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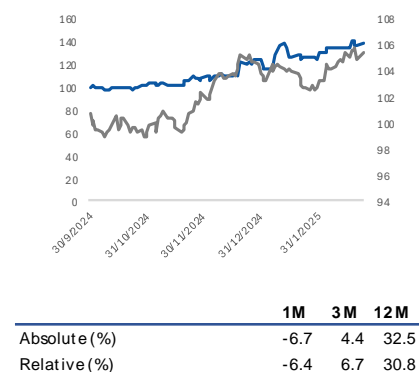
Recommendation:	BUY
Current Price:	RM 0.84
Previous Target Price:	RM 0.96
Target Price:	↓ RM 0.94
Capital Upside/ Downside:	11.9%
Dividend Yield (%):	6.6%
Total Upside/ Downside:	19.2%

Stock information

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5264 / MLK MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	4,887.0
Market Cap (RM' m)	4,080.6
52-Week Price Range (RM)	1.02-0.605
Beta (x)	1.2
Free float (%)	36.6
3M Average Volume (m)	3.5
3M Average Value (RM' m)	2.9

Top 3 Shareholders	(%)
Anglo Oriental Annuities Sdn Bhd	20.1
Mmc Corp Bhd	18.4
Employees Provident Fund Board	11.6

Share Price Performance



Malakoff Corporation Berhad

Growth Remains Intact

Executive Summary

- We left Malakoff Corporation Bhd's (MALAKOF) virtual analyst briefing with the following key takeaways:
 - Despite recent scheduled outages leading to EAF of 59% in 4QFY24, TBE's UOR is at 5.08%, still below the 6% threshold.
 - Negative fuel margin is expected to be mitigated by provision of coal prices to NRV.
 - Tariff adjustment for the concession business is expected in Sep 2025.
 - E-Idaman acquisition expected to complete by next week.
 - MALAKOF is exploring refinancing options for perpetual sukuk in view of rising profit rate.
- We adjust our FY25/FY26/FY27 earnings forecasts by -3.9%/-7.0%/-8.8% respectively, incorporating the 1%-pts annual increase in the profit rate of the perpetual sukuk.
- Following our earnings adjustments, we lower our TP to RM0.94 (previously RM0.96) based on SOP valuation. Maintain BUY.

Unfettered by Outages. Tanjung Bin Energy's EAF stood at 59% in 4QFY24 (vs 98% in 3QFY24) due to scheduled 24-day outage from Oct-Nov 2024. The outage was a proactive inspection undertaken as a preventive measure. The latest unscheduled outage rate (UOR) is at 5.08%, still below the 6% threshold. Nonetheless, TBE made a RM29.4m Availability Target Penalty (ATP) provision in 4QFY24. The ATP mechanism allows power plants to purchase additional outage allowances if they exceed their allocated outage days. In 4QFY24, TBE purchased 14 additional outage days at c.RM2m per day, totalling RM29.4m.

Negative Fuel Margin to be mitigated by provision to NRV. According to management, the negative fuel margin was c.RM23m in FY24 (vs c.RM580m in FY23). Despite the downtrend in the benchmark Newcastle coal prices since the start of the year, fuel margins were positive in Jan 2025, partly supported by provision of coal prices to net realisable value (NRV) based on the Applicable Coal Prices (ACP) carried out in 2024.

Tariff Adjustment Expected in Sep 2025. Alam Flora reported strong performance in 4QFY24, with PAT up 19.4% qoq and 13.5% yoy. For the full year, FY24 PAT grew 12.2% yoy. The improved performance is driven by productivity enhancements and effective cost management, including reductions in private contractor fees, staff costs and fleet management expenses. Notably, Alam Flora recorded an accelerated amortisation of goodwill (impairment of RM10.2m) in 4QFY24, reflecting a lower-than-expected tariff revision for its concession business. Tariff adjustment is expected at the start of the 3rd cycle of the concession agreement in September 2025.

