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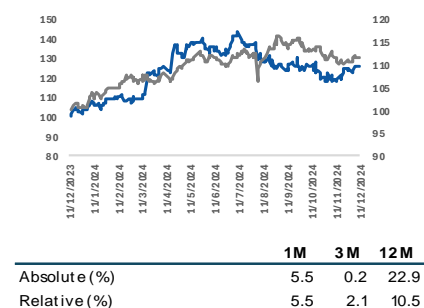
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Recommendation:	BUY
Current Price:	RM4.40
Previous Target Price:	RM5.00
Target Price:	RM5.15
Capital Upside/ Downside:	17.0%
Dividend Yield (%):	1.9%
Total Upside/ Downside:	20.0%

Stock information	
Board	MAIN
Sector	Utilities
Bursa/ Bloomberg Code	3069/ MFCB MK
Syariah Compliant	Yes
ESGRating	★★★★
Shares issued (m)	942.5
Market Cap (RM' m)	4,147.2
52-Week Price Range (RM)	5.09-3.53
Beta (x)	0.6
Free float (%)	36.8
3M Average Volume (m)	0.6
3M Average Value (RM' m)	2.4

Top 3 Shareholders	(%)
Rubber Thread Ind M Sdn Bh	20.6
Keen Capital Investments Ltd	8.2
Employees Provident Fund Board	6.0

Share Price Performance



Mega First Corporation Berhad

Finalised New PPA

Executive Summary

- MFCB has finalised its new SPPA and SCA, with key changes including an LCOE of 6.15 cents (on a discounted basis), royalties applying only to electricity generated above the cap of 2,140 GWh/annum (covered by an upfront payment of USD 82.5m), and a tax structure increasing from 5% to 24%.
- We raised our earnings estimates for FY24F, FY25F, and FY26F by 12.0%/5.1%/3.2%, to reflect a more favourable USD/MYR exchange rate and higher contributions from DSHP.
- We maintain our BUY recommendation with a higher target price of RM5.15, based on a Sum-of-Parts (SOP) valuation and an assigned four-star ESG rating.

New PPA Structure. MFCB has signed a Concession Agreement (SCA) with the Lao Government and a Supplemental Power Purchase Agreement (SPPA) with Electricité Du Laos (EDL) to incorporate the fifth turbine generator. These new agreements will take effect on 1 Jan 2025 and run until 31 Dec 2049. Key updates include:

- Tariffs.** Starting at 6.00 US cents and increasing to 6.20 US cents by 2029, this translates to an LCOE of 6.15 (on a discounted basis). This new structure offers less volatility.
Existing Scheme: Features a 1% annual increase from 6.15 cent/kWh over 15 years, followed by a one-time 20% reduction, after which the 1% annual increase resumes until the end of the concession period.
- Royalty Payments.** Royalties will apply exclusively to the electricity generated above the cap. The first four turbines are covered by an upfront payment of USD 82.5m capped at 2,140 GWh/annum. This new structure reduces ongoing royalty obligations and provides financial predictability.
Existing Scheme: Imposes a royalty rate of 5% of the first 10 years, 15 % after 10 years and 30% for last five years annually throughout the concession period, payable to the Laotian government.
- Taxes.** Starting at 5% in 2026, gradually rising to 24% by 2030.
Existing Scheme: Maintains a tax-free status for up to 5 years from the first COD in 2020.

Our takes. Assuming no changes in forex rates, the recalibrated tariff framework, coupled with reduced royalty payments and a lower tax rate, is projected to bump up DSHP's PBT by 1.8% in FY25F and 3.0% in FY26F respectively. Despite the anticipated improvement in operating cash flows under the new PPA framework, we maintain a prudent 23% dividend payout ratio. This conservative stance accounts for the substantial capex required for the CGPP (30MW) project and the submitted 60MW bid for LSS5. To recap, MFCB is aiming to add 15-20MW of solar capacity annually, with 94.7MWp installed as of 3QFY24. These projects are estimated to require c.RM200m in capex.

Earnings revision. We raised our FY24F/FY25F/FY26F earnings estimates by 12.0%/5.1%/3.2% to RM449.4m/RM379.3m/RM384.3m. These adjustments reflect a more favourable USD/MYR exchange rate of RM4.50 in FY24F and RM4.40 in FY25F (vs previously RM4.30/RM4.20), alongside stronger contribution from DSHP from the new PPA structure.

Valuation & Recommendation. In light of the revised earnings outlook, we maintain our **BUY** recommendation for MFCB with higher target price of **RM5.15** (from RM5.00), based on a sum-of-parts (SOP) valuation along with an assigned four-star ESG rating. We favour 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, and (iii) **strong balance sheet and cash flow position**, with net gearing of 0.1x as of 3QFY24 and positive operating cash flow of above RM500m/pa.

