

MALAKOFF CORPORATION

(MLK MK EQUITY, MALA.KL)

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Company Report

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03-2036 2305**Rationale for report: Company Results****HOLD**

(Maintained)

Price	RM0.90
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	7,500.2	10,954.9	11,035.0
Net profit (RM mil)	268.7	144.5	305.5	328.7
EPS (sen)	5.5	3.0	6.3	6.7
EPS growth (%)	(132.1)	(46.2)	111.3	7.6
Consensus Net Profit (RM mil)		211.2	282.0	324.6
DPS (sen)	4.4	5.0	5.2	5.5
PE (x)	16.4	30.4	14.4	13.4
EV/EBITDA (x)	5.7	6.9	6.1	5.6
Div yield (%)	4.9	5.6	5.8	6.1
ROE (%)	6.0	3.3	6.9	7.3
Net Gearing (%)	140.7	146.3	148.8	132.0

Stock and Financial Data

Shares Outstanding (million)	4,887.0
Market Cap (RMmil)	4,398.3
Book Value (RM/Share)	0.90
P/BV (x)	1.0
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)	9.9

Price performance	3mth	6mth	12mth
Absolute (%)	0.0	+17.0	+13.5
Relative (%)	-4.1	+10.7	+11.7

Investment Highlights

Malakoff's 3QFY25 earnings were weak as TBE Power Plant was hit by a forced outage and Prai Power Plant's PPA (Power Purchase Agreement) expired on 30 August 2025. Prai's capacity payments were about RM20mil per quarter. Due to this, Malakoff's net profit dived by 55.1% QoQ to RM28.2mil in 3QFY25. Going forward, Malakoff's net profit is expected to sink further as TBE is still closed for repairs due to the fire, which took place in early-October. We maintain HOLD on Malakoff 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 is currently trading at a FY26F PE of 14.4x compared to YTL Power's fully diluted 12.2x.
- Malakoff's 9MFY25 core net profit of RM125mil was 20% below our forecast and 22% below consensus.** Malakoff disappointed as TBE was affected by a pipe leakage at its turbine. As such, there was a loss of capacity payments of about RM30mil in 3QFY25. We have reduced Malakoff's FY25F net profit by 33% not only to reflect this, but also to account for the loss of earnings from the shutdown of TBE in 4QFY25.
- Capacity income fell by 4% YoY to RM1.4bil in 9MFY25.** This was due to lower capacity payments from TBE and Prai. Due to the pipe leakage at the steam turbine, TBE's equivalent availability factor was only 75% in 3QFY25 vs. 98% in 2QFY25. Also, although Prai's PPA was extended by a year, tariffs were cut by 50%. In addition, Prai's PPA expired on 30 August 2025. This means that there was a loss of capacity payments for a month in 3QFY25.
- TBE is still closed.** Malakoff is currently restoring the flue gas desulphurisation path and chimney at TBE. The group hopes to complete this by the end of December 2025. The repair works are expected to cost RM25mil to RM30mil, which will be capitalised and amortised. TBE's shutdown in 4QFY25 would result in a loss of capacity payments of RM160mil. We believe that it would take time for insurance claims to be approved.



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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)	9MFY24	9MFY25	% YoY	2QFY25	3QFY25	% QoQ
Revenue	6,807.1	5,738.2	-15.7	2,017.8	1,690.5	-16.2
EBITDA	1231.6	1067.0	-13.4	368.5	358.2	-2.8
Depreciation	(588.3)	(632.5)	7.5	(208.8)	(222.5)	6.6
EBIT	643.3	434.5	-32.5	159.7	135.7	-15.0
Net finance cost	(328.4)	(305.0)	-7.1	(101.0)	(101.6)	0.6
Exceptionals	13.5	0.0	>100	0.0	0.0	
Associates and JV	75.0	61.6	-17.9	26.4	13.6	-48.6
PBT	403.4	191.1	-52.6	85.0	47.7	-43.9
Taxation	(121.8)	(37.1)	-69.6	(14.1)	(7.1)	-49.8
MI	(39.0)	(29.0)	-25.6	(8.1)	(12.4)	53.1
Net profit	242.7	125.0	-48.5	62.8	28.2	-55.1
Core net profit	229.2	125.0	-45.4	62.8	28.2	-55.1
EBITDA margin (%)	18.1	18.6		18.3	21.2	
EBIT margin (%)	9.5	7.6		7.9	8.0	
Effective tax rate (%)	30.2	19.4		16.6	14.8	
EPS (sen)	3.9	1.4		1.3	0.0	
DPS (sen)	2.2	1.5		1.5	0.0	

Source: Bursa Malaysia

EXHIBIT 2: VALUATIONS

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

EXHIBIT 3: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	10,500.2	7,500.2	(28.6)	10,954.9	10,954.9	-	11,035.0	11,035.0	-
Net earnings	215.5	144.5	(32.9)	305.5	305.5	-	328.7	328.7	-

EXHIBIT 4: 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: Amlnvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	9,067.0	8,969.6	7,500.2	10,954.9	11,035.0
EBITDA	1,093.3	1,876.3	1,566.5	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	465.3	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	219.2	447.4	481.9
Taxation	93.0	(147.8)	(28.6)	(91.2)	(97.4)
Minorities/pref dividends	24.8	(41.9)	(46.1)	(50.7)	(55.8)
Net profit	(837.2)	268.7	144.5	305.5	328.7
Core net profit	(758.2)	281.2	144.5	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	2,305.0	2,120.4	2,790.3
Stock	846.9	1,037.5	774.4	1,131.0	1,139.3
Trade debtors	1,563.3	1,622.2	2,309.6	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	5,562.6	6,798.5	7,501.3
Trade creditors	1,453.6	1,402.3	1,235.5	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	4,612.9	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	4,405.7	4,457.1	4,517.0
Minority interests	257.1	238.3	284.4	335.1	390.8
BV/share (RM)	0.90	0.90	0.88	0.89	0.90
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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