vs. RM5.23/share previously.** We arrived at MFCB's TP of RM5.18/share by assuming a FY26F PE of 10x, which is the five-year average. We have reduced MFCB's FY25F net profit by 13% to account for the poor oleo performance. We forecast MFCB's share of net loss in the Oleo JV to be RM60mil in FY25F (FY24 share of net loss: RM66.2mil) vs. a net profit of RM5mil previously. For FY26F, we expect a smaller share of net profit of RM5mil compared to RM10mil originally.
- **MFCB's 1QFY25 core net profit was 12% below our forecast and 13% short of consensus.** This was due to larger losses at the Edenor Oleo JV. MFCB's share of net loss in the Oleo JV widened to RM28.5mil in 1QFY25 from RM13.9mil in 1QFY24. The oleo unit suffered from capacity shutdowns and volatile feedstock prices in 1QFY25. The division is expected to remain in the red in 2QFY25 as gas supply was disrupted by the explosion at Putra Heights.
- **EBIT of RE division edged down by 1.7% to RM99.5mil in 1QFY25.** In spite of a lower tariff and weaker USD, RE earnings only dipped marginally in 1QFY25 as there was a reduction in interest and royalty expenses. In addition, sales volume of the hydropower plant rose by 7.3% due to the addition of the fifth turbine.
- **Weaker earnings from the resources and packaging divisions.** Resources EBIT tumbled to RM9.8mil in 1QFY25 from RM14.6mil in 1QFY24 dragged by weaker demand while the packaging unit was affected by intense price competition. Packaging EBIT shrank to RM6.7mil in 1QFY25 from RM10.9mil in 1QFY24.

Company profile

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.

Investment thesis and catalysts

We have a BUY on MFCB as PE is undemanding at 7.7x FY26F EPS.

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

Valuation methodology

We applied a FY26F PE of 10x to arrive at MFCB's target price of RM5.18/share. The PE of 10x is the five-year average.

Risk factors

Key risks are losses in the oleochemical joint venture and increases in logistics and petrocoke 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

	1QFY27	1QFY25	YoY	4QFY24	1QFY25	QoQ
Revenue	313.5	341.6	9.0%	724.4	341.6	-52.9%
Cost of sales	(178.4)	(211.0)		(530.0)	(211.0)	
Gross profit	135.1	130.6	-3.3%	194.4	130.6	-32.8%
Other exp/income	40.2	2.5		26.8	2.5	
Operating exp	(27.2)	(22.4)		(24.8)	(22.4)	
Op profit	148.1	110.6	-25.3%	196.5	110.6	-43.7%
Finance costs	(16.3)	(11.4)	-30.5%	(14.9)	(11.4)	-23.9%
Share of results in assoc/JV	(13.9)	(28.5)	(>100)	(35.1)	(28.5)	-18.8%
Pre-tax profit	117.8	70.7	-40.0%	146.4	70.7	-51.7%
Income tax exp	(9.8)	(4.8)	51.3%	0.1	(4.8)	(>100)
Minority interest	(12.6)	(3.2)	74.6%	(4.9)	(3.2)	34.0%
Net profit	95.5	62.8	-34.2%	141.7	62.8	-55.7%
Core net profit (ex-insurance claims)	73.1	62.8	-14.0%	141.7	62.8	-55.7%
EPS	10.1	6.7	-34.3%	15.0	6.7	-55.7%
DPS	-	-		4.5	-	
Effec tax rate	8.3%	6.7%		-0.1%	6.7%	
GP margin	43.1%	38.2%		26.8%	38.2%	

Source: Bursa Announcement

EXHIBIT 2: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	1,490.3	1,371.9	(7.9)	1,600.6	1,473.7	(7.9)	1,720.2	1,584.1	(7.9)
Net earnings	466.4	405.8	(13.0)	494.3	489.2	(1.0)	517.1	511.2	(1.1)

