

Ong Tze Hern

(603) 7890 8888 (ext 2113)

tzehern.ong@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.80
Previous Target Price:	RM 0.94
Target Price:	RM 0.88
Capital Upside/Downside:	10.0%
Dividend Yield (%):	6.9%
Total Upside/Downside:	16.9%

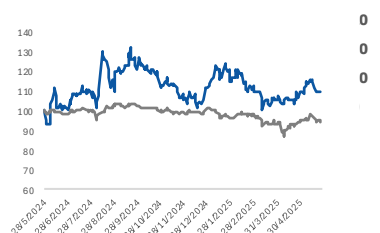
Stock information

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)	3,909.6
52-Week Price Range (RM)	1.02-0.69
Beta (x)	1.0
Free float (%)	36.4
3M Average Volume (m)	2.8
3M Average Value (RM' m)	2.2

Top 3 Shareholders

(%)

Anglo Oriental Annuities Sdn Bhd	20.1
Mmc Corp Bhd	18.4
Employees Provident Fund Board	13.2

Share Price Performance

	1M	3M	12M
Absolute (%)	0.0	-2.4	4.6
Relative (%)	-0.3	0.7	10.7

Earnings Summary

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	8,969.6	8,237.6	8,285.9
PATAMI	268.7	326.9	365.3
CNP	261.2	267.7	298.1
Core EPS (sen)	5.3	5.5	6.1
PE(x)	14.6	12.0	10.7

Source: Company, Apex Securities

Malakoff Corporation Berhad

Earnings Miss

Executive Summary

- **MALAKOF's 1QFY25 core net profit (CNP) of RM52.0m fell short of expectations due to lower-than-expected contribution from Prai Power Plant as a result of lower capacity income, as well as higher-than-expected operating expenses.**
- **1QFY25 CNP plunged 22.1% yoy, impacted by lower contribution from PPP due to reduced capacity income following the PPA extension, and by a RM3.8m increase in perpetual sukuk distribution following 1%-pt increase in the profit rate.**
- **Medium-term earnings growth will be supported by new gas plant PPAs, and tariff adjustments for the concession solid waste management business.**
- **After factoring in a lower capacity income for PPP and higher operating expenses, we trim our FY25/FY26/FY27 earnings forecasts by 10.3%/16.3%/23.2% respectively.**
- **Maintain our BUY recommendation, albeit with a lower TP of RM0.88 (previously RM0.94) based on Sum-of-Parts (SOP) valuation, and appraised with a three-star ESG rating.**

Missed Expectations. Excluding extraordinary items such as coal provision to NRV based on the ACP (+RM45.0m), net forex loss (+RM0.4m) and including the distribution of perpetual sukuk (-RM27.4m) not shown in the P&L statement, MALAKOF's 1QFY25 core net profit (CNP) of RM52.0m fell short of expectations, accounting for 17% of our full-year forecast and 18% of consensus estimates. The earnings miss was due to lower-than-expected contribution from Prai Power Plant (PPP) as a result of lower capacity income following the extension of the PPA, as well as higher-than-expected operating expenses.

YoY. 1QFY25 CNP plunged 22.1% yoy, impacted by lower contribution from PPP due to reduced capacity income following the PPA extension, and by a RM3.8m increase in perpetual sukuk distribution following 1%-pt increase in the profit rate. Notably, the Waste & Environment segment continued to demonstrate stellar performance, with segmental PAT growing 3.1% yoy, likely driven by additional contribution from the acquisition of a 49% stake in E-Idaman completed on 28 Feb 2025.

QoQ. CNP surged 24.4% qoq, supported by better fuel margins (1QFY25: RM0m vs 4QFY24: -RM18m) and the absence of provision for Tanjung Bin Energy's (TBE) availability target penalty (ATP) incurred during an outage in 4QFY24.

Outlook. Looking ahead, we expect MALAKOF to face less negative fuel margins in 2QFY25 as coal prices have stabilised since April 2025. Management disclosed that the available capacity under the recently opened gas-fired plant tender by Suruhanjaya Tenaga amounts to 8GW, with the majority required between 2026 to 2027. The Group will submit PPP, Segari and GB3 for the tender, likely under the Category 1 (extension of PPAs/expansion of existing generation capacity), and we believe they will also submit a bid for Category 2 (new generation capacity). Medium-term earnings growth will be supported by (i) new gas plant PPAs driven by the demand for newer, more efficient power plants to replace expiring assets, and (ii) tariff adjustments for the concession solid waste management business.

Earnings Revision. After factoring in a lower capacity income for PPP and higher operating expenses, we trim our FY25/FY26/FY27 earnings forecasts by 10.3%/16.3%/23.2% respectively.

Valuation & Recommendation. We maintain our **BUY** recommendation, albeit with a lower TP of **RM0.88** (previously RM0.94) based on Sum-of-Parts (SOP) valuation. No ESG premium or discount has been applied, given the company's three-star ESG rating. With rising power demand in Malaysia, we believe MALAKOF is the frontrunner to secure new gas plant PPAs, given its position as the largest IPP in Malaysia.

