

Ong Tze Hern

(603) 7890 8888 (ext 2113)

tzehern.ong@apexsecurities.com.my

Recommendation:	HOLD
Current Price:	RM0.96
Previous Target Price:	RM0.88
Target Price:	RM0.91
Capital Upside/ Downside:	-5.2%
Dividend Yield (%):	6.8%
Total Upside/ Downside:	1.6%

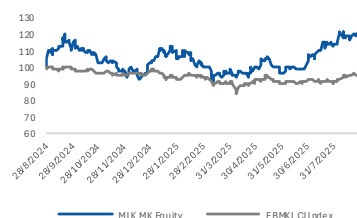
Stock information

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5264 / MLK MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	4,887.0
Market Cap (RM' m)	4,691.5
52-Week Price Range (RM)	1.02-0.73
Beta (x)	1.1
Free float (%)	36.4
3M Average Volume (m)	3.2
3M Average Value (RM' m)	2.8

Top 3 Shareholders

(%)

Anglo Oriental Annuities Sdn Bhd	20.1
Mmc Corp Bhd	18.4
Employees Provident Fund Board	14.3

Share Price Performance

	1M	3M	12M
Absolute (%)	4.9	20.0	14.3
Relative (%)	0.9	15.0	20.4

Earnings Summary

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue	8,969.6	7,907.6	7,960.2
PATAMI	268.7	258.1	301.6
CNP	261.2	202.9	246.4
Core EPS (sen)	5.3	4.2	5.0
PE(x)	17.5	18.2	15.6

Source: Company, Apex Securities

Malakoff Corporation Berhad

Earnings Miss; Downgrade to HOLD

- **MALAKOF's 2QFY25 CNP** came in at RM26.7m (-48.6% QoQ, -59.2% YoY), bringing 6MFY25 CNP to RM78.7m (-40.5% YoY). The results fell short of expectations, accounting for 29% of our full-year forecast and 30% of consensus estimates. The earnings miss was due to negative fuel margins of c.RM45m recognised in the quarter following the continued decline of coal prices at the start of the year.
- Medium-term earnings growth will be supported by extension of existing PPAs, and tariff adjustments for the concession solid waste management business.
- Factoring in the negative fuel margins, we trim our FY25/FY26/FY27 earnings forecasts by 24.2%/17.3%/9.6% respectively.
- After incorporating E-Idaman and the Sungai Udang WTE plant into our valuation, we derive a higher SOP-based TP of RM0.91 (from RM0.88). However, given the recent share price run-up, we downgrade MALAKOF to HOLD (from BUY).

Missed Expectations. Excluding extraordinary items such as reversal of coal provision to NRV based on the ACP (-RM40.0m), PPE written off (+RM3.4m), and other adjustments (+RM0.5m), MALAKOF's 2QFY25 core net profit (CNP) came in at RM26.7m, bringing 6MFY25 CNP to RM78.7m. The results fell short of expectations, accounting for 29% of our full-year forecast and 30% of consensus estimates. The earnings miss was due to negative fuel margins of c.RM45m recognised in the quarter following the continued decline of coal prices at the start of the year.

Dividends. The Group declared an interim dividend of 1.5 sen (2QFY24: 2.2 sen).

YoY. 2QFY25 CNP plunged 59.2%, impacted by higher negative fuel margins (c.-RM45m vs. c.+RM3m in 2QFY24). On a positive note, the Waste & Environment segment continued to deliver strong growth, with PAT growing 10.0% YoY, underpinned by contribution from the 49% E-Idaman stake (acquired on 28 Feb 2025).

QoQ. CNP declined 48.6% despite the absence of RM27.4m perpetual sukuk payment in 1QFY25. The weaker earnings reflected the recognition of c.RM45m negative fuel margins (vs. nil in 1QFY25).