E-Idaman Acquisition to Conclude by Next Week. The E-Idaman acquisition is targeted for completion by the end of next week. Our estimates indicate that the acquisition will contribute additional 3%-5% to the Group's bottom-line in FY25-FY27. Beyond E-Idaman, MALAKOF is actively exploring opportunities to expand its concession waste management business. The Group is evaluating a JV with existing solid waste operators in Selangor, Penang and Labuan. Selangor and Penang have recently adopted the Solid Waste and Public Cleansing Management Act 2007 (Act 672), which aims to standardise regulations for solid waste management and public cleansing. Additionally, the Group is engaging with Terengganu and Kelantan (both yet to adopt Act 672) to explore potential concessionaire opportunities.

Exploring Refinancing Options for Perpetual Sukuk. The profit rate for MALAKOF's RM800m perpetual sukuk increased by 1%-pt in 2024. Recall that the perpetual sukuk was issued in March 2017, with an initial profit rate of 5.9% per annum for the first seven years. After this period, the profit rate increases by 1%-pts annually. This means that the finance cost will increase by RM8m every year. To mitigate the impact of rising financing cost, MALAKOF is currently exploring suitable refinancing options.

Projects Updates. The two proposed CCGT projects (1.4GW each) are progressing well and both are expected to be finalised by the end of this year. Meanwhile, the proposed Sustainable Facility & Eco-Park Centre (SAFE) Terengganu is currently in pre-development phase, with construction set to begin in 1QFY26. The construction will take 18 months to complete and is expected to be operational in 2027. However, progress on SAFE Perak has been slower-than-expected. Following its failure to secure contracts for LSS5, MALAKOF is currently pursuing LSS5+ opportunities and expects to be more competitive in the latest tender, given the decline in panel prices and overall project costs. Additionally, MALAKOF has also submitted RFQ document for the BESS project.

Earnings Revision. We adjust our FY25/FY26/FY27 earnings forecasts by -3.9%/-7.0%/-8.8% respectively, incorporating the 1%-pts annual increase in the profit rate of the perpetual sukuk. Our assumption is that MALAKOF will redeem the perpetual sukuk by the end of FY27 considering that the profit rate will reach 9.9% from March 2027 onwards. We factor in perpetual sukuk distribution (not recorded within the income statement in MALAKOF's financial reports) as part of core profit.

Valuation & Recommendation. Following our earnings adjustments, we lower our TP to **RM0.94** (previously RM0.96) based on SOP valuation, and appraised with a three-star ESG rating. Reiterate **BUY** recommendation. With rising power demand in Malaysia, we believe MALAKOF is the frontrunner to secure new gas plant PPAs, given its status as the largest IPP in Malaysia.

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

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	9,067.0	8,970.1	9,249.9	9,284.2	8,795.8
EBITDA	1,027.6	1,846.3	1,973.1	1,976.1	1,911.1
Depreciation & Amortisation	-1,124.9	-1,060.7	-1,066.1	-1,043.8	-973.2
EBIT	-97.3	785.6	907.1	932.3	937.9
Net Finance Income/ (Cost)	-494.1	-435.6	-405.7	-335.0	-317.5
Associates & JV	-363.5	109.7	91.0	91.9	92.8
Pre-tax Profit	-954.9	459.7	592.4	689.3	713.3
Tax	93.0	-149.7	-177.7	-206.8	-214.0
Profit After Tax	-861.9	310.0	414.7	482.5	499.3
Minority Interest	-24.8	41.3	57.0	59.2	61.3
Net Profit	-837.2	268.7	357.7	423.3	438.0
Exceptionals	-398.8	15.5	59.2	67.2	75.2
Core Net Profit	-438.4	253.2	298.5	356.1	362.8

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	-17.1	5.5	7.3	8.7	9.0
P/E(x)	-4.9	15.2	11.4	9.6	9.3
P/B(x)	0.9	0.9	0.9	0.9	0.9
EV/EBITDA (x) *	9.9	6.2	5.3	5.1	4.7
DPS (sen)	3.0	2.2	5.5	6.5	7.0
Dividend Yield (%)	3.6%	2.7%	6.6%	7.8%	8.4%
EBITDA margin (%)	11.3%	20.6%	21.3%	21.3%	21.7%
EBIT margin (%)	-1.1%	8.8%	9.8%	10.0%	10.7%
PBT margin (%)	-10.5%	5.1%	6.4%	7.4%	8.1%
PAT margin (%)	-9.5%	3.5%	4.5%	5.2%	5.7%
NP margin (%)	-9.2%	3.0%	3.9%	4.6%	5.0%
CNP margin (%)	-4.8%	2.8%	3.2%	3.8%	4.1%
ROE (%)	-16.7%	6.0%	7.9%	9.3%	9.6%
ROA (%)	-4.0%	1.4%	1.9%	2.3%	2.5%
Gearing (%) *	173.2%	153.7%	139.8%	135.8%	127.0%
Net gearing (%) *	126.8%	133.9%	113.7%	103.3%	97.6%

