

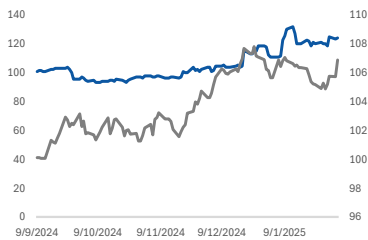
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Recommendation:		BUY
Current Price:		RM 0.88
Previous Target Price:		RM 0.96
Target Price:	↔	RM 0.96
Capital Upside/Downside:		9.1%
Dividend Yield (%):		6.3%
Total Upside/Downside:		16.0%

Stock information	
Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5264 / MLK MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	4,887.0
Market Cap (RM' m)	4,276.1
52-Week Price Range (RM)	1.02-0.605
Beta (x)	1.2
Free float (%)	36.7
3M Average Volume (m)	3.1
3M Average Value (RM' m)	2.6

Top 3 Shareholders		(%)
Anglo Oriental Annuities Sdn Bhd		20.1
Mmc Corp Bhd		18.4
Employees Provident Fund Board		11.5

Share Price Performance



	1M	3M	12M
Absolute (%)	1.2	2.3	32.6
Relative (%)	6.1	6.5	29.4

Malakoff Corporation Berhad

Strategic Streamlining of Non-core Assets

Executive Summary

- **MALAKOF** has proposed to dispose of its **100% equity interest in Malakoff Utilities Sdn Bhd to KJTS Group Bhd** for a cash consideration of **RM65.5m**.
- We are neutral on the disposal, as the disposal price is deemed fair (EV/EBITDA multiple of 7x, slightly above the peers' average of 6.1x) and aligns with MALAKOF's strategy to streamline its operations and focus on more profitable core businesses.
- We maintain our earnings forecasts pending the completion of the disposal, which is subject to shareholder and regulatory approvals.
- Maintain BUY recommendation with an unchanged target price of **RM0.96** based on Sum-of-Parts (SOP) valuation and a three-star ESG rating.

Disposal of Non-core Business. Malakoff Corporation Bhd (MALAKOF) has proposed to dispose of its 100% equity interest in Malakoff Utilities Sdn Bhd (MUSB) to KJTS Group Bhd for a cash consideration of RM65.5m.

Details of Disposal. MUSB is a key player in electricity distribution and district cooling infrastructure. MUSB holds the exclusive rights to distribute power in Kuala Lumpur Sentral, with a capacity of up to 153MW. Additionally, MUSB owns and operates a district cooling plant that supplies chilled water for air conditioning in KL Sentral. The disposal is expected to be completed by 2QCY25, with the proceeds earmarked for future investments and working capital purposes.

Our take. Overall, we are **Neutral** on the disposal. The disposal price is fair, reflecting an EV/EBITDA multiple of 7x based on the FY23 audited numbers, slightly above the peers' average of 6.1x (excluding outliers). Furthermore, the sale price represents a RM10.8m premium over MUSB's audited net asset of RM54.8m as of 31 Dec 2023. Strategically, the disposal allows MALAKOF to streamline its operations and focus on more profitable core business ventures. Financially, it is expected to marginally improve the net gearing ratio (inclusive of perpetual sukuk as debt) from 1.23x as of 3QFY24 to 1.22x post-transaction.

Earnings Revision. We maintain our earnings forecasts pending the completion of the disposal, which is subject to several approvals, including shareholder approval from KJTS Group and regulatory clearance. Based on unaudited 9MFY24 PAT of c.RM2.9m (c.1.5% of the Group's 9MFY24 core profit), the disposal is expected to reduce FY25/FY26 earnings forecast by 1.2%/1.0% respectively. This estimate does not yet factor in the potential disposal gain of RM10.8m, assuming the sale price is based on MUSB's audited net asset of RM54.8m as of 31 Dec 2023, nor the exact timing of completion in 2QCY25.

Valuation & Recommendation. We re-iterate our **BUY** recommendation with an unchanged target price of **RM0.96** based on Sum-of-Parts (SOP) valuation. No ESG premium or discount has been applied, given the company's three-star ESG rating.