Outlook. We expect MALAKOF's fuel margin drag to ease in 3QFY25, as coal prices have stabilised since April 2025. The Group has submitted PPP (350MW), Segari (1.3GW) and GB3 (640MW) for extension of PPA until Dec 2029, with decision expected as early as Sep 2025. Medium-term earnings growth will be supported by (i) Extension of existing PPAs, and (ii) tariff adjustments for the solid waste management concession, expected in 2026.

Earnings Revision. Factoring in the negative fuel margins, we trim our FY25/FY26/FY27 earnings forecasts by 24.2%/17.3%/9.6% respectively.

Valuation & Recommendation. After incorporating E-Idaman and the Sungai Udang WTE plant into our valuation, we derive a higher SOP-based TP of **RM0.91** (from RM0.88). However, given the recent share price run-up, we downgrade MALAKOF to **HOLD** (from BUY). No ESG premium/discount is applied, reflecting its three-star ESG rating. While we continue to view MALAKOF as the frontrunner for new gas plant PPAs given its scale as Malaysia's largest IPP, we believe valuations are now fair.

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

Results Note

Thursday, 28 Aug, 2025

Results Comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	2,019.8	2,307.8	(12.5)	2,027.9	(0.4)	4,047.6	4,587.9	(11.8)	Lower revenue due to lower ACP
Cost of Sales	(1,798.0)	(1,993.6)	(9.8)	(1,739.1)	3.4	(3,537.2)	(3,935.0)	(10.1)	
Gross Profit	221.7	314.2	(29.4)	288.7	(23.2)	510.5	652.9	(21.8)	
Other Income	7.8	29.0	(73.1)	8.6	(9.1)	16.4	36.9	(55.5)	
Administrative Expenses	(60.8)	(60.4)	0.7	(62.3)	(2.5)	(123.1)	(117.7)	4.6	
Other Operating Expenses	(9.1)	(50.5)	(81.9)	(95.9)	(90.5)	(105.0)	(130.2)	(19.4)	
EBITDA	423.9	516.7	(18.0)	407.4	4.1	831.2	999.0	(16.8)	
Depreciation & Amortisation	(264.2)	(284.4)	(7.1)	(268.2)	(1.5)	(532.4)	(557.2)	(4.5)	
EBIT	159.7	232.3	(31.3)	139.2	14.7	298.8	441.8	(32.4)	
Interest income	16.5	15.9	3.3	15.0	9.5	31.5	35.5	(11.3)	
Interest expense	(117.5)	(126.6)	(7.2)	(117.4)	0.1	(234.9)	(257.9)	(8.9)	Lower finance cost following full settlement of USD term loan
