

MALAKOFF CORPORATION

(MLK MK EQUITY, MALA.KL)

28 May 2025

Hit by provisions for coal inventories

Company Report

HOLD

(Maintained)

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Rationale for report: Company Results

Price RM0.805
Target Price RM0.88
52-week High/Low RM1.02/RM0.66

Key Changes

Target Price ⇄
EPS ↕

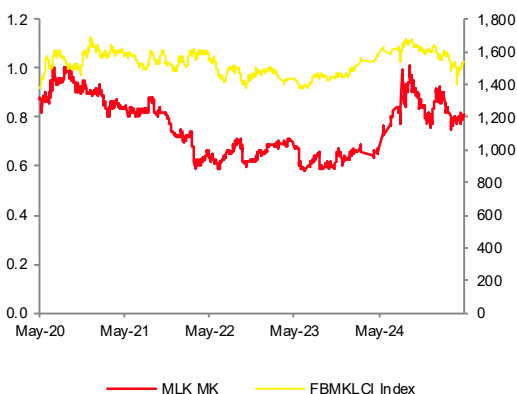
YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	8,969.6	10,800.2	10,954.9	11,035.0
Net profit (RM mil)	268.7	252.5	305.5	328.7
EPS (sen)	5.5	5.2	6.3	6.7
EPS growth (%)	(132.1)	(6.0)	21.0	7.6
Consensus Net Profit (RM mil)		290.9	313.8	338.4
DPS (sen)	4.4	5.0	5.2	5.5
PE (x)	14.6	15.6	12.9	12.0
EV/EBITDA (x)	5.5	6.5	5.8	5.3
Div yield (%)	5.5	6.2	6.5	6.8
ROE (%)	6.0	5.6	6.7	7.1
Net Gearing (%)	140.7	158.5	142.9	126.6

Stock and Financial Data

Shares Outstanding (million)	4,887.0
Market Cap (RMmil)	3,934.0
Book Value (RM/Share)	0.90
P/BV (x)	0.9
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)	2.6

Price performance	3mth	6mth	12mth
Absolute (%)	-0.1	-5.3	+19.3
Relative (%)	-7.7	-0.3	+24.2



Investment Highlights

Malakoff's core net profit slumped by 45.4% YoY to RM34mil in 1QFY25 dragged by provisions for net realisable value (NRV) of coal inventories of RM45mil and a 50% drop in the tariffs of Prai Power Plant. The provisions arose as global coal prices have plunged due to lower demand from China and India. On a positive note, Malakoff's power plants did not experience forced outages in 1QFY25. We maintain HOLD on Malakoff with an unchanged target price of RM0.88/share. Although Malakoff faces the risk of a few PPAs expiring in the next couple of years, the group can bid to extend the PPAs under the open tender for new gas power plants, which was launched recently.

- **HOLD with a TP of RM0.88/share.** The 350MW Prai Power Plant will be expiring on 31 August 2025 while the 1,303MW Segari Power Plant will be expiring in 2027F. Our TP of RM0.88/share is based on a FY26F PE of 14x, which is the five-year average.
- **Malakoff's 1QFY25 core net profit of RM34mil was 21% below our forecast and 14% short of consensus.** The discrepancy was due to the provision for NRV of coal inventories of RM45mil in 1QFY25. We understand that Malakoff had accounted for the fall in coal prices in 1HFY25 in 1QFY25. We have reduced Malakoff's FY25F net profit by 20.3% to account for this.
- **Capacity income eased by 4.6% YoY to RM464.9mil in 1QFY25.** This can be attributed mainly to a 48.7% fall in the capacity payments from Prai Power Plant. Recall that Prai's PPA was extended for a year at tariffs, which were 50% below the original levels. Capacity payments from the TBP and TBE Power Plants were relatively stable at RM402.6mil in 1QFY25.
- **Alam Flora is resilient.** Alam Flora's net profit increased by 3.1% to RM30.8mil in 1QFY25 from RM29.9mil in 1QFY24 on the back of a higher volume of waste managed. Net profit margin inched up to 14.1% in 1QFY25 from 13.6% in 1QFY24.

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 2025F while Segari (1,303MW) will expire in 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 plants in Johor.

EXHIBIT 1: EARNINGS SUMMARY

Year to 31 Dec (RM mil)	1QFY24	1QFY25	% YoY	4QFY24	1QFY25	% QoQ
Revenue	2,280.1	2,027.9	-11.1	2,163.0	2,027.9	-6.2
EBITDA	409.7	340.4	-16.9	330.9	340.4	2.8
Depreciation	(200.2)	(201.2)	-0.5	(189.7)	(201.2)	-6.1
EBIT	209.5	139.2	-33.6	141.2	139.2	-1.5
Net finance cost	(111.7)	(102.4)	8.3	(107.2)	(102.4)	4.5
Exceptionals	-	-		(12.5)	0.0	
Associates and JV	22.0	21.7	-1.5	34.7	21.7	37.6
PBT	119.8	58.5	-51.2	56.3	58.5	3.8
Taxation	(41.4)	(16.0)	61.5	(27.9)	(16.0)	42.8
MI	(16.2)	(8.5)	47.3	(2.4)	(8.5)	(>100)
Net profit	62.2	34.0	-45.4	26.0	34.0	30.6
Core net profit	62.2	34.0	-45.4	38.5	34.0	-11.7
EBITDA margin (%)	18.0	16.8		15.3	16.8	
EBIT margin (%)	9.2	6.9		6.5	6.9	
Effective tax rate (%)	34.6	27.3		49.5	27.3	
EPS (sen)	0.8	0.1		0.5	0.1	
DPS (sen)	-	-		2.2	-	

Source: Bursa Malaysia

EXHIBIT 2: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	10,800.2	10,800.2	-	10,954.9	10,954.9	-	11,035.0	11,035.0	-
Net earnings	317.0	252.5	(20.3)	306.1	305.5	(0.2)	329.5	328.7	(0.2)

EXHIBIT 3: VALUATIONS

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

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: AmInvestment Bank

EXHIBIT 5: 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	1,718.5	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	617.3	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	371.2	447.4	481.9
Taxation	93.0	(147.8)	(72.6)	(91.2)	(97.4)
Minorities/pref dividends	24.8	(41.9)	(46.1)	(50.7)	(55.8)
Net profit	(837.2)	268.7	252.5	305.5	328.7
Core net profit	(758.2)	281.2	252.5	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	1,599.6	2,228.3	2,898.2
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	6,214.1	6,906.4	7,609.3
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	4,513.7	4,565.0	4,624.9
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	371.2	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	173.4	139.2	109.1
Cash flow from operations	1,736.4	1,345.6	197.8	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)	(631.4)	628.7	670.9
Net cash/(debt) b/f	1,540.4	2,571.2	1,400.2	768.7	1,397.4
Net cash/(debt) c/f	2,571.2	1,400.2	768.7	1,397.4	2,068.3
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	4.8	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	96.8	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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