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

Results Note

Wednesday, 28 May, 2025

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	Comments
Revenue	2,027.9	2,280.1	(11.1)	2,163.0	(6.2)	Lower revenue due to lower ACP
EBITDA	407.4	482.3	(15.5)	387.1	5.2	
Depreciation & Amortisation	(268.2)	(272.8)	(1.7)	(258.3)	3.8	
EBIT	139.2	209.5	(33.6)	128.8	8.1	
Interest income	15.0	19.6	(23.1)	13.6	10.9	
Interest expense	(117.4)	(131.3)	(10.5)	(120.7)	(2.7)	lower finance cost following full settlement of USD term loan
Associates/JV	21.7	22.0	(1.5)	34.7	(37.6)	
Pre-tax profit	58.5	119.8	(51.2)	56.3	3.8	
Tax expenses	(16.0)	(41.4)	(61.5)	(27.9)	(42.8)	
Profit after tax	42.5	78.4	(45.8)	28.4	49.6	
(-) Minority interest	8.5	16.2	(47.3)	2.4	258.4	
Net profit	34.0	62.2	(45.4)	26.0	30.6	
Core net profit	52.0	66.8	(22.1)	41.8	24.4	
Core EPS (sen)	1.1	1.4	(22.1)	0.9	24.4	
DPS (sen)	-	-	-	2.2	(100.0)	
			%-pts		%-pts	
EBITDA margin (%)	20.1%	21.2%	-1.1%	17.9%	2.2%	
PBT margin (%)	2.9%	5.3%	-2.4%	2.6%	0.3%	
Effective tax rate (%)	27.3%	34.6%	-7.3%	49.5%	-22.3%	
Core net profit margin (%)	2.6%	2.9%	-0.4%	1.9%	0.6%	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	Comments
Revenue (Includes Intersegmental)						
Power Generation	1,800.8	2,016.4	(10.7)	1,907.1	(5.6)	Dropped due to lower ACP
Waste and Environmental Services	221.1	219.2	0.9	212.7	3.9	
Others	199.0	337.3	(41.0)	468.4	(57.5)	
Eliminations	(193.1)	(292.8)	(34.1)	(425.3)	(54.6)	
Total Revenue	2,027.9	2,280.1	(11.1)	2,163.0	(6.2)	
Profit after tax (PAT)						
Power Generation	95.7	183.6	(47.9)	10.8	785.4	
Waste and Environmental Services	30.8	29.9	3.1	35.4	(12.9)	Improved yoy due to E-Idaman contribution
Others	(13.0)	39.0	nm	134.9	nm	
Eliminations	(71.0)	(174.2)	(59.2)	(152.8)	(53.5)	
Total PAT	42.5	78.4	(45.8)	28.4	49.6	
PAT Margin (%)			%-pts		%-pts	
Power Generation	5.3%	9.1%	-3.8%	0.6%	4.7%	
Waste and Environmental Services	13.9%	13.6%	0.3%	16.6%	-2.7%	
Others	-6.5%	11.6%	-18.1%	28.8%	-35.3%	
Overall PAT Margin	2.1%	3.4%	-1.3%	1.3%	0.8%	

Source: Company, Apex Securities

Results Note

Wednesday, 28 May, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	9,067.0	8,969.6	8,237.6	8,285.9	8,131.7
Gross Profit	206.9	1,133.8	1,041.3	1,047.4	1,027.9
EBITDA	1,027.6	1,863.8	1,809.7	1,770.5	1,664.5
Depreciation & Amortisation	-1,124.9	-1,079.7	-962.9	-937.4	-863.5
EBIT	-97.3	784.2	846.9	833.1	801.0
Net Finance Income/(Cost)	-494.1	-435.6	-405.7	-335.0	-317.5
Associates & JV	-363.5	109.7	96.8	97.9	99.0
Pre-tax Profit	-954.9	458.3	538.0	596.0	582.6
Tax	93.0	-147.8	-161.4	-178.8	-174.8
Profit After Tax	-861.9	310.6	376.6	417.2	407.8
(-) Minority Interest	-24.8	419	49.7	51.9	53.9
Net Profit	-837.2	268.7	326.9	365.3	353.9
(-) Exceptionals	-398.8	7.5	59.2	67.2	75.2
Core Net Profit	-438.4	261.2	267.7	298.1	278.7

