

# Results Note

Monday, 26 May, 2025

Tan Sue Wen

(603) 7890 8888 (ext 2095)

[suewen.tan@apexsecurities.com.my](mailto:suewen.tan@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM3.88
Previous Target Price:	RM5.43
Target Price:	↔ RM5.43
Capital Upside/ Downside:	39.9%
Dividend Yield (%):	2.9%
<b>Total Upside/ Downside:</b>	<b>42.9%</b>

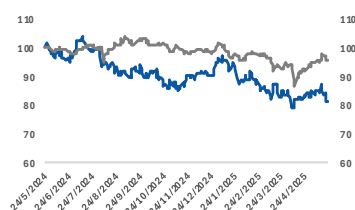
## Stock information

Board	MAIN
Sector	Renewable Energy Electricity
Bursa / Bloomberg Code	3069 / MFCB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares Issued (m)	942.5
Market Cap (RM' m)	3,656.8
52-Week Price Range (RM)	5.09-3.67
Beta (x)	0.7
Free float (%)	46.9
3M Average Volume (m)	1.3
3M Average Value (RM' m)	5.0

## Top 3 Shareholders

	(%)
Rubber Thread Ind M Sdn Bh	20.6
Keen Capital Investment s Ltd	8.2
Employees Provident Fund Board	8.0

## Share Price Performance



	1M	3M	12M
Absolute (%)	-1.5	-7.4	-20.5
Relative (%)	-3.2	-4.2	-16.1

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	1741.9	1360.2	1419.8
PATAMI (RM'm)	456.2	480.5	488.1
CNP (RM'm)	451.9	480.5	488.1
EPS - core (sen)	47.9	51.0	51.8
P/E(x)	8.1	7.6	7.5

# Mega First Corporation Berhad

## Recovery in Sight

- Earnings are expected to improve in upcoming quarters, driven by higher energy sales volumes from the commissioning of five turbines in Jun 2025, lower net royalty expenses, and reduced amortisation charges for DSHP in the RE segment.
- MFCB plans to bid for a 100MW/400MWh BESS project, partnering with a local solar EPCC player and a Chinese technology provider. The tender closes in July 2025, with awards expected by end-2025.
- Intends to invest RM1bn in its RE segment and is currently finalising several deals, with expected completion by the end of 2025 or early 2026.
- Oleochemical segment is on track for turnaround in 2HFY25, with >80% utilisation expected post-rectification and resumption of Petronas Gas's gas supply by Jul 2025.
- Maintain BUY recommendation with an unchanged target price of RM5.43, based on a SOP valuation, and appraised with a three-star ESG rating.

We attended MFCB's post-results analyst briefing recently and came away feeling reassured of its sustained outlook. Below are the key takeaways:

**Anticipate stronger earnings in coming quarters.** Recap that MFCB reported a 1QFY25 CNP of RM64.7m (-44.4% qoq, -32.1% yoy). The qoq decline was primarily due to a 33.7% drop in the RE segment's PBT and FX loss driven by the weakening of USD. The RE segment was impacted by 21.3% qoq decrease in hydro output from DSHP (483.5GWh) caused by seasonal dryness and a scheduled turbine overhaul that began in December 2024. Forex fluctuations further weighed on DSHP's earnings, with the functional currency (USD) depreciating by 0.8% at end-1QFY25 compared with end-4QFY24. Despite earnings recovery in the Resources (segmental PBT +46.7% qoq) and Packaging (segmental PBT +8.9% qoq) divisions, the overall Group performance remained subdued for the quarter, given the RE division's dominant contribution of over 80% to total PBT. Looking ahead, management anticipates stronger earnings in the coming quarters, driven primarily by the RE segment, supported by the commissioning of all five turbines in Jun 2025, lower net royalty expenses, and reduced amortisation charges for DSHP. In addition, a turnaround in the oleochemical segment is expected to further boost the Group's earnings.

