

Tan Sue Wen

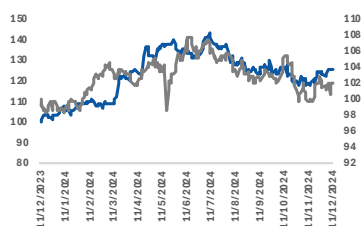
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Recommendation:	BUY
Current Price:	RM 4.12
Previous Target Price:	RM 5.15
Target Price:	RM 5.36
Capital Upside/Downside:	30.1%
Dividend Yield (%):	2.7%
Total Upside/Downside:	32.8%

Stock information	
Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	3069 / MFCB MK
Syariah Compliant	Yes
ESG Rating	★★★★
Shares issued (m)	942.5
Market Cap (RM' m)	3,883.0
52-Week Price Range (RM)	5.09-3.82
Beta (x)	0.7
Free float (%)	36.6
3M Average Volume (m)	0.7
3M Average Value (RM' m)	3.0

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

	1M	3M	12M
Absolute (%)	-4.4	-4.6	7.6
Relative (%)	-6.2	-3.7	5.5

Mega First Corporation Berhad

Stability Ensured

Executive Summary

- MFCB recorded 4QFY24 CNP of RM116.4m (-10.4% qoq, +10.5% yoy) bringing full year FY24 CNP to RM451.9m (+17.3% yoy), which came within our and consensus estimates at 100.6% and 102.0% respectively.
- Growth remains intact, supported by: (i) commencement of the fifth turbine at DSHP, expected to boost energy sales by 3%, (ii) cost savings from a four-year concession extension, (iii) reduced royalty payments offset by a one-off USD82.5m upfront payment, and (iv) a three-month tax exemption extension until Dec 2025.
- Post-rolling over our valuation base year to FY26F, we maintain BUY recommendation with higher target price of RM5.36, based on a Sum-of-Parts (SOP) valuation and appraised with four-star ESG rating.

Within expectations. MFCB's FY24 core net profit (CNP) of RM451.9m (+17.3% yoy) accounted for 100.6% of our CNP forecast of RM449.4m and 102.0% of the consensus FY25F CNP forecast of RM443.0m. A dividend of 4.5 sen/share was declared, bringing the FY24 DPS to RM0.90/share.

qoq. Excluding one-off construction revenue (RM30.8m), FV impact (RM25.3m), impairment (RM10.1m), forex movement (RM10.8m), and others (RM4.0m), CNP slipped 10.4% qoq to RM129.9m, attributed to: i) higher losses from associate Edenor, mainly due to capacity losses (-RM35.1m vs -RM7.7m in the previous quarter), ii) a drop in lime product sales due to delays in export shipments (PBT -51.4%), and iii) softened demand in the packaging division (PBT -46.2%). As a result, CNP margin dampened by 18.9-pts to 16.1%.

yoy. 4QFY24 core net profit increased 10.5% yoy, bringing the full year to RM451.9m (17.3% ytd). The stellar performance was mainly driven by: i) additional 15% effective equity interest in DSPC ii) greater hydropower output attributed to the commercial operation of the fifth turbine since July 2024 in the RE division (PBT +11.0% yoy), and iii) improved production and cost efficiencies in the resource division (PBT +6.4% yoy). Despite this, the CNP margin declined to 16.1% from 32.5% YoY, mainly due to the underperformance of associate Edenor.

Outlook. We expect earnings to remain stable in FY25, supported by (i) commencement of the fifth turbine in DSHP, which would drive 3% increase in energy sales volume, (ii) cost savings from an additional four-year concession extension (iii) reduced royalty payments offset by a one-off USD82.5m upfront payment and (iv) award a three-month tax exemption extension until 31 Dec 2025. For the resources division, anticipate continued improvement driven by efforts to enhance production cost efficiency. In addition, oleochemical business expected to turn around in 2025 as plant rectification efforts near completion. On the flipside, recovery in the packaging division remains subdued primarily attributed to oversupply issues.

Earnings revision. We have revised our FY25F and FY26F earnings upward by 27.6% and 24.1%, respectively, by adjusting our assumptions for the DSHP segment: (i) increasing the EAFs to 83% (previously 73%) applying a three-month overhaul process from four-month, as per latest guidance by management, and (ii) reducing royalty payments, which are offset by a one-off USD82m payment. We also introduce our FY27F core net profit forecast of RM384.4m.

Valuation & Recommendation. Post earnings revision, we re-iterate our **BUY** recommendation after raising our TP of **RM5.36** (from RM5.15), 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 0.3x as of FY24 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.