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

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Revenue	1339.6	1317.6	1343.4	1282.1	1333.3
Gross Profit	560.8	569.4	576.9	498.2	517.3
EBITDA	629.9	662.5	712.0	623.0	646.9
Depreciation & Amortisation	-126.9	-132.1	-145.0	-137.3	-144.7
EBIT	503.0	530.5	567.0	485.7	502.1
Net Finance Income/ (Cost)	-29.6	-40.1	-24.1	-10.0	-4.1
Associates & JV	17.1	-13.6	-5.1	17.4	27.1
Pre-tax Profit	490.6	476.8	537.8	493.1	525.1
Tax	-14.8	-25.1	-26.7	-45.3	-61.3
Profit After Tax	475.7	451.6	511.1	447.8	463.8
Minority Interest	78.9	67.9	61.7	68.5	79.5
Net Profit	396.8	383.7	449.4	379.3	384.3
Exceptionals	-68.1	-1.5	0.0	0.0	0.0
Core Net Profit	328.7	382.2	449.4	379.3	384.3

Key Ratios

FYE Sep	FY22	FY23	FY24E	FY25F	FY26F
EPS (sen)	34.9	40.5	47.7	40.2	40.8
P/E (x)	12.6	10.9	9.2	10.9	10.8
P/B (x)	1.3	1.3	1.1	1.0	0.9
EV/EBITDA (x)	6.9	5.9	6.1	7.6	8.0
DPS (sen)	7.1	7.9	8.8	8.4	9.0
Dividend Yield (%)	1.6%	1.8%	2.0%	1.9%	2.0%
EBITDA margin (%)	47.0%	50.3%	53.0%	48.6%	48.5%
EBIT margin (%)	37.5%	40.3%	42.2%	37.9%	37.7%
PBT margin (%)	36.6%	36.2%	40.0%	38.5%	39.4%
PAT margin (%)	35.5%	34.3%	38.0%	34.9%	34.8%
NP margin (%)	29.6%	29.1%	33.5%	29.6%	28.8%
CNP margin (%)	24.5%	29.0%	33.5%	29.6%	28.8%
ROE (%)	10.3%	11.9%	12.3%	9.4%	8.7%
ROA (%)	7.7%	8.5%	9.6%	7.7%	7.7%
Gearing (%)	22.3%	28.0%	17.3%	12.5%	5.4%
Net gearing (%)	6.9%	12.2%	0.1%	Net Cash	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
Renewable Energy	3898.8	Ke=10.3%
Packaging & Label	384.0	14x FY25F PER
Resources	325.4	14x FY25F PER
Food Security	30.7	9x FY25F PER
Oleochemicals	172.6	8x FY25F PER
Proceeds from exercise of warrants/ ES	0.0	
SOP Value	4811.5	
Enlarged share base (m share)	942.8	
Fair Value (RM)	5.1	
ESG premium/ discount	1%	
Implied Fair Value (RM)	5.15	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Cash	492.3	508.6	627.5	781.1	885.2
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	1235.7	1360.0	1438.2
Fixed Assets	481.7	531.9	698.8	884.2	991.9
Intangibles	54.7	54.7	54.7	54.7	54.7
Other non-current assets	2670.3	2771.9	2678.7	2606.4	2534.5
Total Non-Current Assets	3206.6	3358.5	3432.2	3545.3	3581.1
Short-term debt	316.2	435.2	253.1	201.8	95.1
Payables	155.7	168.8	175.7	179.7	187.0
Other current liabilities	7.0	6.0	6.3	6.6	6.9
Total Current Liabilities	478.9	610.0	435.0	388.1	289.1
Long-term debt	396.7	466.1	379.6	302.7	142.7
Other non-current liabilities	222.3	208.2	200.6	193.7	187.6
Total Non-Current Liabilities	619.1	674.4	580.2	496.4	330.2
Shareholder's equity	2750.6	3056.9	3423.8	3723.4	4023.2
Minority interest	440.4	167.1	228.8	297.3	376.8
Total Equity	3191.0	3224.0	3652.6	4020.8	4400.0

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Pre-tax profit	490.6	476.8	537.8	493.1	525.1
Depreciation & amortisation	41.4	42.9	54.0	66.9	74.4
Changes in working capital	-37.2	-73.7	35.7	29.0	28.9
Others	80.5	139.1	57.1	-8.9	-48.3
Operating cash flow	575.3	585.1	684.5	580.3	580.1
Net capex	-78.1	-113.0	-216.3	-247.9	-177.9
Others	-88.8	-549.0	33.3	45.6	63.0
Investing cash flow	-166.9	-661.9	-183.0	-202.2	-114.9
Dividends paid	-67.1	-74.1	-82.5	-79.6	-84.5
Others	-125.5	112.7	-300.2	-144.8	-276.6
Financing cash flow	-192.6	38.6	-382.6	-224.4	-361.2
Net cash flow	215.8	-38.2	118.9	153.6	104.1
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	627.5	781.1
Ending cash	482.8	462.9	627.5	781.1	885.2

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Implemented several initiatives, including the production of hydropower energy in Laos and solar operations locally and in the Maldives
Waste & Effluent	★★★★	Implemented 6 of the 9s waste management framework
Energy	★★★	Installed solar PV systems in the packaging division and upgraded motors in the resources division
Water	★★★	All operations are located in zero water-stressed areas
Compliance	★★★	Adhered to regulatory reporting requirements

Social

Diversity	★★★	Implemented a Diversity and Inclusion Policy, with 44% of the workforce below age 30
Human Rights	★★★	Achieved zero reported incidents of human rights violations
Occupational Safety and Health	★★★★	Maintained a lost time incident rate of 0.98
Labour Practices	★★★★	Facilitated a total of 14,249 hours of training received by employees across the Group, representing +68.8% from 2022

Governance

CSR Strategy	★★★★	Implemented community development programs with a total investment of RM1m
Management	★★★	Encouraging a culture of ethical behavior and implementing a whistleblowing policy
Stakeholders	★★★★	Received an average score of 85.7% for customer satisfaction

Overall ESG Scoring: ★★★★★

Recommendation Framework:

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 + dividend yield

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.