**Pursuing BESS under NETR.** MFCB is actively pursuing opportunities under NETR. The Group plans to bid for the 400MW/1600MWh BESS initiative through its qualified consortium, which includes a local Solar EPCC player and a Chinese technology provider with extensive experience in large-scale BESS projects. The tender closes in Jul, with awards expected by end-2025. The estimated value of each 100MW/400MWh BESS project could reach up to RM500m. MFCB's strong financial position, supported by stable annual operating cash flow of exceeding RM500m from DSHP, and its technical expertise in managing power plants, position it as a strong contender among tenderers. Additionally, MFCB plans to allocate RM1bn to expand its RE portfolio. Several deals are currently being finalised, with expected completion by the end of 2025 or early 2026, which potentially boosting its total generation capacity to 420MWp (from 94.5MWp contracted capacity by end-2025).

**Oleochemical turnaround on the horizon.** We concur with management's view that the oleochemical segment is on track for recovery, with a turnaround expected in 2HFY25. Management expects the ethanol plant to generate healthy cash flow upon resumption of gas supply from Petronas Gas by Jul 2025. Expected turnaround will be attributable to cost efficiencies and a significantly improved utilisation rate, expected to exceed 80% (vs below 60% in 1QFY25). With rectification works nearing completion and the plant's strong client relationships, we believe that achieving profitability through sustainable order volumes is highly achievable once the plant is fully operational.

**Long-term growth from Food division.** MFCB has acquired a 30% stake in Chiwadi, a Thai company specialising in coconut-based wellness products for health-conscious consumers in

export markets such as the United States and Europe. The acquisition enhances vertical integration within MFCB's Food and Security division, particularly complementing its plantation operations. Under this collaboration, MFCB manages upstream processes, primarily converting coconut sap into syrup to extend shelf life, which is then supplied to Chiwadi for downstream processing and distribution. Although MFCB's Cambodian coconut plantations remain relatively young, yields have improved over the past 12 months, with break-even targeted by 2027 as production efficiencies continue to strengthen. Meanwhile, CSC, MFCB's local plantation and wholesale subsidiary for fruits and vegetables, has consistently generated quarterly revenue of c.RM23m, with earnings expected to improve over the next 24 months as longer-term crops mature. Given that the plantation segment is still in development stage, we expect a longer gestation period to deliver a meaningful earnings contribution over the medium to long term.

**Challenges remain for Packaging and Resources divisions.** MFCB guided a challenging FY25F for its Packaging and Resources divisions due to intense competition from Chinese competitors, overcapacity and weaker demand stemming from anticipated economic slowdown. While FY25F earnings are projected to decline, margins are expected to remain satisfactory, supported by ongoing equipment upgrades to enhance cost efficiency and cross-selling initiatives to offset margin pressure.

**Earnings revision.** We maintain our earnings forecasts for now.

**Valuation & Recommendation.** We maintain our **BUY** recommendation with an unchanged TP of **RM5.43**, based on a SOP valuation and a three-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**, reflected by a net gearing ratio of 0.22x as of 1QFY25 and robust operating cash flow of >RM500m/annum.

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

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## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1317.6	1741.9	1360.2	1419.8	1455.7
Gross Profit	569.4	656.8	627.6	645.0	656.1
EBITDA	677.9	754.7	715.8	725.3	723.8
Depreciation & Amortisation	-171.0	-141.1	-142.6	-149.7	-156.3
EBIT	506.9	613.6	573.2	575.5	567.4
Net Finance Income/ (Cost)	-16.5	-38.0	-11.6	11.7	28.7
Associates & JV	-13.6	-66.2	17.4	27.1	32.8
Pre-tax Profit	476.8	509.3	579.0	614.4	628.9
Tax	-25.1	-18.3	-52.1	-71.1	-90.2
Profit After Tax	451.6	491.0	526.9	543.2	538.6
Minority Interest	67.9	34.8	46.4	55.2	57.3
Net Profit	383.7	456.2	480.5	488.1	481.3
Exceptionals	-1.5	4.3	0.0	0.0	0.0
Core Net Profit	385.2	451.9	480.5	488.1	481.3

### Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	40.9	47.9	51.0	51.8	51.1
P/E (x)	9.5	8.1	7.6	7.5	7.6
P/B (x)	1.1	1.0	0.9	0.8	0.8
EV/EBITDA (x)	6.2	6.3	6.3	5.7	5.2
DPS (sen)	7.9	7.9	10.7	11.4	11.2
Dividend Yield (%)	2.0%	2.0%	2.8%	2.9%	2.9%
EBITDA margin (%)	51.4%	43.3%	52.6%	51.1%	49.7%
EBIT margin (%)	38.5%	35.2%	42.1%	40.5%	39.0%
PBT margin (%)	36.2%	29.2%	42.6%	43.3%	43.2%
PAT margin (%)	34.3%	28.2%	38.7%	38.3%	37.0%
NP margin (%)	29.1%	26.2%	35.3%	34.4%	33.1%
CNP margin (%)	29.2%	25.9%	35.3%	34.4%	33.1%
ROE (%)	11.9%	12.7%	12.1%	11.1%	9.9%
ROA (%)	8.5%	8.8%	9.0%	8.9%	8.5%
Gearing (%)	28.0%	32.3%	25.4%	16.5%	9.0%
Net gearing (%)	12.2%	24.8%	14.9%	3.8%	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
Renewable Energy	3975.8	Ke =10.3%
Packaging & Label	438.8	14x FY26F PER
Resources	492.0	14x FY26F PER
Food Security	34.0	9x FY26F PER
Oleochemicals	172.6	8x FY26F PER
Proceeds from exercise of warrants/	0.0	
SOP Value	5113.2	
Enlarged share base (m share)	942.8	
Fair Value (RM)	5.43	
ESG premium/ discount	0%	
Implied Fair Value (RM)	5.43	

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	508.6	268.3	417.4	559.3	691.0
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	846.3	975.2	1100.1	1217.8
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	615.5	404.2	290.6	174.1
Payables	168.8	214.5	168.0	177.7	183.4
Other current liabilities	6.0	3.8	4.0	4.2	4.4
Total Current Liabilities	610.0	833.8	576.1	472.4	361.9
Long-term debt	466.1	530.9	606.3	435.9	261.2
Other non-current liabilities	208.2	212.1	205.1	198.9	193.3
Total Non-Current Liabilities	674.4	743.1	811.3	634.8	454.5
Shareholder's equity	3056.9	3324.5	3704.2	4084.8	4460.3
Minority interest	167.1	219.9	266.3	321.5	378.8
Total Equity	3224.0	3544.5	3970.4	4406.3	4839.0

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	476.8	509.3	579.0	614.4	628.9
Depreciation & amortisation	-171.0	-141.1	-142.6	-149.7	-156.3
Changes in working capital	-77.6	-208.9	-28.9	24.2	17.0
Others	353.1	320.1	244.7	216.6	193.7
Operating cash flow	581.2	479.4	652.2	705.4	683.3
Capex	-115.2	-219.2	-247.9	-177.9	-177.9
Others	-542.8	-552.4	33.9	47.4	66.4
Investing cash flow	-658.0	-771.6	-214.0	-130.4	-111.5
Dividends paid	-74.1	-82.5	-100.9	-107.4	-105.9
Others	112.7	145.9	-188.2	-325.7	-334.2
Financing cash flow	38.6	63.4	-289.1	-433.1	-440.1
Net cash flow	-38.2	-228.8	149.1	141.9	131.7
Forex	18.4	-5.7	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	482.8	462.9	228.4	377.5	519.4
Ending cash	462.9	228.4	377.5	519.4	651.1

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## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 572,298.2tCO <sub>2</sub> e in 2024, marking a 1.6% yoy increased from 2023.
Waste & Effluent	★★★	Implemented the 3R (Reduce, Reuse, Recycle) initiative, using reusable containers and recyclable bags.
Energy	★★★	Energy consumption increased by 4.4% in FY24, 2% (+1.8%) of this contributed from renewable energy consumption.
Water	★★	Increased water consumption by 6.6%, from 177.2 m <sup>3</sup> in the previous year to 188.8 m <sup>3</sup> .
Compliance	★★★	The Group complies with all local and international environmental regulations.

### Social

Diversity	★★★	Female representation at 23.9% in the workforce and 25% 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	★★★★	523 employees trained in 2024 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 RM164,258 (vs RM75,000 in FY23) to various initiatives.
Management	★★★	Among the board members, 25% (3 out of 9) were female, while 50% (6 out of 12) 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 + 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.