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Recommendation:	HOLD
Current Price:	RM 3.50
Previous Target Price:	RM 3.68
Target Price:	↔ RM 3.68
Capital Upside/Downside:	5.1%
Dividend Yield (%):	2.8%
Total Upside/Downside:	7.9%

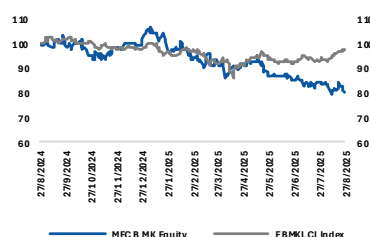
Stock information

Board	MAIN
Sector	Renewable Energy Electricity
Bursa / Bloomberg Code	3069 / MFCB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	942.3
Market Cap (RM' m)	3,298.1
52-Week Price Range (RM)	4.7-3.45
Beta (x)	0.6
Free float (%)	46.4
3M Average Volume (m)	0.6
3M Average Value (RM' m)	2.3

Top 3 Shareholders

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

Share Price Performance



	1M	3M	12M
Absolute (%)	-4.6	-9.6	-21.3
Relative (%)	-7.9	-13.1	-18.2

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM' m)	1741.9	1339.0	1398.5
PATAMI (RM' m)	456.2	417.7	421.4
CNP (RM' m)	451.9	417.7	421.4
EPS - core (sen)	47.9	44.3	44.7
P/E(x)	7.3	7.9	7.8

Mega First Corporation Berhad

Post-results briefing takeaways

- Earnings are expected to improve in 2H25, driven by DSHP running at full capacity following scheduled overhauls and higher energy sales on improved EAFs. Installed solar RE capacity is projected to rise from 32.1MWp to 94.5MWp by end-2025 upon completion of the CGPP and Maldives projects.
- MFCB has submitted a bid for a 100MW/400MWh BESS project, partnering with a leading Chinese storage technology player. The tender closed in July 2025, with awards expected by end-2025.
- Oleochemical segment is expected to turn EBITDA-positive in 2H25, with utilisation at ~80% following the restoration of full gas supply and reduced customer order cancellations.
- Maintain HOLD with an unchanged TP of RM3.68, based on SOP valuation, and appraised with a three-star ESG rating.

We attended MFCB's 2QFY25 results briefing yesterday, and the key takeaways are as follows:

Earnings recovery in 2H25. MFCB's RE division, which typically contributes more than 80% of Group PBT, is poised for earnings rebound with DSHP now operating at full capacity post-overhaul and higher energy sales supported by improved EAFs on favourable river flows. Although EDM's new take-or-pay cap of 955GWh applies to four turbines, MFCB remains confident that full output will still be taken given Cambodia's 700MW demand obligation. Installed solar capacity is projected to rise from 32.1MWp to 94.5MWp by end-2025 with the completion of the 51.0MWp CGPP and 11.4MWp Maldives projects, lifting total RE generation capacity to ~400MW.

Strategic entry into BESS. MFCB has submitted bids for Malaysia's first 100MW/400MWh BESS tender (~30 participants) under the NETR, partnering with a leading Chinese storage technology player. Project IRRs are likely to be modest at mid-single digits, reflecting competitive bidding. The business model is similar to power plant PPAs, with 90% backed by fixed-capacity charges and the remaining 10% from variable service charges. While banks may only recognise the fixed component for debt coverage, hence necessitating higher equity contribution, MFCB's strong balance sheet (net gearing c.20%) and track record in power plant operations position it competitively. The tender closed in July 2025, with awards expected by end-2025.

Oleochemical turnaround on the horizon. The Putra Heights oleochemical plant, which weighed on 1H25 performance, has resumed stable operations following the restoration of full gas supply. Plant utilisation has recovered to around 80% since July 2025, with reduced customer order cancellations, and management expects the segment to turn EBITDA-positive in 2H25. Nonetheless, margin upside may remain capped as Indonesian peers continue to benefit from structural cost advantages under favourable export tax policies.

Packaging and Resources remain pressured. Packaging utilisation has improved on efforts to diversify the customer base, but ASPs remain under pressure from Chinese dumping, while regional overcapacity continues to weigh on margins. The Resources segment likewise faces weak demand, with excess Chinese supply depressing export prices. Nevertheless, the Resources segment continues to deliver steady annual operating cash flows of RM50-60m. Conditions are expected to stabilise in 2H25, supported by new quarry capacity, although margin recovery is likely to be gradual.

Long-term growth from Food division. MFCB has acquired a 30% stake in Chiwadi, a Thai company specialising in coconut-based wellness products, providing vertical integration with its plantation operations. Chiwadi generated c.RM20m in sales in FY24. The Cambodian coconut plantations are expected to reach break-even by 2027, with earnings projected to improve as crop yields mature. Meanwhile, CSC, the Group's local fruit and vegetable subsidiary, remains a small contributor with quarterly revenue of ~RM23m, though profitability is expected to strengthen over the medium term as longer-cycle crops mature.

Earnings revision. We maintain our earnings forecasts unchanged.

Valuation & Recommendation. We maintain our **HOLD** recommendation with an unchanged TP of **RM3.68**, 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.