EXHIBIT 3: VALUATIONS

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

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 tCO ₂ e in FY24 vs. 800,773 tCO ₂ e 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
Weighted score for environmental assessment			100%	*	*	*	*	
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
Weighted score for social assessment			100%	*	*	*		
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
Weighted score for governance assessment			100%	*	*	*		
	Environmental score		50%	*	*	*	*	
	Social score		30%	*	*	*		
	Governance score		20%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: AmInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	2023	2024	2025F	2026F	2027F
Revenue	1,317.6	1,741.9	1,371.9	1,473.7	1,584.1
EBITDA	530.8	624.7	756.7	808.5	868.3
Depreciation	(132.1)	(144.0)	(229.3)	(251.9)	(290.9)
Operating income (EBIT)	398.8	480.6	527.4	556.6	577.4
Other income & associates	94.5	34.9	(10.0)	55.0	65.0
Net interest	(16.5)	(38.0)	(61.5)	(61.9)	(54.8)
Exceptional items	-	31.8	-	-	-
Pretax profit	476.8	509.3	455.9	549.7	587.6
Taxation	(25.1)	(18.3)	(13.7)	(16.5)	(29.4)
Minorities/pref dividends	(67.9)	(31.8)	(36.5)	(44.0)	(47.0)
Net profit	383.7	459.2	405.8	489.2	511.2
Core net profit	383.7	427.4	405.8	489.2	511.2
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	3,383.1	3,396.5
Total non-current assets	3,358.5	4,275.1	4,845.9	5,126.7	5,401.1
Cash & equivalent	528.2	268.3	201.0	500.0	803.5
Stock	131.7	185.9	150.3	145.4	156.2
Trade debtors	488.7	391.8	319.5	323.0	347.2
Other current assets	1.4	0.3	-	-	-
Total current assets	1,150.0	846.3	670.8	968.4	1,307.0
Trade creditors	168.8	214.5	140.9	153.4	167.8
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
Total current liabilities	610.0	833.8	821.8	902.0	990.8
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
Total long-term liabilities	674.5	743.1	798.1	857.5	922.7
Shareholders' funds	3,056.9	3,324.5	3,640.5	4,035.2	4,447.2
Minority interests	167.1	219.9	256.4	300.4	347.4
BV/share (RM)	3.23	3.52	3.85	4.27	4.71
Cash Flow (RMmil, YE 31 Dec)	2023	2024	2025F	2026F	2027F
Pretax profit	476.8	509.3	455.9	549.7	587.6
Depreciation	132.1	144.0	229.3	251.9	290.9
Net change in working capital	(99.4)	(227.5)	20.6	(2.5)	(50.1)
Others	77.3	53.6	3.4	(67.2)	(83.5)
Cash flow from operations	586.8	479.4	709.2	731.9	744.9
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)
Cash flow from investing	(670.5)	(771.6)	(737.8)	(436.1)	(447.2)
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)
Cash flow from financing	45.5	63.4	(13.8)	(11.7)	(9.2)
Net cash flow	(38.2)	(228.8)	(42.4)	284.1	288.5
Net cash/(debt) b/f	482.8	462.9	228.4	201.0	500.0
Forex	18.4	(5.7)	15.0	15.0	15.0
Net cash/(debt) c/f	462.9	228.4	201.0	500.0	803.5
Key Ratios (YE 31 Dec)	2023	2024	2025F	2026F	2027F
Revenue growth (%)	-1.6	32.2	-21.2	7.4	7.5
EBITDA growth (%)	-4.8	17.7	21.1	6.9	7.4
Pretax margins (%)	36.2	29.2	33.2	37.3	37.1
Net profit margins (%)	29.1	26.4	29.6	33.2	32.3
Interest cover (x)	32.2	16.4	12.3	13.1	15.8
Effective tax rate (%)	5.3	3.6	3.0	3.0	5.0
Net dividend payout (%)	20.3	18.5	22.1	19.3	19.4
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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