

Ong Tze Hern

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Recommendation:	BUY
Current Price:	RM 0.79
Previous Target Price:	RM 0.88
Target Price:	RM 0.88
Capital Upside/ Downside:	11.4%
Dividend Yield (%):	7.0%
Total Upside/ Downside:	19.1%

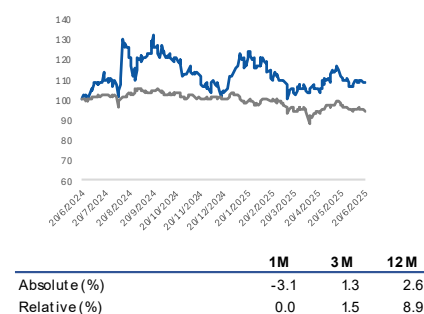
Stock information

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)	3,836.3
52-Week Price Range (RM)	1.02- 0.71
Beta (x)	1.0
Free float (%)	36.4
3M Average Volume (m)	2.2
3M Average Value (RM' m)	1.8

Top 3 Shareholders

	(%)
Anglo Oriental Annuities Sdn Bhd	20.1
Mmc Corp Bhd	18.4
Employees Provident Fund Board	13.5

Share Price Performance



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)	14.3	11.7	10.5

Source: Company, Apex Securities

Malakoff Corporation Berhad

First WTE Venture with 34-Year Melaka Concession

- MALAKOF** has entered into a **34-year concession agreement** for a WTE facility at Melaka. The RM660m WTE plant will process up to 1,056 tpd of waste and generate c.22MW of electricity.
- We view this development positively for **MALAKOF** as it marks the Group's maiden venture into the WTE space, introducing an additional stream of recurring income.
- Assuming a capacity factor of 70%, 800 tpd of waste handled, and a PAT margin of 10%, this translates into estimated PATMI of RM8.4m, or c.3.1% of our FY25F earnings forecasts.
- No change to our earnings forecasts at this juncture as contributions from the WTE plant are expected to begin only from FY29, which is beyond our forecast horizon.
- Maintain our **BUY** recommendation with an unchanged TP of **RM0.88** based on SOP valuation.

34-year Concession Agreement for WTE Plant. On 19 Jun 2025, MALAKOF, via its subsidiary Sungai Udang WTE Sdn Bhd, entered into a concession agreement on a Public Private Partnership basis with the Government of Malaysia for the design, construction, financing, operation, maintenance and eventual closure of a Waste-to-Energy (WTE) facility at Sungai Udang, Melaka. This represents a key milestone for the Group's RE ambitions. Sungai Udang WTE is a special purpose vehicle incorporated for this project, with MALAKOF holding a direct 60% stake and the remaining 40% held by Alam Flora Environmental Solutions Sdn Bhd (97.37%-owned by MALAKOF). This structure gives MALAKOF an effective interest of 98.9% in the project.

Further Details. Sungai Udang WTE will be Malaysia's second WTE facility. The first, owned and operated by **CYPARK (NR)**, was completed in 2023 at Negeri Sembilan, with a processing capacity of 800 tonnes per day (tpd) and 15MW of energy generation. In comparison, the RM660m Sungai Udang plant will process up to 1,056 tpd of solid waste and generate c.22MW of electricity.

The concession follows a Build-Own-Operate-Demolish (BOOD) model over a 34-year period, comprising 3-year construction phase, 30-year operational period and a 1-year closure phase. COD is targeted by 2029, with construction expected to begin in 2QCY26.

Our View. We view this development **positively** as it marks MALAKOF's maiden venture into the WTE space, introducing an additional stream of recurring income via waste management and RE. The project also strategically positions MALAKOF within the growing WTE segment.