Associates/JV	26.4	17.9	47.6	21.7	21.6	48.0	39.9	20.5	
Pre-tax profit	85.0	139.5	(39.1)	58.5	45.4	143.4	259.3	(44.7)	
Tax expenses	(14.1)	(36.4)	(61.4)	(16.0)	(11.8)	(30.0)	(77.8)	(61.4)	
Profit after tax	70.9	103.1	(31.2)	42.5	66.9	113.4	181.4	(37.5)	
(-) Minority interest	8.1	9.5	(14.9)	8.5	(4.9)	16.6	25.7	(35.3)	
PATMI	62.8	93.6	(32.9)	34.0	84.8	96.8	155.8	(37.8)	
Core net profit	26.7	65.6	(59.2)	52.0	(48.6)	78.7	132.3	(40.5)	
Core EPS (sen)	0.5	1.3	(59.2)	1.1	(48.6)	1.6	2.7	(40.5)	
DPS (sen)	1.5	2.2	(32.7)	-	nm	1.5	2.2	(32.7)	
			%-pts		%-pts			%-pts	
GP margin (%)	11.0%	13.6%	-2.6%	14.2%	-3.3%	12.6%	14.2%	-1.6%	
EBITDA margin (%)	21.0%	22.4%	-1.4%	20.1%	0.9%	20.5%	21.8%	-1.2%	
PBT margin (%)	4.2%	6.0%	-1.8%	2.9%	1.3%	3.5%	5.7%	-2.1%	
Effective tax rate (%)	16.6%	26.1%	-9.5%	27.3%	-10.7%	20.9%	30.0%	-9.1%	
Core net profit margin (%)	1.3%	2.8%	-1.5%	2.6%	-1.2%	1.9%	2.9%	-0.9%	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue (Includes Intersegmental)									
Power Generation	1,768.3	2,040.5	(13.3)	1,800.8	(1.8)	3,569.2	4,056.9	(12.0)	Dropped due to lower ACP
Waste and Environmental Services	300.5	220.6	36.2	221.1	35.9	521.6	439.8	18.6	
Others	366.7	436.2	(15.9)	199.0	84.3	565.7	773.5	(26.9)	
Eliminations	(415.8)	(389.5)	6.7	(193.1)	115.4	(608.9)	(682.4)	(10.8)	
Total Revenue	2,019.8	2,307.8	(12.5)	2,027.9	(0.4)	4,047.6	4,587.9	(11.8)	
Profit after tax (PAT)									
Power Generation	66.5	62.2	6.9	95.7	(30.5)	162.1	245.8	(34.0)	
Waste and Environmental Services	34.5	31.4	10.0	30.8	12.0	65.4	61.3	6.6	Improved due to E-Idaman contribution
Others	180.0	242.8	(25.9)	(13.0)	nm	167.0	281.8	(40.7)	
Eliminations	(210.1)	(233.3)	(10.0)	(71.0)	195.8	(281.1)	(407.5)	(31.0)	
Total PAT	70.9	103.1	(31.2)	42.5	66.9	113.4	181.4	(37.5)	
PAT Margin (%)			%-pts		%-pts			%-pts	
Power Generation	3.8%	3.0%	0.7%	5.3%	-1.6%	4.5%	6.1%	-1.5%	
Waste and Environmental Services	11.5%	14.2%	-2.7%	13.9%	-2.4%	12.5%	13.9%	-1.4%	
Others	49.1%	55.7%	-6.6%	-6.5%	55.6%	29.5%	36.4%	-6.9%	
Overall PAT Margin	3.5%	4.5%	-1.0%	2.1%	1.4%	2.8%	4.0%	-1.2%	