* Gearing ratios and EV include perpetual sukuk as debt

Sum of Parts Valuation	Equity Value (RM m)	Valuation method
SEV	257.0	DCF, WACC: 8.0%
Prai	17.7	DCF, WACC: 8.0%
TBP	3,471.0	DCF, WACC: 9.1%
TBE	4,207.7	DCF, WACC: 9.0%
Alam Flora	1,847.8	DCF, WACC: 7.1% g: 2.0%
O&M	586.9	DCF, WACC: 7.3% g: 2.0%
Associate	586.1	FY23 Book Value
(-) Net Debt/(Cash)	5,593.4	
(-) Perpetual Sukuk	800.0	
Total Equity Value	4,580.8	
Enlarged share base (m share)	4,887.0	
Equity Value/ share (RM)	0.94	
ESG premium/discount	0.0%	
Fair Value (RM)	0.94	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	2,571.0	1,098.0	1,467.9	1,857.7	1,471.7
Receivables	1,563.3	1,557.8	1,736.7	1,570.0	1,562.8
Inventories	846.9	1,037.3	967.6	1,044.7	861.8
Other current assets	719.2	1,389.3	1,389.3	1,389.3	1,389.3
Total Current Assets	5,700.5	5,082.5	5,561.6	5,861.8	5,285.6
Fixed Assets	10,454.2	10,064.7	9,597.2	9,102.8	8,680.7
Intangibles	2,260.1	1,979.0	1,710.6	1,466.2	1,247.5
Other non-current assets	1,885.8	1,834.3	1,905.8	1,985.2	2,067.8
Total Non-Current Assets	14,600.1	13,878.0	13,213.6	12,554.2	11,996.0
Short-term debt	926.7	852.0	1,059.2	1,045.3	952.9
Payables	1,453.6	1,371.6	1,747.1	1,383.2	1,582.5
Other current liabilities	586.9	617.0	617.0	617.0	617.0
Total Current Liabilities	2,967.2	2,840.5	3,423.3	3,045.4	3,152.4
Long-term debt	7,878.4	6,856.9	6,002.2	5,923.2	5,399.9
Other non-current liabilities	3,908.2	3,727.6	3,727.6	3,727.6	3,727.6
Total Non-Current Liabilities	11,786.6	10,584.5	9,729.8	9,650.9	9,127.5
Shareholder's equity	4,489.7	4,497.6	4,527.4	4,565.8	4,586.5
Perpetual Sukuk	800.0	800.0	800.0	800.0	0.0
Minority interest	257.1	237.7	294.7	353.9	415.2
Total Equity	5,546.8	5,535.4	5,622.1	5,719.7	5,001.7

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	-954.9	459.7	592.4	689.3	713.3
Depreciation & amortisation	1,124.9	1,060.7	1,066.1	1,043.8	973.2
Changes in working capital	1,014.1	-620.5	266.3	-274.4	389.6
Others	552.5	215.3	136.9	36.3	10.7
Operating cash flow	1,736.5	1,115.3	2,061.7	1,494.9	2,086.7
Capex	-275.6	-423.6	-310.7	-292.5	-322.2
Others	1,354.1	-425.1	67.8	61.0	59.2
Investing cash flow	1,078.5	-848.7	-242.9	-231.5	-263.1
Dividends paid	-193.0	-182.3	-268.8	-317.7	-342.1
Others	-1,590.6	-1,557.3	-1,180.1	-556.0	-1,867.5
Financing cash flow	-1,783.6	-1,739.6	-1,448.9	-873.6	-2,209.6
Net cash flow	1,031.4	-1,473.0	369.9	389.7	-386.0
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	1,539.6	2,571.0	1,098.0	1,467.9	1,857.7
Ending cash	2,571.0	1,098.0	1,467.9	1,857.7	1,471.7

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.