

Tan Sue Wen

(603) 7890 8888 (ext 2095)

suewen.tan@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 4.29
Previous Target Price:	RM 5.00
Target Price:	↔ RM 5.00
Upside/Downside:	16.6%

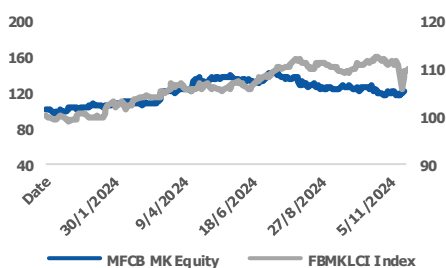
Stock information

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	3069 / MFCB MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆★★
Bloomberg ESG Rating	N/A
Shares issued (m)	942.5
Market Cap (RM' m)	4,043.5
52-Week Price Range (RM)	3.45-5.09
Beta (x)	0.6
Free float (%)	40.8
3M Average Volume (m)	0.5
3M Average Value (RM' m)	2.1

Top 3 Shareholders (%)

Rubber Thread Ind M Sdn Bh	20.6
Keen Capital Investments Ltd	8.2
Mega First Corp Bhd	4.8

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.2	-3.6	19.2
Relative (%)	3.1	-0.4	9.2

Mega First Corporation Berhad

Earnings in Line, Outlook Remains Positive

Summary

- **MFCB reported a 3QFY24 core net profit of RM118.0m (+17.6% qoq, +14.1% yoy). 9MFY24 CNP at RM314.0m came within expectations, representing 78.3% of our full-year forecast.**
- **We anticipate stronger quarters ahead, mainly supported by depreciation of MYR against USD, which should translate into better earnings from DSHP.**
- **Maintained our BUY recommendation with an unchanged target price TP of RM5.00 based on SOP valuation.**







Results Review

- **Within expectations.** MFCB's 9MFY24 core net profit of RM314.0m (+29.0% yoy) came in within our expectations at 78.3% of our forecast of RM401.1m, but only at 69.7% of consensus FY24 earnings estimates of RM444.8m.
- **QoQ.** Excluding one-off items such as fire insurance claims (RM7.2m) and unrealized forex loss (RM13.4m), 3QFY24 core net profit added 17.6% qoq to RM118.0m, attributed to stronger PBT contributions from the Renewable Energy segment (+18.5% qoq) and the Resources segment (+8.1% qoq), which offset a decline in the Packaging segment (-17.4% qoq) and the rise in share of losses in associates (+92.5% qoq) from plant shutdowns for the oleochemical joint venture, Edenor. Notably, despite lower tariffs due to appreciation of MYR against USD, Renewable Energy segment notched a stellar growth qoq on the back of greater hydro energy income from increase in energy output following the commissioning of the fifth turbine at Don Sahong Hydropower Plant (DSHP) and rising water levels.
- **YoY/YTD.** 3QFY24 core net profit increased 14.1% yoy to RM118.0m, driven by better PBT contribution from the Resources segment (+147.3% yoy) on the back of higher sales volume and more favorable sales mix, and from Renewable Energy segment (+6.3% yoy), supported by an additional 15% effective equity interest in DSHP, higher solar energy sales, as well as greater hydropower output as mentioned above. 9MFY24 core profit jumped 29.0% yoy to RM314.0m as a result of aforementioned reasons.
- **Outlook.** We anticipate earnings growth momentum to continue in 4QFY24, on the back of depreciation of MYR against USD, hence improving contribution from DSHP. Notably, MYR has depreciated 8.3% from RM4.12/USD in 30 Sep 24 to RM4.46/USD as of 21 Nov 24. Nonetheless, Packaging division is expected to remain challenging due to weak consumer sentiment and overcapacity globally. Meanwhile, oleochemical business could continue to experience losses in the coming quarter but is expected to turnaround in 2025 as Edenor nears the end of its rectification efforts.
- **Earnings revision.** No change to our forecasts.
- **Valuation.** We maintain our **BUY** recommendation and target price (TP) of **RM5.00**, based on a Sum-of-Parts (SOP) valuation. We like MFCB for its (i)

defensive earnings profile, with ~90% of PBT contributed by recurring income from the Renewable Energy segment, (ii) commitment to **pursue growth to enhance shareholder value**, whether through organic growth, inorganic growth, or even venture into a new business segment, and (iii) **strong balance sheet and cash flow position**, with net gearing of 0.10x as of 3QFY24 and operating cash flow of above RM500m/pa.