Source: Company, Apex Securities

Results Note

Thursday, 28 Aug, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	9,067.0	8,969.6	7,907.6	7,960.2	7,810.3
Gross Profit	206.9	1,133.8	999.6	1,006.2	987.3
EBITDA	1,027.6	1,863.8	1,663.3	1,673.7	1,597.4
Depreciation & Amortisation	-1,124.9	-1,079.7	-962.9	-937.4	-863.5
EBIT	-97.3	784.2	700.5	736.3	733.9
Net Finance Income/(Cost)	-494.1	-435.6	-405.7	-355.0	-337.5
Associates & JV	-363.5	109.7	96.8	97.9	99.0
Pre-tax Profit	-954.9	458.3	391.6	479.3	495.5
Tax	93.0	-147.8	-101.8	-143.8	-148.6
Profit After Tax	-861.9	310.6	289.8	335.5	346.8
(-) Minority Interest	-24.8	41.9	31.7	33.9	39.7
Net Profit	-837.2	268.7	258.1	301.6	307.2
(-) Exceptionals #	-398.8	7.5	55.2	55.2	55.2
Core Net Profit	-438.4	261.2	202.9	246.4	252.0

Exceptionals during forecasted years are perpetual sukuk distributions

Key Financial Metrics

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue Growth (%)	-12.4%	-1.1%	-11.8%	0.7%	-1.9%
Core EPS Growth (%)	nm	nm	-22.3%	21.4%	2.3%
EPS (sen)	-17.1	5.5	5.3	6.2	6.3
Core EPS (sen)	-9.0	5.3	4.2	5.0	5.2
DPS (sen)	3.0	3.4	5.5	6.5	7.0
Dividend Yield (%)	3.1%	3.5%	5.7%	6.8%	7.3%
P/E (x)	-5.6	17.5	18.2	15.6	15.3
P/B (x)	1.0	1.0	1.1	1.1	1.1
EV/EBITDA (x) *	9.9	6.4	6.5	6.5	6.2
EBITDA margin (%)	11.3%	20.8%	21.0%	21.0%	20.5%
EBIT margin (%)	-1.1%	8.7%	8.9%	9.2%	9.4%
PBT margin (%)	-10.5%	5.1%	5.0%	6.0%	6.3%
PAT margin (%)	-9.5%	3.5%	3.7%	4.2%	4.4%
NP margin (%)	-9.2%	3.0%	3.3%	3.8%	3.9%
CNP margin (%)	-4.8%	2.9%	2.6%	3.1%	3.2%
ROE (%)	-16.7%	6.0%	5.8%	6.8%	7.1%
ROA (%)	-4.0%	1.4%	1.4%	1.6%	1.7%
Gearing (%) *	173.2%	154.6%	145.5%	145.0%	142.5%
Net gearing (%) *	126.8%	129.7%	111.2%	113.1%	112.8%

* Gearing ratios and EV include perpetual sukuk as debt

Sum of Parts Valuation	Equity Value (RM m)	Valuation method
SEV	267.2	DCF, WACC: 8.0%
Prai	46.6	DCF, WACC: 8.0%
TBP	2,916.6	DCF, WACC: 9.2%
TBE	4,021.3	DCF, WACC: 9.0%
Alam Flora	1,739.4	DCF, WACC: 7.2%, g: 2.0%
E-Idaman	159.1	12x FY26F EPS
Sungai Udang WTE	49.9	DCF, WACC: 7.6%
O&M	54.7	DCF, WACC: 7.4%, g: 2.0%
Associates & JVs (Excluding E-Idan	1,302.5	Book Value
(-) Net Debt/(Cash)	5,328.8	
(-) Perpetual Sukuk	800.0	
Total Equity Value	4,428.5	
Enlarged share base (m share)	4,887.0	
Equity Value/share (RM)	0.91	
ESG premium/discount	0.0%	
Fair Value (RM)	0.91	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & cash equivalents	2,571.0	1,375.6	1,885.9	1,743.9	1,376.5
Receivables	1,563.3	1,536.2	1,280.2	1,554.9	1,226.8
Inventories	846.9	1,037.5	665.8	1,048.9	633.5
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	4,947.0	5,462.8	4,351.9
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	1,082.2	1,070.3	988.2
Payables	1,453.6	1,363.5	1,286.2	1,381.1	1,235.9
Other current liabilities	586.9	522.1	522.1	522.1	522.1
Total Current Liabilities	2,967.2	2,637.6	2,890.5	2,973.5	2,746.3
Long-term debt ^	7,878.4	7,016.1	6,132.4	6,064.8	5,600.1
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	9,947.5	9,879.9	9,415.2
Shareholder's equity	4,489.7	4,505.5	4,439.7	4,368.4	4,278.3
Perpetual Sukuk	800.0	800.0	800.0	800.0	0.0
Minority interest	257.1	238.3	270.0	303.8	343.5
Total Equity	5,546.8	5,543.8	5,509.7	5,472.3	4,621.8

^ Debt does not include lease liabilities

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	-954.9	458.3	391.6	479.3	495.5
Depreciation & amortisation	1,124.9	1,079.7	962.9	937.4	863.5
Changes in working capital	1,014.1	-412.5	550.4	-562.8	598.3
Others	552.5	220.4	182.7	113.3	89.8
Operating cash flow	1,736.5	1,345.9	2,087.5	967.1	2,047.0
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	-1,082.2	-550.8	-1,798.5
Financing cash flow	-1,783.6	-1,902.2	-1,350.9	-868.4	-2,140.6
Net cash flow	1,031.4	-1,171.0	485.9	-142.0	-367.4
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	1,885.9	1,743.9
Ending cash & cash equivalents	2,571.0	1,400.0	1,885.9	1,743.9	1,376.5

Results Note

Thursday, 28 Aug, 2025

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 Thursday, 28 Aug, 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.