Earnings Summary

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1317.6	1741.9	1368.5	1428.4	1464.5
EBITDA	701.5	778.9	741.8	767.9	786.5
Pre-tax profit	476.8	509.3	571.7	605.9	619.8
Net profit	383.7	456.2	478.4	484.1	477.0
Core net profit	385.2	451.9	478.4	484.1	477.0
Core EPS (sen)	40.9	47.9	50.7	51.3	50.6
P/E (x)	10.1	8.6	8.1	8.0	8.1
P/B (x)	1.2	1.1	1.0	0.9	0.8
EV/EBITDA (x)	5.2	4.1	4.8	5.2	5.7
Dividend Yield (%)	1.9%	1.9%	2.6%	2.7%	2.7%
Net Gearing (%)	12.2%	24.8%	15.0%	4.1%	Net Cash

Source: Company, Apex Securities

Results Note

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Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	724.4	324.2	123.4	372.0	94.7	1,741.9	1,317.6	32.2	
EBITDA	232.9	189.5	22.9	187.2	24.4	778.9	701.5	11.0	
Pre-tax profit	146.4	138.8	5.5	126.8	15.5	509.3	476.8	6.8	
Net profit	146.6	138.3	5.9	123.9	18.3	491.0	451.6	8.7	
Core net profit	116.4	105.3	10.5	129.9	(10.4)	451.9	385.2	17.3	Larger share of losses from associates, Edenor
Core EPS (sen)	12.3	11.2	10.5	13.8	(10.4)	47.9	40.9	17.3	
EBITDA margin (%)	32.1	58.5		50.3		44.7	53.2		
PBT margin (%)	20.2	42.8		34.1		29.2	36.2		
Core PATMI margin (%)	16.1	32.5		34.9		25.9	29.2		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue									
Renewable Energy	171.4	168.6	1.6	183.9	(6.8)	649.1	606.2	7.1	
Resources	42.9	46.4	(7.6)	60.3	(28.9)	223.6	202.9	10.2	qoq down, delays in two large export shipments
Packaging	93.9	100.4	(6.4)	98.2	(4.4)	399.2	402.3	(0.8)	
Investment Holdings	33.0	8.9	272.5	29.6	11.6	86.7	106.2	(18.4)	
Construction Revenue	383.2	-	nm	-	nm	383.2	-	nm	
Eliminations	-	-	-	-	-	-	-	-	
Total	724.4	324.2	123.4	372.0	94.7	1,741.9	1,317.6	32.2	
Profit Before Tax									
Renewable Energy	133.9	120.7	11.0	130.5	2.6	463.5	437.6	5.9	Additional 15% effective equity interest in DSPC
Resources	6.6	6.2	6.4	13.6	(51.4)	47.3	23.3	102.9	
Packaging	4.0	8.1	(49.9)	7.5	(46.2)	29.4	33.6	(12.6)	Intense price competition
Investment Holdings	(34.8)	3.8	nm	(24.9)	39.6	(67.4)	(17.7)	281.7	
Construction Revenue	36.6	-	nm	-	nm	36.6	-	nm	
Eliminations	-	-	-	-	-	-	-	-	
Total	146.4	138.8	5.5	126.8	15.5	509.3	476.8	6.8	
PBT margin (%)									
Renewable Energy	78.2%	71.6%		71.0%		71.4%	72.2%		
Resources	15.4%	13.4%		22.6%		21.1%	11.5%		
Packaging	4.3%	8.0%		7.7%		7.4%	8.4%		
Investment Holdings	-105.3%	43.0%		-84.2%		-77.8%	-16.6%		
Construction Revenue	9.6%	nm		nm		9.6%	nm		
Total	20.2%	42.8%		34.1%		29.2%	36.2%		

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1317.6	1741.9	1368.5	1428.4	1464.5
Gross Profit	569.4	656.8	619.7	640.3	652.5
EBITDA	701.5	778.9	741.8	767.9	786.5
Depreciation & Amortisation	-171.0	-141.1	-142.6	-149.7	-156.3
EBIT	530.5	637.7	599.1	618.2	630.2
Net Finance Income/ (Cost)	-40.1	-62.2	-44.9	-39.5	-43.2
Associates & JV	-13.6	-66.2	17.4	27.1	32.8
Pre-tax Profit	476.8	509.3	571.7	605.9	619.8
Tax	-25.1	-18.3	-52.1	-71.1	-90.3
Profit After Tax	451.6	491.0	519.5	534.7	529.5
Minority Interest	67.9	34.8	41.1	50.6	52.5
Net Profit	383.7	456.2	478.4	484.1	477.0
Exceptionals	-1.5	4.3	0.0	0.0	0.0
Core Net Profit	385.2	451.9	478.4	484.1	477.0