- **Risks.** Appreciation of MYR against USD, higher-than-expected petcoke prices, and a slower-than-anticipated recovery in the packaging segment.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	372.0	320.4	16.1	332.0	12.1	1,017.4	993.4	2.4		
EBITDA	187.2	181.1	3.3	176.7	5.9	546.0	512.0	6.6		
Pre-tax profit	126.8	131.5	(3.6)	118.3	7.2	362.9	338.0	7.4		
Net profit	123.9	127.1	(2.5)	112.5	10.2	344.5	313.3	9.9		Excluding Fire Insurance Claims, Unrealized Forex Loss & Miscellaneous Items
Core net profit	118.0	103.4	14.1	100.3	17.6	314.0	243.4	29.0		
Core EPS (sen)	12.5	11.0	14.1	10.6	17.6	33.3	25.8	29.0		
EBITDA margin (%)	50.3	56.5		53.2		53.7	51.5			
PBT margin (%)	34.1	41.1		35.6		35.7	34.0			
Core PATMI margin (%)	31.7	32.3		30.2		30.9	24.5			

Source: Company, Apex Securities

Figure 2 & 3: Revenue, PBT Breakdowns & Margins

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY24	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue Breakdown										
Renewable Energy	183.9	164.2	12.0	156.2	17.7	477.8	437.6	9.2		Contributed by hydro & solar energy sales
Resources	60.3	48.3	24.8	56.7	6.4	180.7	156.5	15.5		Favourable in sales mix
Packaging	98.2	98.1	0.1	104.2	(5.8)	305.3	302.0	1.1		
Investment Holdings	29.6	9.8	203.5	14.8	99.4	53.7	97.4	(44.9)		RM20.8m contribution from CSC in Q3FY24
Total	372.0	320.4	16.1	332.0	12.1	1,017.4	993.4	2.4		
Profit Before Tax (PBT) Breakdown										
Renewable Energy	130.5	122.8	6.3	110.2	18.5	329.5	316.9	4.0		aforementioned
Resources	13.6	5.5	147.3	12.6	8.1	40.7	17.1	138.1		
Packaging	7.5	10.1	(25.6)	9.1	(17.4)	25.2	25.5	(1.2)		Landscape Remains Challenging
Investment Holdings	(24.9)	(6.9)	262.1	(13.7)	81.6	(32.6)	(21.5)	51.9		Primarily Impacted by Losses in Edenor
Total	126.8	131.5	(3.6)	118.2	7.3	362.8	338.0	7.3		
PBT margin (%)										
Renewable Energy	71.0%	74.8%		70.5%		69.0%	72.4%			
Resources	22.6%	11.4%		22.2%		22.5%	10.9%			
Packaging	7.7%	10.3%		8.7%		8.3%	8.5%			
Investment Holdings	-84.2%	-70.5%		-92.4%		-60.8%	-22.1%			
Total	34.1%	41.1%		35.6%		35.7%	34.0%			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Revenue	1339.6	1317.6	1304.6	1283.9	1324.3
Gross Profit	560.8	569.4	551.7	492.2	505.7
EBITDA	629.9	662.5	683.8	607.8	623.5
Depreciation & Amortisation	-126.9	-132.1	-141.9	-128.0	-132.9
EBIT	503.0	530.5	541.8	479.8	490.6
Net Finance Income/ (Cost)	-29.6	-40.1	-30.1	-20.6	-17.9
Associates & JV	17.1	-13.6	-5.1	17.4	27.1
Pre-tax Profit	490.6	476.8	506.6	476.6	499.8
Tax	-14.8	-25.1	-44.0	-47.4	-48.2
Profit After Tax	475.7	451.6	462.6	429.2	451.7
Minority Interest	78.9	67.9	61.5	68.3	79.4
Net Profit	396.8	383.7	401.1	360.9	372.3
Exceptionals	-68.1	-15	0.0	0.0	0.0
Core Net Profit	328.7	382.2	401.1	360.9	372.3