Key Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	-12.4%	-1.1%	-8.2%	0.6%	-1.9%
EPS (sen)	-17.1	5.5	6.7	7.5	7.2
Core EPS (sen)	-8.97	5.35	5.48	6.10	5.70
Core EPS Growth (%)	nm	nm	2.5%	11.4%	-6.5%
DPS (sen)	3.0	3.4	5.5	6.5	7.0
Dividend Yield (%)	3.8%	4.3%	6.9%	8.1%	8.8%
P/E (x)	-4.7	14.6	12.0	10.7	11.0
P/B (x)	0.9	0.9	0.9	0.9	0.9
EV/EBITDA (x) *	9.9	6.0	5.5	5.6	5.4
EBITDA margin (%)	11.3%	20.8%	22.0%	21.4%	20.5%
EBIT margin (%)	-1.1%	8.7%	10.3%	10.1%	9.9%
PBT margin (%)	-10.5%	5.1%	6.5%	7.2%	7.2%
PAT margin (%)	-9.5%	3.5%	4.6%	5.0%	5.0%
NP margin (%)	-9.2%	3.0%	4.0%	4.4%	4.4%
CNP margin (%)	-4.8%	2.9%	3.3%	3.6%	3.4%
ROE (%)	-16.7%	6.0%	7.3%	8.1%	7.9%
ROA (%)	-4.0%	1.4%	1.7%	2.0%	2.0%
Gearing (%) *	173.2%	154.6%	142.9%	140.6%	135.8%
Net gearing (%) *	126.8%	129.7%	109.5%	107.3%	105.8%

* Gearing ratios and EV include perpetual sukuk as debt

Sum of Parts Valuation	Equity Value (RM m)	Valuation method
SEV	261.1	DCF, WACC: 8.0%
Prai	46.6	DCF, WACC: 8.0%
TBP	2,916.6	DCF, WACC: 9.2%
TBE	4,001.9	DCF, WACC: 9.0%
Alam Flora	1,830.8	DCF, WACC: 7.2%, g: 2.0%
O&M	54.7	DCF, WACC: 7.4%, g: 2.0%
Associates & JVs	1,302.5	Book Value
(-) Net Debt/(Cash)	5,324.0	
(-) Perpetual Sukuk	800.0	
Total Equity Value	4,290.3	
Enlarged share base (m share)	4,887.0	
Equity Value/share (RM)	0.88	
ESG premium/discount	0.0%	
Fair Value (RM)	0.88	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & cash equivalents	2,571.0	1,375.6	1,867.5	1,871.1	1,444.1
Receivables	1,563.3	1,536.2	1,397.8	1,553.4	1,342.9
Inventories	846.9	1,037.5	736.9	1,047.9	703.7
Other current assets	719.2	1,115.1	1,115.1	1,115.1	1,115.1
Total Current Assets	5,700.5	5,064.4	5,117.3	5,587.5	4,605.8
Fixed Assets	10,454.2	10,136.5	9,779.2	9,400.6	9,099.7
Intangibles	2,260.1	1,979.0	1,710.4	1,465.8	1,246.9
Other non-current assets	1,885.8	1,832.8	1,911.1	1,996.4	2,084.7
Total Non-Current Assets	14,600.1	13,948.2	13,400.7	12,862.9	12,431.4
Short-term debt ^	926.7	752.1	1,078.7	1,066.3	980.9
Payables	1,453.6	1,363.5	1,396.8	1,379.7	1,345.1
Other current liabilities	586.9	522.1	522.1	522.1	522.1
Total Current Liabilities	2,967.2	2,637.6	2,997.6	2,968.1	2,848.1
Long-term debt ^	7,878.4	7,016.1	6,112.8	6,042.4	5,558.5
Other non-current liabilities	3,908.2	3,815.1	3,815.1	3,815.1	3,815.1
Total Non-Current Liabilities	11,786.6	10,831.2	9,927.9	9,857.5	9,373.6
Shareholder's equity	4,489.7	4,505.5	4,504.5	4,485.0	4,421.6
Perpetual Sukuk	800.0	800.0	800.0	800.0	0.0
Minority interest	257.1	238.3	288.0	339.9	393.8
Total Equity	5,546.8	5,543.8	5,592.5	5,624.9	4,815.4

^ Debt does not include lease liabilities

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	-954.9	458.3	538.0	596.0	582.6
Depreciation & amortisation	1,124.9	1,079.7	962.9	937.4	863.5
Changes in working capital	1,014.1	-412.5	472.3	-483.7	520.2
Others	552.5	220.4	123.1	58.2	43.6
Operating cash flow	1,736.5	1,345.9	2,096.3	1,107.9	2,010.0
Capex	-275.6	-465.4	-318.5	-301.7	-333.0
Others	1,354.1	-149.4	67.8	61.0	59.2
Investing cash flow	1,078.5	-614.8	-250.7	-240.7	-273.8
Dividends paid to shareholders	-193.0	-182.3	-268.8	-317.7	-342.1
Others	-1,590.6	-1,719.9	-1,109.3	-546.0	-1,821.0
Financing cash flow	-1,783.6	-1,902.2	-1,378.0	-863.7	-2,163.1
Net cash flow	1,031.4	-1,171.0	467.6	3.6	-427.0
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash & cash equivalents	1,539.6	2,571.0	1,400.0	1,867.5	1,871.1
Ending cash & cash equivalents	2,571.0	1,400.0	1,867.5	1,871.1	1,444.1

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.