Company Update

Thursday, 28 Aug, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1317.6	1741.9	1339.0	1398.5	1434.2
Gross Profit	569.4	656.8	690.0	649.4	663.8
EBITDA	677.9	754.7	777.4	728.7	730.6
Depreciation & Amortisation	-171.0	-141.1	-141.8	-148.8	-155.4
EBIT	506.9	613.6	635.6	579.9	575.2
Net Finance Income/ (Cost)	-16.5	-38.0	-65.6	-54.3	-34.4
Associates & JV	-13.6	-66.2	-71.3	-2.7	5.6
Pre-tax Profit	476.8	509.3	498.7	522.8	546.3
Tax	-25.1	-18.3	-47.6	-65.8	-85.7
Profit After Tax	451.6	491.0	451.1	457.0	460.7
Minority Interest	67.9	34.8	33.4	35.6	38.0
Net Profit	383.7	456.2	417.7	421.4	422.7
Exceptionals	-1.5	4.3	0.0	0.0	0.0
Core Net Profit	385.2	451.9	417.7	421.4	422.7

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	40.9	47.9	44.3	44.7	44.8
P/E(x)	8.6	7.3	7.9	7.8	7.8
P/B(x)	1.0	0.9	0.8	0.8	0.7
EV/EBITDA(x)	5.7	5.8	5.4	5.3	4.9
DPS (sen)	7.9	7.9	9.3	9.8	9.9
Dividend Yield (%)	2.2%	2.2%	2.7%	2.8%	2.8%
EBITDA margin (%)	51.4%	43.3%	58.1%	52.1%	50.9%
EBIT margin (%)	38.5%	35.2%	47.5%	41.5%	40.1%
PBT margin (%)	36.2%	29.2%	37.2%	37.4%	38.1%
PAT margin (%)	34.3%	28.2%	33.7%	32.7%	32.1%
NP margin (%)	29.1%	26.2%	31.2%	30.1%	29.5%
CNP margin (%)	29.2%	25.9%	31.2%	30.1%	29.5%
ROE (%)	11.9%	12.7%	10.7%	9.9%	9.1%
ROA (%)	8.5%	8.8%	7.9%	7.8%	7.7%
Gearing (%)	28.0%	32.3%	25.9%	17.2%	9.6%
Net gearing (%)	12.2%	24.8%	17.3%	7.2%	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
Renewable Energy	3865.1	Ke=10.3%
Packaging & Label	267.4	8x FY26F PER
Resources	195.7	5x FY26F PER
Others	0.0	
SOP Value	4328.2	
Enlarged share base (m share)	942.8	
Fair Value (RM)	4.60	
ESG premium/discount	0%	
Conglomerate discount	20%	
Implied Fair Value (RM)	3.68	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	508.6	268.3	337.4	425.0	494.8
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	895.2	965.8	1021.5
Fixed Assets	531.9	775.8	955.6	1058.1	1153.9
Intangibles	54.7	57.9	57.9	57.9	57.9
Other non-current assets	2771.9	3441.3	3369.5	3298.0	3226.8
Total Non-Current Assets	3358.5	4275.1	4383.0	4414.0	4438.6
Short-term debt	435.2	615.5	405.0	293.1	178.4
Payables	168.8	214.5	148.8	171.8	176.7
Other current liabilities	6.0	3.8	4.0	4.2	4.4
Total Current Liabilities	610.0	833.8	557.8	469.1	359.4
Long-term debt	466.1	530.9	607.5	439.7	267.6
Other non-current liabilities	208.2	212.1	205.0	198.9	193.3
Total Non-Current Liabilities	674.4	743.1	812.6	638.6	460.9
Shareholder's equity	3056.9	3324.5	3654.5	3983.2	4312.9
Minority interest	167.1	219.9	253.3	288.9	326.9
Total Equity	3224.0	3544.5	3907.8	4272.2	4639.8

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	476.8	509.3	498.7	522.8	546.3
Depreciation & amortisation	-171.0	-141.1	-141.8	-148.8	-155.4
Changes in working capital	-77.6	-208.9	-48.1	37.5	16.2
Others	353.1	320.1	301.6	286.2	259.6
Operating cash flow	581.2	479.4	610.4	697.7	666.7
Capex	-115.2	-219.2	-247.3	-177.3	-177.3
Others	-542.8	-552.4	33.9	47.4	66.4
Investing cash flow	-658.0	-771.6	-213.4	-129.9	-110.9
Dividends paid	-74.1	-82.5	-87.7	-92.7	-93.0
Others	112.7	145.9	-240.1	-387.5	-393.0
Financing cash flow	38.6	63.4	-327.8	-480.2	-486.0
Net cash flow	-38.2	-228.8	69.1	87.6	69.7
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	297.5	385.1
Ending cash	462.9	228.4	297.5	385.1	454.8

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Scope 1 and Scope 2 GHG emissions totaled 572,298.2tCO ₂ e in 2024, marking a 1.6% yoy increased from 2023.
Waste & Effluents	★★★	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 ³ in the previous year to 188.8 m ³ .
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.