Risks. Rapid plunge in coal prices, unplanned plant shutdowns, non-renewal of concession.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	10,355.2	9,067.0	9,068.1	9,249.9	9,284.2
EBITDA	2,284.9	1,027.6	1,986.5	1,971.1	1,983.9
Depreciation & Amortisation	-1,302.0	-1,124.9	-1,098.3	-1,064.1	-1,041.6
EBIT	983.0	-97.3	888.2	907.1	942.3
Net Finance Income/ (Cost)	-522.6	-494.1	-432.3	-402.8	-332.4
Associates & JV	276.4	-363.5	90.1	91.0	91.9
Pre-tax Profit	736.8	-954.9	546.0	595.3	701.8
Tax	-350.9	93.0	-163.8	-178.6	-210.5
Profit After Tax	385.9	-861.9	382.2	416.7	491.3
Minority Interest	83.7	-24.8	47.1	57.0	59.2
Net Profit	302.2	-837.2	335.1	359.7	432.1
Exceptionals	-322.3	-373.9	47.2	47.2	47.2
Core Net Profit	624.5	-463.3	287.9	312.5	384.9

Key Ratios

FYE Dec	FY22	FY23	FY24F	FY25F	FY26F
EPS (sen)	6.2	-17.1	6.9	7.4	8.8
P/E (x)	14.1	-5.1	12.8	11.9	9.9
P/B (x)	0.8	1.0	0.9	0.9	0.9
EV/EBITDA (x) *	4.9	9.9	5.4	4.9	4.6
DPS (sen)	5.3	3.0	5.0	5.5	6.5
Dividend Yield (%)	6.0%	3.4%	5.7%	6.3%	7.4%
EBITDA margin (%)	22.1%	11.3%	21.9%	21.3%	21.4%
EBIT margin (%)	9.5%	-1.1%	9.8%	9.8%	10.1%
PBT margin (%)	7.1%	-10.5%	6.0%	6.4%	7.6%
PAT margin (%)	3.7%	-9.5%	4.2%	4.5%	5.3%
NP margin (%)	2.9%	-9.2%	3.7%	3.9%	4.7%
CNP margin (%)	6.0%	-5.1%	3.2%	3.4%	4.1%
ROE (%)	5.5%	-16.7%	7.4%	7.9%	9.4%
ROA (%)	1.3%	-4.0%	1.7%	1.9%	2.4%
Gearing (%) *	142.5%	173.2%	162.3%	133.7%	116.6%
Net gearing (%) *	119.5%	126.8%	115.1%	95.3%	83.3%

* Gearing ratios and EV include perpetual sukuk as debt

Sum of Parts Valuation	Equity Value (RM m)	Valuation method
SEV	255.0	DCF, WACC: 8.4%
Prai	17.6	DCF, WACC: 8.4%
TBP	3,114.6	DCF, WACC: 9.7%
TBE	3,827.9	DCF, WACC: 9.5%
Alam Flora	1,721.7	DCF, WACC: 7.5%, g: 2.0%
O&M	650.3	DCF, WACC: 7.7%, g: 2.0%
Associate	586.1	FY23 Book Value
(-) Net Debt/(Cash)	4,665.7	
(-) Perpetual Sukuk	800.0	
Total Equity Value	4,707.5	
Enlarged share base (m share)	4,887.0	
Equity Value/share (RM)	0.96	
ESG premium/discount	0.0%	
Fair Value (RM)	0.96	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	1,539.6	2,571.0	2,660.5	2,206.0	1,948.9
Receivables	2,086.9	1,563.3	1,666.4	1,628.1	1,678.6
Inventories	1,681.3	846.9	1,024.4	884.5	1,031.5
Other current assets	802.6	719.2	719.2	719.2	719.2
Total Current Assets	6,110.5	5,700.5	6,070.5	5,437.8	5,378.3
Fixed Assets	10,956.8	10,454.2	9,938.4	9,438.3	8,911.1
Intangibles	2,527.2	2,260.1	1,972.6	1,705.4	1,462.3
Other non-current assets	2,389.3	1,885.8	1,960.2	2,035.4	2,112.6
Total Non-Current Assets	15,873.3	14,600.1	13,871.2	13,179.2	12,486.1
Short-term debt	972.2	926.7	1,252.8	1,030.8	905.4
Payables	1,599.4	1,453.6	1,457.5	1,511.9	1,468.5
Other current liabilities	636.3	586.9	586.9	586.9	586.9
Total Current Liabilities	3,208.0	2,967.2	3,297.2	3,129.6	2,960.9
Long-term debt	7,771.2	7,878.4	7,098.9	5,840.9	5,130.7
Other non-current liabilities	4,308.8	3,908.2	3,908.2	3,908.2	3,908.2
Total Non-Current Liabilities	12,080.0	11,786.6	11,007.1	9,749.1	9,038.9
Shareholder's equity	5,561.1	4,489.7	4,533.3	4,577.0	4,644.3
Perpetual Sukuk	800.0	800.0	800.0	800.0	800.0
Minority interest	334.7	257.1	304.2	361.1	420.3
Total Equity	6,695.8	5,546.8	5,637.5	5,738.2	5,864.6

