

MALAKOFF CORPORATION

(MLK MK EQUITY, MALA.KL)

28 Aug 2025

Company Report

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Rationale for report: Company Results

HOLD

(Maintained)

Price RM0.96
Target Price RM0.88
52-week High/Low RM1.02/RM0.73

Key Changes

Target Price ⇄
EPS ⇄

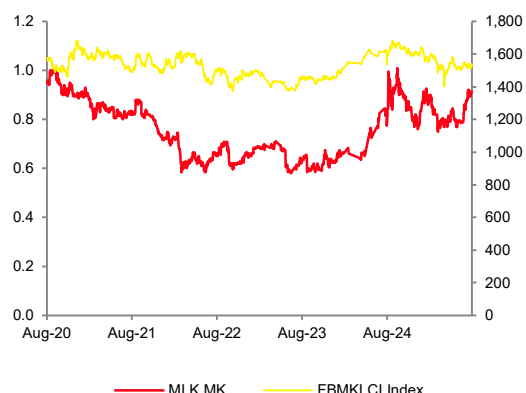
YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	8,969.6	10,800.2	10,954.9	11,035.0
Net profit (RM mil)	268.7	253.2	305.5	328.7
EPS (sen)	5.5	5.2	6.3	6.7
EPS growth (%)	(132.1)	(5.8)	20.7	7.6
Consensus Net Profit (RM mil)		262.3	287.2	313.6
DPS (sen)	4.4	5.0	5.2	5.5
PE (x)	17.5	18.5	15.4	14.3
EV/EBITDA (x)	5.9	6.9	6.2	5.7
Div yield (%)	4.6	5.2	5.4	5.7
ROE (%)	6.0	5.6	6.7	7.1
Net Gearing (%)	140.7	158.4	142.9	126.5

Stock and Financial Data

Shares Outstanding (million)	4,887.0
Market Cap (RMmil)	4,691.5
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)	2.0

Price performance	3mth	6mth	12mth
Absolute (%)	+0.1	+8.6	+18.8
Relative (%)	+17.0	+11.7	+21.3

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Investment Highlights

After a weak 1QFY25, Malakoff's net profit rebounded by 84.8% to RM62.8mil in 2QFY25 on the back of a write-back of provisions for NRV (net realisable value) of coal inventories. The group recorded a provision for NRV of coal of RM45mil in 1QFY25, which reversed by RM83mil in 2QFY25 as coal prices stabilised. Looking ahead, Malakoff faces the risk of loss of earnings from the Prai (350MW) and Segari power plants (1,303MW) if their PPAs are not extended. Prai's PPA is expected to expire on 30 August 2025 while Segari's PPA will expire at the end of FY27F. We maintain HOLD with a target price of RM0.88/share.

- **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.
- **Malakoff's 1HFY25 core net profit of RM96.8mil was within our forecast and consensus.** Malakoff's net profit tumbled by 32.2% YoY to RM96.8mil in 1HFY25 dragged by a net fuel margin loss of RM50mil. Going forward as coal prices have risen, we reckon that fuel margin losses would decline.
- **Capacity income eased by 3.7% YoY to RM935mil in 1HFY25.** Prai's capacity payments fell by 45.2% YoY to RM40mil due to the reduction in tariffs. Although Prai's PPA was extended by a year, the tariffs were cut by almost half. Prai accounted by 3.1% of Malakoff's capacity payments in 1QFY25.
- **More than half of Malakoff's capacity payments come from TBP and TBE.** TBP accounted for 52.5% of Malakoff's capacity payments in 1HFY25 while TBE made up another 34.1%. The balance 13.4% of capacity payments came from Segari and Prai power plants. There were no forced outages in 1HFY25. TBP's EAF (equivalent availability factor) was 90.5% in 1HFY25 while TBE's EAF was 99%.
- **Alam Flora's net profit rose by 6.6% YoY to RM65.4mil in 1HFY25.** We attribute this to a higher volume of waste managed in the non-concession division. Net profit margin inched up to 14.5% in 1HFY25 from 13.9% in 1HFY24.

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: EARNINGS SUMMARY

Year to 31 Dec (RM mil)	1HFY24	1HFY25	% YoY	1QFY25	2QFY25	% QoQ
Revenue	4,587.9	4,047.6	(11.8)	2,027.9	2,017.8	(0.5)
EBITDA	836.0	708.8	(15.2)	340.4	368.5	8.3
Depreciation	(407.2)	(410.0)	0.7	(201.2)	(208.8)	3.8
EBIT	428.8	298.8	(30.3)	139.2	159.7	14.7
Net finance cost	(222.4)	(203.4)	8.5	(102.4)	(101.0)	1.3
Exceptionals	13.0	0.0		0.0	0.0	
Associates and JV	39.9	48.0	20.5	21.7	26.4	21.6
PBT	259.3	143.4	(44.7)	58.5	85.0	45.4
Taxation	(77.8)	(30.0)	61.4	(16.0)	(14.1)	11.8
MI	(25.7)	(16.6)	35.3	(8.5)	(8.1)	4.9
Net profit	155.8	96.8	(37.8)	34.0	62.8	84.8
Core net profit	142.8	96.8	(32.2)	34.0	62.8	84.8
EBITDA margin (%)	18.2	17.5		16.8	18.3	
EBIT margin (%)	9.3	7.4		6.9	7.9	
Effective tax rate (%)	30.0	20.9		27.3	16.6	
EPS (sen)	1.9	1.4		0.1	1.3	
DPS (sen)	2.2	1.5		0.0	1.5	

Source: Bursa Malaysia

EXHIBIT 2: VALUATIONS

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

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	10,800.2	10,954.9	11,035.0
EBITDA	1,093.3	1,876.3	1,719.5	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	618.3	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	372.2	447.4	481.9
Taxation	93.0	(147.8)	(72.9)	(91.2)	(97.4)
Minorities/pref dividends	24.8	(41.9)	(46.1)	(50.7)	(55.8)
Net profit	(837.2)	268.7	253.2	305.5	328.7
Core net profit	(758.2)	281.2	253.2	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	1,600.3	2,229.0	2,898.9
Stock	846.9	1,037.5	1,115.1	1,131.0	1,139.3
Trade debtors	1,563.3	1,622.2	3,325.8	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	6,214.8	6,907.1	7,610.0
Trade creditors	1,453.6	1,402.3	1,779.1	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	5,156.5	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	4,514.4	4,565.7	4,625.7
Minority interests	257.1	238.3	284.4	335.1	390.8
BV/share (RM)	0.90	0.90	0.90	0.91	0.93
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	(954.9)	458.3	372.2	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)	(1,448.0)	(81.9)	(63.5)
Others	636.6	212.3	173.2	139.2	109.1
Cash flow from operations	1,736.4	1,345.6	198.5	1,628.0	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)	(630.7)	628.7	670.9
Net cash/(debt) b/f	1,540.4	2,571.2	1,400.2	769.5	1,398.1
Net cash/(debt) c/f	2,571.2	1,400.2	769.5	1,398.1	2,069.0
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	-12.4	-1.1	20.4	1.4	0.7
EBITDA growth (%)	-59.4	71.6	-8.4	4.7	1.8
Pretax margin (%)	-10.5	5.1	3.4	4.1	4.4
Net profit margin (%)	-9.2	3.0	2.3	2.8	3.0
Interest cover (x)	2.2	4.3	4.7	5.0	5.2
Effective tax rate (%)	9.7	32.2	19.6	20.4	20.2
Dividend payout (%)	-17.5	80.8	96.5	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	72	72	72

Source: Company, AmlInvestment Bank Bhd estimates

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