

MALAKOFF CORPORATION

(MLK MK EQUITY, MALA.KL)

6 Oct 2025

Fire at TBE

Company Report

HOLD

(Maintained)

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Rationale for report: Company Update

Price RM1.00
Target Price RM0.88
52-week High/Low RM1.12/RM0.73

Key Changes

Target Price ⇄
EPS ↕

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	8,969.6	10,500.2	10,954.9	11,035.0
Net profit (RM mil)	268.7	215.5	305.5	328.7
EPS (sen)	5.5	4.4	6.3	6.7
EPS growth (%)	(132.1)	(19.8)	41.7	7.6
Consensus Net Profit (RM mil)		262.3	287.2	313.6
DPS (sen)	4.4	5.0	5.2	5.5
PE (x)	18.2	22.7	16.0	14.9
EV/EBITDA (x)	6.0	7.2	6.4	5.9
Div yield (%)	4.4	5.0	5.2	5.5
ROE (%)	6.0	4.8	6.7	7.2
Net Gearing (%)	140.7	158.9	144.9	128.4

Stock and Financial Data

Shares Outstanding (million) 4,887.0
Market Cap (RMmil) 4,887.0
Book Value (RM/Share) 0.90
P/BV (x) 1.1
ROE (%) 6.0
Net Gearing (%) 140.7

Major Shareholders MMC Corp (38.5%)
PNB (11.7%)
EPF (11.4%)
Free Float 61.5
Avg Daily Value (RMmil) 7.0

Price performance	3mth	6mth	12mth
Absolute (%)	16.3	26.6	8.1
Relative (%)	10.2	17.6	8.5



Investment Highlights

According to news reports, a fire has destroyed 70% of TBE (Tanjung Bin Energy) Power Plant's (1,000MW) flue gas desulfurisation (FGD) system and chimney tunnel. A FGD system removes sulphur dioxide from the flue gases emitted by the power plant. It is uncertain if this development would affect Malakoff's chances of winning a new gas power plant under the Energy Commission's Request for Tender. Winners of the RFP are expected to be announced in 4QFY25. We maintain HOLD on Malakoff with a target price of RM0.88/share. We have assumed that TBE would be closed for a month and as such, we have reduced Malakoff's FY25F net profit by 14.9%.

- **HOLD with a TP of RM0.88/share.** Our TP of RM0.88/share is based on a FY26F PE of 14x, which is the five-year average. We have reduced Malakoff's FY25F net earnings by 14.9% to account for a month of outage at TBE. We have left the group's FY26F net profit unchanged.
- **TBE is a significant earnings generator.** TBE accounted for 34% or RM318.9mil of Malakoff's capacity payments in 1HFY25. This implies a capacity payment of about RM53mil per month. Assuming TBE is shut down for a month, the loss of capacity payments may reduce Malakoff's FY25F net profit by 14.9%. We think that the shutdown would be deemed as a forced outage and not a planned one.
- **Malakoff plans to claim insurance.** We believe that the fire and insurance investigations would take time. In addition, there may be certain components that the insurance company would not be able to cover. Apart from the loss of capacity payments, we reckon that Malakoff would be recording higher repairs and maintenance expenses due to the fire.
- **Secures 30-year solar PPA in Bintulu, Sarawak.** On a brighter note, a 70%-owned unit of Malakoff has entered into a 30-year PPA with Syarikat SESCO to develop a 100MWac solar power plant in Bintulu. The solar power plant is expected to commence operations in 2QFY28. Based on the 70% shareholding and assuming a tariff of 20 sen/kWh and pre-tax profit margin of 20%, we estimate an earnings contribution of RM5mil annually.

Company profile

Malakoff Corporation is an independent power producer. Apart from selling electricity, Malakoff also manages waste for Kuala Lumpur, Putrajaya and Pahang. Waste management is handled by Alam Flora.

Malakoff's earnings are from the sale of electricity to TNB and management of waste in KL, Putrajaya and Pahang.