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	40.9	47.9	50.7	51.3	50.6
P/E (x)	10.1	8.6	8.1	8.0	8.1
P/B (x)	1.2	1.1	1.0	0.9	0.8
EV/EBITDA (x)	5.2	4.1	4.8	5.2	5.7
DPS (sen)	7.9	7.9	10.6	11.3	11.1
Dividend Yield (%)	1.9%	1.9%	2.6%	2.7%	2.7%
EBITDA margin (%)	53.2%	44.7%	54.2%	53.8%	53.7%
EBIT margin (%)	40.3%	36.6%	43.8%	43.3%	43.0%
PBT margin (%)	36.2%	29.2%	41.8%	42.4%	42.3%
PAT margin (%)	34.3%	28.2%	38.0%	37.4%	36.2%
NP margin (%)	29.1%	26.2%	35.0%	33.9%	32.6%
CNP margin (%)	29.2%	25.9%	35.0%	33.9%	32.6%
ROE (%)	11.9%	12.7%	12.1%	11.0%	9.9%
ROA (%)	8.5%	8.8%	8.9%	8.8%	8.5%
Gearing (%)	28.0%	32.4%	25.5%	16.5%	9.0%
Net gearing (%)	12.2%	24.8%	15.0%	4.1%	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
Renewable Energy	3975.8	Ke = 10.3%
Packaging & Label	441.6	14x FY26F PER
Resources	384.3	14x FY26F PER
Food Security	34.2	9x FY26F PER
Oleochemicals	172.6	8x FY26F PER
Proceeds from exercise of warrants/E	0.0	
SOP Value	5008.5	
Enlarged share base (m share)	942.8	
Fair Value (RM)	5.3	
ESG premium/discount	1%	
Implied Fair Value (RM)	5.36	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	508.6	269.2	414.3	546.1	667.7
Receivables	488.7	391.8	360.4	331.6	305.1
Inventories	131.7	185.9	197.0	208.9	221.4
Other current assets	20.9	0.3	0.3	0.3	0.3
Total Current Assets	1149.9	847.2	972.1	1086.9	1194.5
Fixed Assets	531.9	775.8	956.1	1059.1	1155.3
Intangibles	54.7	57.9	57.9	57.9	57.9
Other non-current assets	2771.9	3441.3	3368.7	3296.4	3224.4
Total Non-Current Assets	3358.5	4275.1	4382.7	4413.4	4437.6
Short-term debt	435.2	616.4	404.2	289.9	172.8
Payables	168.8	214.5	171.7	180.7	186.2
Other current liabilities	6.0	3.8	4.0	4.2	4.4
Total Current Liabilities	610.0	834.7	579.9	474.8	363.4
Long-term debt	466.1	530.9	606.3	434.9	259.1
Other non-current liabilities	208.2	212.1	205.1	198.9	193.3
Total Non-Current Liabilities	674.4	743.1	811.4	633.8	452.4
Shareholder's equity	3056.9	3324.5	3702.5	4080.1	4452.1
Minority interest	167.1	219.9	261.1	311.7	364.2
Total Equity	3224.0	3544.5	3963.5	4391.7	4816.3

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	476.8	509.3	571.7	605.9	619.8
Depreciation & amortisation	-171.0	-141.1	-142.6	-149.7	-156.3
Changes in working capital	-73.7	0.0	-25.2	23.5	16.8
Others	353.1	105.3	241.2	216.2	193.4
Operating cash flow	585.1	473.5	645.1	695.9	673.7
Capex	-113.0	-12.1	-247.9	-177.9	-177.9
Others	-549.0	-757.5	36.8	51.5	72.1
Investing cash flow	-661.9	-769.6	-211.1	-126.3	-105.7
Dividends paid	-74.1	-82.5	-100.5	-106.5	-104.9
Others	112.7	149.7	-188.5	-331.2	-341.5
Financing cash flow	38.6	67.3	-288.9	-437.7	-446.4
Net cash flow	-38.2	-228.8	145.1	131.9	121.5
Forex	18.4	-5.7	0.0	0.0	0.0
Others	0.0	1.0	2.0	3.0	4.0
Beginning cash	482.8	462.9	228.4	373.5	505.4
Ending cash	462.9	229.4	375.5	508.4	630.9

Results Note

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Reduced indirect annual carbon dioxide emissions by 29.2%, avoiding 155,822 tonnes through completed solar PV systems for customers.
Waste & Effluent	★★★★	Implemented the 3R (Reduce, Reuse, Recycle) initiative, using reusable containers and recyclable bags.
Energy	★★★★	Reduced energy consumption by 0.6% in FY23 through energy-saving measures like LED lighting and motion sensors.
Water	★★★★	Reduced water consumption by 67.18%, from 13,213 m ³ in the previous year to 4,337 m ³ .
Compliance	★★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★	Female representation at 29% in the workforce and 29.2% at the management level, slightly below the MCGG's recommended 30% female directors on the Board.
Human Rights	★★★★	Enforces strict policies against human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★★	245 employees trained in 2023 to enhance workforce competence. No fatalities, with a reduction in the total recordable incident rate (TRIR) to 0, from 1 case last year.
Labour Practices	★★★★	Adheres to all relevant labor laws.

Governance

CSR Strategy	★★★★	Actively engaged with communities, contributing RM75,000 to various initiatives.
Management	★★★★	Among the board members, 33% (2 out of 6) were female, while 67% (4 out of 6) were independent directors.
Stakeholders	★★★★	Regularly organizes corporate events and holds 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

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.