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	736.8	-954.9	546.0	595.3	701.8
Depreciation & amortisation	1,302.0	1,124.9	1,098.3	1,064.1	1,041.6
Changes in working capital	-2,269.6	1,014.1	-276.6	232.7	-241.0
Others	290.4	552.5	178.4	133.2	30.0
Operating cash flow	59.6	1,736.5	1,546.1	2,025.3	1,532.4
Capex	-301.2	-275.6	-279.3	-281.0	-256.6
Others	2,112.4	1,354.1	71.3	70.6	63.5
Investing cash flow	1,811.2	1,078.5	-208.0	-210.4	-193.1
Dividends paid	-234.6	-193.0	-244.3	-268.8	-317.7
Others	-1,665.4	-1,590.6	-1,004.3	-2,000.6	-1,278.7
Financing cash flow	-1,899.9	-1,783.6	-1,248.6	-2,269.4	-1,596.4
Net cash flow	-29.2	1,031.4	89.5	-454.5	-257.1
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	1,568.8	1,539.6	2,571.0	2,660.5	2,206.0
Ending cash	1,539.6	2,571.0	2,660.5	2,206.0	1,948.9

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 16.6m tCO ₂ e in 2023, representing a 2.1% yoy reduction from 2022. MALAKOF aims to reduce its GHG emissions intensity by 30% by 2031 from 2019 baseline and achieve net zero emissions by 2050.
Waste & Effluent	★★★★	MALAKOF's subsidiary, Alam Flora operates as a concessionaire for solid waste collection and public cleansing services. The Group aims to achieve a 15% to 20% recycling rate for waste collected by Alam Flora by 2025.
Energy	★★	As an IPP, MALAKOF primarily consumes coal and natural gas for power generation. The Group is committed to reducing its carbon footprint by enhancing the efficiency of conversion rates at its plants and implementing energy-efficient systems.
Water	★★	For MALAKOF, water is extensively used in power generation and district cooling systems. In 2023, the Group utilised 2,532,082m ³ of water. MALAKOF strives to minimise water consumption through various initiatives, including the implementation of rainwater harvesting systems for housekeeping and landscaping purposes.
Compliance	★★★	The Group is in compliance with local and international environmental regulations.

Social

Diversity	★★★★	In 2023, 6.6% of employees were non-Malaysians, while only 16% of the workforce were female. At the management level, 84% of top management and 76% of senior management were Malays, with the remaining positions held by non-Malays.
Human Rights	★★★★	MALAKOF enforces various frameworks to uphold human rights and labour relations across its operations, including the Malakoff Code of Conduct.
Occupational Safety and Health	★★	In 2023, 1,626 employees received training on health and safety standards. However, one non-employee fatality was recorded, and the Lost Time Incident Rate (LTIR) rose to 0.73, compared to 0.29 in the previous year.
Labour Practices	★★★★	MALAKOF is committed to eliminating child labour, forced labour, and compulsory labour, in alignment with international standards, ethical principles, and guidelines, including the International Labour Organisation's (ILO) Forced Labour Conventions and the 2014 Protocol.

Governance

CSR Strategy	★★★★	MALAKOF invested RM240,500 in sustainability programmes in 2023, with a focus on education and community enrichment initiatives. The Group also organised recycling awareness programmes through talks and school engagements.
Management	★★★★	In 2023, 19% of the management team were female. Among the board members, 11% (1 out of 9) were female, while 56% (5 out of 9) were independent directors.
Stakeholders	★★★	The Group organises quarterly analyst briefings for analysts and an annual general meeting (AGM) for investors.

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.