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
P/E (x)	12.7	10.9	10.3	11.5	11.1
EBITDA margin	47.0%	50.3%	52.4%	47.3%	47.1%
EBIT margin	37.5%	40.3%	41.5%	37.4%	37.0%
PBT margin	36.6%	36.2%	38.8%	37.1%	37.7%
PAT margin	35.5%	34.3%	35.5%	33.4%	34.1%
NP margin	29.6%	29.1%	30.7%	28.1%	28.1%
Core NP margin	24.5%	29.0%	30.7%	28.1%	28.1%
Dividend yield	1.6%	1.8%	2.0%	1.8%	2.0%
ROE	12.4%	11.9%	11.1%	9.1%	8.6%
ROA	9.3%	8.5%	8.7%	7.5%	7.5%
Net gearing	6.9%	12.2%	17% Net Cash	Net Cash	

Valuation

Sum of Parts (SOP)	Equity Value (RM ' m)	Valuation method
Renewable Energy	37116	Ke = 10.3%
Packaging & Label	420.9	14x FY25F PER
Resources	3713	14x FY25F PER
Food Security	29.6	9x FY25F PER
Oleochemicals	172.6	8x FY25F PER
Proceeds from exercise of warrants/ESI	0.0	
SOP Value	4706.0	
Enlarged share base (m share)	942.8	
Fair Value (RM)	5.00	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Cash	492.3	508.6	580.6	752.4	934.4
Receivables	437.3	488.7	449.6	413.6	380.5
Inventories	147.9	131.7	139.6	148.0	156.9
Other current assets	5.0	20.9	19.0	17.2	15.6
Total Current Assets	1082.4	1149.9	1188.8	1331.3	1487.4
PPE	481.7	531.9	698.8	789.1	873.0
Other non-current assets	2725.0	2826.5	2736.4	2666.7	2598.2
Total Non-current assets	3206.6	3358.5	3435.2	3455.9	3471.2
Short-term Debt	316.2	435.2	256.2	179.1	99.7
Payables	155.7	168.8	172.6	181.4	187.6
Other Current Liabilities	7.0	6.0	6.3	6.6	6.9
Total Current Liabilities	478.9	610.0	435.0	367.2	294.2
Long-term Debt	396.7	466.1	384.2	268.7	149.5
Other non-current liabilities	222.3	208.2	200.6	193.8	187.6
Total Non-current Liabilities	619.1	674.4	584.9	462.5	337.1
Shareholder's equity	2750.6	3056.9	3375.5	3660.6	3951.0
Minority interest	440.4	167.1	228.6	296.9	376.3
Total Equity	3191.0	3224.0	3604.1	3957.5	4327.3

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Pre-tax profit	490.6	476.8	506.6	476.6	499.8
Depreciation	37.4	38.3	49.4	55.8	61.7
Changes in working capital	-37.2	-73.7	32.5	33.9	27.7
Others	84.5	143.7	47.3	15	-20.4
Operating cash flow	575.3	585.1	635.8	567.8	568.8
Net capex	-78.1	-113.0	-216.3	-146.1	-145.5
Others	-88.8	-549.0	33.3	45.6	63.0
Investing cash flow	-166.9	-661.9	-183.0	-100.5	-82.6
Dividends paid	-67.1	-74.1	-82.5	-75.8	-81.9
Net borrowings	-92.3	179.4	-260.9	-192.6	-198.6
Others	-33.2	-66.7	-37.5	-27.1	-23.7
Financing cash flow	-192.6	38.6	-380.9	-295.5	-304.3
Net cash flow	215.8	-38.2	72.0	171.9	181.9
Forex	13.0	18.4	45.7	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	254.0	482.8	462.9	580.6	752.4
Ending cash	482.8	462.9	580.6	752.4	934.4

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095) Ong Tze Hern (ext 2113) Samuel Woo (ext 2121) Amir Hamdan (ext 2112)</p>

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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