The plant will derive revenue from two sources: tipping fees for waste management and electricity sale via a PPA with **TENAGA (BUY, TP: RM16.04)**. While PPA has yet to be executed, it is expected to be signed in due course. Previous guidance indicated a tipping fee of c.RM96/tonne, a minimum incoming waste volume of 800 tpd, and a 21-year PPA at RM0.42/kWh. Assuming a capacity factor of 70%, 800 tpd of waste handled, and a PAT margin of 10%, this translates into estimated annual revenue of RM84.7m and PATMI of RM8.4m, equivalent to c.3.1% of our FY25F earnings forecasts. Assuming a 70:30 debt-to-equity financing structure, the RM660m project cost implies borrowings of c.RM462m, likely to be funded via long-term project financing.

Earnings Revision. No change to our earnings forecasts at this juncture as contributions from the WTE plant are expected to begin only from FY29, which is beyond our forecast horizon.

Valuation & Recommendation. Maintain **BUY** recommendation on MALAKOF with an unchanged TP of **RM0.88** based on SOP valuation, and a three-star ESG rating. We have yet to incorporate the WTE plant into our valuation pending further clarity. That said, with rising domestic power demand, we believe MALAKOF is the frontrunner to secure new gas-fired plant PPAs under the Energy Commission's recent RFP for up to 8GW capacity, given its position as Malaysia's largest IPP and strong operational track record in managing gas-fired plants across Peninsular Malaysia.

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

Company Update

Friday, 20 Jun, 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	41.9	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

Exceptionals during forecasted years are perpetual sukuk distributions

Key Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	-12.4%	-1.1%	-8.2%	0.6%	-1.9%
Core EPS Growth (%)	nm	nm	2.5%	11.4%	-6.5%
EPS (sen)	-17.1	5.5	6.7	7.5	7.2
Core EPS (sen)	-9.0	5.3	5.5	6.1	5.7
DPS (sen)	3.0	3.4	5.5	6.5	7.0
Dividend Yield (%)	3.8%	4.3%	7.0%	8.3%	8.9%
P/E (x)	-4.6	14.3	11.7	10.5	10.8
P/B (x)	0.9	0.9	0.9	0.9	0.9
EVEBITDA (x) *	9.9	5.9	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, 2, and 3 GHG emissions totaled 19.1m tCO ₂ e in 2024. MALAKOF aims to reduce its GHG emissions intensity by 30% from 2019 baseline to 0.54 tCO ₂ e/MWh by 2031 and achieve net zero emissions by 2050. In 2024, emissions intensity was 0.78 tCO ₂ e/MWh, 3.7% yoy reduction from 0.81 tCO ₂ e/MWh in 2023.
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. In 2024, recycling rate stood at 21.1%, 2.2%-pts improvement from 2023.
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	★★	Water is extensively used in power generation. In 2024, the Group consumed 2,617,707m ³ of water. MALAKOF strives to reduce water usage through initiatives such as rainwater harvesting systems and leachate waste treatment systems.
Compliance	★★★	The Group is in compliance with local and international environmental regulations.

Social

Diversity	★★★	In 2024, less than 1% of employees were non-Malaysians, while only 16% of the workforce were female. At the management level, 83% of top management and senior management were Malays, with the remaining positions held by non-Malays.
Human Rights	★★★	MALAKOF enforces various initiatives to uphold human rights and labour relations across its operations, including minimum notice on operational changes and engagement sessions with employees.
Occupational Safety and Health	★★★	In 2024, 1,809 employees received training on health and safety standards. No work-related fatalities were recorded during the year, compared to 1 in 2023. Lost Time Incident Rate (LTIR) dropped to 0.42, improved from 0.73 in the previous year.
Labour Practices	★★★	MALAKOF is committed to eliminating child labour, forced labour, and compulsory labour in the Group's operations, aligning with the International Labour Organisation's (ILO) Forced Labour Conventions and the 2014 Protocol.

Governance

CSR Strategy	★★★★	MALAKOF contributed RM407,313 to educational institutions and community enrichment initiatives in 2024. The Group also conducted 100 awareness programmes on sustainability through Alam Flora Environmental Solutions.
Management	★★★	In 2024, 13% of the executive leadership were female. Among the board members, 22% (2 out of 9) were female, while 67% (6 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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As of **Friday, 20 Jun, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.