We estimate that 75% to 80% of Malakoff's net profit are from the sale of electricity while the balance 20% to 25% are from waste management.

Malakoff's customers are TNB and SW Corp. Alam Flora's fees are paid by SW Corp.

Malakoff's operations are in Malaysia. The group also has associates in Saudi Arabia and Bahrain, which are involved in water desalination and energy generation.

Malakoff's competitive advantage lies in the large size of its generating capacity. Malakoff has effective generating capacity of more than 5,000MW.

Investment thesis and catalysts

We have a HOLD on Malakoff as although there is earnings risk from the expiry of Power Purchase Agreements, the group's dividend yield is decent at more than 6%.

Share price catalysts are award of new power plants and stronger-than-expected earnings from Alam Flora.

Valuation methodology

We applied a FY26F PE of 14x to arrive at Malakoff's target price of RM0.88/share. The PE of 14x is the group's five-year average.

Risk factors

Malakoff faces earnings risk due to the expiry of power purchase agreements (PPA). Prai Power Plant (350MW) will expire in August 2025 while Segari (1,303MW) will expire at the end of FY27F. Tanjung Bin Power Plant (2,100MW) will expire in FY31F. Earnings risk would also come from loss of capacity payments resulting from forced outages at the TBE and TBP power plants in Johor.

EXHIBIT 1: VALUATIONS

Target PE (x)	14
FY26F EPS	6.3
ESG premium	-
12-month TP (RM)	0.88

EXHIBIT 2: CHANGE IN EARNINGS

RMmil	FY26F			FY27F			FY28F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	10,800.2	10,747.2	(2.8)	10,954.9	10,954.9	-	11,035.0	11,035.0	-
Net earnings	253.2	215.5	(14.9)	306.1	305.5	(0.2)	329.5	328.7	(0.2)

EXHIBIT 3: ESG MATRIX

	Assessment	Parameters	Weightage	Rating				Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*	*		3.7% reduction in GHG emissions intensity and 17% reduction in Scope 2 emissions in FY24
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*			86% of FY24 capacity payments were from coal power plants
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*		Coal is estimated to account for half of earnings
4	Waste management	Recycling rate of 20% and above	25%	*	*	*		21.1% recycling rate in FY24
Weighted score for environmental assessment			100%	*	*	*		
1	Workers welfare	Learning and development hours	33%	*	*	*		Average training hours per employee was 15 in FY24
2	Number of incidents	Below 10	33%	*	*			Seven recordable work-related injuries in FY24
3	Lost Time Injury Frequency	Below 1	33%	*	*	*	*	Fell to 0.4 in FY24 from 0.7 in FY23
Weighted score for social assessment			100%	*	*	*		
1	Related party transactions	Value of RPTs	40%	*	*	*		RM31.9mil in terms of revenue and RM25.1mil in terms of expenses in FY24
2	Women in workforce	% in workforce	30%	*	*	*		17.5% of workforce were women in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*		RM4.9mil in FY24
Weighted score for governance assessment			100%	*	*	*		
	Environmental score		50%	*	*	*		
	Social score		30%	*	*	*		
	Governance score		20%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: AmInvestment Bank

