

Ong Tze Hern

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Recommendation:	BUY
Current Price:	RM0.91
Previous Target Price:	RM0.91
Target Price:	RM0.96
Capital Upside/Downside:	5.5%
Dividend Yield (%):	5.5%
Total Upside/Downside:	11.0%

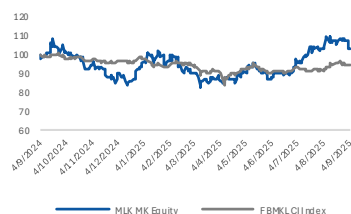
Stock information

Board	MAIN
Sector	Utilities
Bursa / Bloomberg Code	5264 / MLK MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	4,887.0
Market Cap (RM' m)	4,496.0
52-Week Price Range (RM)	1.02-0.73
Beta (x)	1.0
Free float (%)	36.4
3M Average Volume (m)	3.6
3M Average Value (RM' m)	3.2

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 (%)	1.1	17.9	-1.1
Relative (%)	-2.3	12.6	4.6

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)	16.6	17.2	14.7

Source: Company, Apex Securities

Malakoff Corporation Berhad

Major LSS5+ Win

- **MALAKOF**, via an 80:20 JV with SLVEST, has received a Letter of Notification from the EC to develop a 470MWac LSS plant in Perak under LSS PETRA 5+, with COD expected between 2027-2028.
- We view the development positively, as it marks MALAKOF's first sizable utility-scale solar asset in Malaysia, providing the Group with an additional source of recurring income.
- No change to our earnings forecasts, as contributions are expected to begin in FY28, which is outside the forecast period.
- Upgrade to Buy recommendation (from HOLD) on MALAKOF with a higher TP of RM0.96 (from RM0.91) after incorporating MALAKOF's 80% stake in the 470MWac solar project into our SOP valuation.

470MWac LSS5+ Win. MALAKOF, via a consortium with SLVEST, received a Letter of Notification from the Energy Commission of Malaysia to develop a 470MWac large-scale solar photovoltaic (LSS) plant in Larut & Matang, Perak, under the LSS PETRA 5+ programme. The project will be undertaken through a special purpose vehicle (SPV), which will sign a 21-year solar power purchase agreement (SPPA) with TNB. The consortium is structured with MALAKOF holding an 80% stake and SLVEST 20%. The COD is expected between 2027 and 2028, in line with the EC's rollout schedule.

Our take. We view the development positively, as it marks MALAKOF's first sizable utility-scale solar asset in Malaysia, providing the Group with an additional source of recurring income. The project also aligns with MALAKOF's goal of reaching an RE capacity of 1,400 MW by the year 2031. Applying a rule of thumb of RM2.2m/MWac based on solar module prices of USD0.09/watt, the estimated capex for the 470MWac plant is c.RM1bn. Assuming an 80:20 debt-to-equity financing structure, and dispatch tariffs of 13-16 sen/kWh (industry estimates), the project is expected to generate a mid-to-high single digit IRR. We estimate contribution to MALAKOF at c.RM10-15m/year in PATMI from FY28 onwards. SLVEST will most likely be the EPCC contractor for the job given SLVEST's 20% stake in the asset.

Earnings Revision. No change to our earnings forecasts, as contributions are expected to begin in FY28, which is outside the forecast period.

Valuation & Recommendation. Upgrade to **Buy** recommendation (from HOLD) on MALAKOF with a higher TP of **RM0.96** (from RM0.91) after incorporating MALAKOF's 80% stake in the 470MWac solar project into our SOP valuation, alongside a three-star ESG rating. 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

Thursday, 04 Sep, 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 (%)	3.3%	3.7%	6.0%	7.1%	7.7%
P/E (x)	-5.3	16.6	17.2	14.7	14.5
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x) *	9.9	6.2	6.4	6.4	6.0
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%
470MWac Solar Farm	257.8	DCF, WACC: 6.8%
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	4,686.3	
Enlarged share base (m share)	4,887.0	
Equity Value/share (RM)	0.96	
ESG premium/discount	0.0%	
Fair Value (RM)	0.96	

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

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, 04 Sep, 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.