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	9,067.0	8,969.6	10,500.2	10,954.9	11,035.0
EBITDA	1,093.3	1,876.3	1,666.5	1,801.2	1,834.1
Depreciation/Amortisation	(1,111.6)	(1,079.7)	(1,101.3)	(1,123.3)	(1,145.8)
Operating income (EBIT)	(18.3)	796.7	565.3	677.9	688.4
Other income & associates	(363.5)	109.7	120.7	132.8	146.1
Net interest	(494.1)	(435.6)	(366.8)	(363.3)	(352.5)
Exceptional items	(79.0)	(12.5)	0.0	0.0	0.0
Pretax profit	(954.9)	458.3	319.2	447.4	481.9
Taxation	93.0	(147.8)	(57.6)	(91.2)	(97.4)
Minorities/pref dividends	24.8	(41.9)	(46.1)	(50.7)	(55.8)
Net profit	(837.2)	268.7	215.5	305.5	328.7
Core net profit	(758.2)	281.2	215.5	305.5	328.7
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	10,697.5	10,372.9	10,372.9	10,372.9	10,372.9
Intangible assets	2,260.1	1,979.0	3,351.0	3,352.0	3,353.0
Other long-term assets	1,642.6	1,596.0	1,787.7	1,921.5	2,068.5
Total non-current assets	14,600.1	13,947.9	15,511.6	15,646.4	15,794.5
Cash & equivalent	3,126.6	2,231.1	1,636.6	2,191.4	2,861.3
Stock	846.9	1,037.5	1,084.1	1,131.0	1,139.3
Trade debtors	1,563.3	1,622.2	3,233.4	3,373.4	3,398.1
Other current assets	163.6	173.7	173.7	173.7	173.7
Total current assets	5,700.5	5,064.4	6,127.8	6,869.5	7,572.3
Trade creditors	1,453.6	1,402.3	1,729.7	1,804.6	1,817.8
Short-term borrowings	926.7	752.1	752.1	752.1	752.1
Other current liabilities	587.1	483.4	2,625.3	3,368.3	4,134.3
Total current liabilities	2,967.3	2,637.8	5,107.1	5,925.0	6,704.1
Long-term borrowings	8,678.4	7,816.1	8,000.0	8,000.0	8,000.0
Other long-term liabilities	3,908.2	3,815.1	3,771.3	3,727.6	3,683.9
Total long-term liabilities	12,586.6	11,631.2	11,771.3	11,727.6	11,683.9
Shareholders' funds	4,489.7	4,505.5	4,476.7	4,528.1	4,588.0
Minority interests	257.1	238.3	284.4	335.1	390.8
BV/share (RM)	0.90	0.90	0.90	0.91	0.92
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	(954.9)	458.3	319.2	447.4	481.9
Depreciation/Amortisation	1,111.6	1,079.7	1,101.3	1,123.3	1,145.8
Net change in working capital	943.1	(404.7)	(1,374.1)	(155.8)	(63.5)
Others	636.6	212.3	188.5	139.2	109.1
Cash flow from operations	1,736.4	1,345.6	234.9	1,554.1	1,673.3
Capital expenditure	(274.1)	(462.5)	(402.0)	(382.0)	(382.0)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	1.0
Others	1,352.9	(151.9)	142.3	150.9	166.8
Cash flow from investing	1,078.8	(614.4)	(259.7)	(231.1)	(214.2)
Debt raised/(repaid)	(905.5)	(1,014.9)	183.9	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(254.7)	(243.0)	(244.4)	(254.1)	(268.8)
Others	(624.1)	(644.3)	(509.1)	(514.2)	(519.3)
Cash flow from financing	(1,784.4)	(1,902.2)	(569.5)	(768.3)	(788.1)
Net cash flow	1,030.8	(1,171.0)	(594.4)	554.7	670.9
Net cash/(debt) b/f	1,540.4	2,571.2	1,400.2	805.8	1,360.5
Net cash/(debt) c/f	2,571.2	1,400.2	805.8	1,360.5	2,031.4
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	-12.4	-1.1	17.1	4.3	0.7
EBITDA growth (%)	-59.4	71.6	-11.2	8.1	1.8
Pretax margin (%)	-10.5	5.1	3.0	4.1	4.4
Net profit margin (%)	-9.2	3.0	2.1	2.8	3.0
Interest cover (x)	2.2	4.3	4.5	5.0	5.2
Effective tax rate (%)	9.7	32.2	18.0	20.4	20.2
Dividend payout (%)	-17.5	80.8	113.4	83.2	81.8
Debtors turnover (days)	63	66	112	112	112
Stock turnover (days)	34	42	38	38	38
Creditors turnover (days)	67	72	71	72	72

Source: Company, AmlInvestment Bank Bhd estimates

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