

Ong Tze Hern

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Recommendation:	HOLD
Current Price:	RM 1.00
Previous Target Price:	RM 0.96
Target Price:	RM 0.97
Capital Upside/ Downside:	-3.0%
Dividend Yield (%):	5.0%
Total Upside/ Downside:	2.0%

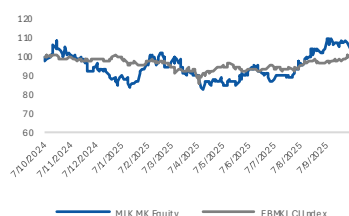
Stock information

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)	4,887.0
52-Week Price Range (RM)	1.12-0.73
Beta (x)	1.1
Free float (%)	37.4
3M Average Volume (m)	7.6
3M Average Value (RM' m)	7.4

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 (%)	8.7	18.3	8.7
Relative (%)	4.9	12.2	8.4

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)	18.2	18.9	16.2

Source: Company, Apex Securities

Malakoff Corporation Berhad

Major Sarawak Solar Win, But Capacity Income Risk from TBE Fire

- MALAKOF**, via a 70:30 JV, has signed a 30-year PPA with SESCO to design, construct, own, operate, and maintain a 100MWac solar photovoltaic plant in Bintulu, Sarawak, with COD targeted for 1 May 2028.
- We view this development positively, as it represents MALAKOF's first large-scale solar venture in East Malaysia, broadening its renewable portfolio and providing a new stream of recurring income.
- Separately, a fire at the TBE damaged 70% of the flue gas desulfurisation (FGD) system and chimney tunnel. Should the outage extend beyond the scheduled mid-Oct completion, capacity income could be at risk, with a potential PATAMI impact of c.RM1.3m/day.
- No changes to earnings forecasts for now, as contributions from the Sarawak solar project are expected to begin only from FY28F, which lies beyond our forecast horizon, while the financial implications of the TBE outage remain under assessment.
- Following the recent share price rally, we downgrade MALAKOF to HOLD (from BUY), albeit with a higher TP of RM0.97 (from RM0.96), after incorporating its 70% stake in the 100MWac Bintulu solar project into our SOP valuation.

30-year PPA with SESCO. On 3 October 2025, MALAKOF, via its 70%-owned subsidiary Malakoff Evergreen Sdn Bhd (MEVSB), signed a 30-year Power Purchase Agreement (PPA) with Syarikat SESCO Berhad (SESCO) to design, construct, own, operate, and maintain a 100MWac solar photovoltaic plant in Bintulu, Sarawak. MEVSB is a JV between MALAKOF's wholly-owned Tuah Utama Sdn Bhd (70%) and EE Solar Sdn Bhd (30%). While EE Solar's ownership has not been disclosed, we believe it represents MALAKOF's local Sarawak partner. Meanwhile, SESCO is the state-owned electricity utility and primary power off-taker in Sarawak, responsible for electricity generation, transmission, and distribution under Sarawak Energy Berhad. The PPA covers the sale and purchase of the net electrical output generated by the facility up to 242,160MWh annually, a level unlikely to be exceeded given it assumes average daily solar irradiation of 6.6 hours, above Malaysia's typical 4–6 hours. COD is targeted for 1 May 2028.

Our Take. We view this development **positively**, as it marks MALAKOF's first large-scale solar project in East Malaysia, expanding its renewable footprint beyond Peninsular Malaysia. Benchmarking against **SLVEST's (BUY, TP: RM3.41)** 100MWac Mukah project (estimated capex: RM380m), we assume a similar investment cost, reflecting higher logistics and infrastructure costs in Sarawak relative to peninsular Malaysia. While Sarawak's predominantly hydro-based generation system entails low marginal generation costs, which may limit the PPA tariff upside, project returns remain acceptable given SESCO's strong offtaker profile, supporting lower financing costs, and longer 30-year PPA tenure (vs. 21 years under LSS schemes), enhancing bankability and IRR stability. Assuming an 80:20 debt-to-equity structure and tariff of c.16 sen/kWh (in line with LSS5 benchmarks), we estimate an IRR of 6–8%. We expect earnings contribution of RM2–3m in PATMI annually from FY29F. Given MALAKOF's prior collaboration with SLVEST under the LSS5+ framework and SLVEST cost advantage through economies of scale, we believe SLVEST is the most likely EPCC contractor for this project.

Fire at Tanjung Bin Energy. Separately, on 2 October 2025, a fire occurred at Tanjung Bin Energy (TBE) power plant in Johor, damaging approximately 70% of the flue gas desulfurisation (FGD) system and chimney tunnel. No casualties or injuries were reported. The affected unit remains shut pending inspection, repairs, and regulatory clearance.

Capacity Income Risk if Outage Prolongs beyond Mid-October. FGD systems are crucial for SO₂ emission control to ensure compliance with environmental standards. MALAKOF clarified that the unit was already under a scheduled outage, hence no immediate impact from forced shutdown is expected. However, if the outage extends beyond mid-October, capacity income could be at risk. While the unit could theoretically operate without the FGD by bypassing it, this would likely breach emission limits and is not a viable option without regulatory exemption. For context, TBE

contributed RM642m in capacity income in FY24 (c.7% of Group revenue). A full outage could imply a PATAMI impact of c.RM1.3m/day.

Earnings Revision. No changes to our earnings forecasts, as contributions from the Sarawak solar project are expected to commence only from FY28F, which lies beyond our forecast horizon, while further clarity on the TBE outage impact remains pending.

Valuation & Recommendation. Following the recent share price rally, we downgrade MALAKOF to **HOLD** (from BUY), albeit with a higher TP of **RM0.97** (from RM0.96), after incorporating its 70% stake in the 100MWac Bintulu 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

Monday, 06 Oct, 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	4.5	5.0	6.0
Dividend Yield (%)	3.0%	3.4%	4.5%	5.0%	6.0%
P/E (x)	-5.8	18.2	18.9	16.2	15.9
P/B (x)	1.1	1.1	1.1	1.1	1.1
EV/EBITDA (x) *	9.9	6.5	6.6	6.8	6.9
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%	5.7%	6.7%	6.9%
ROA (%)	-4.0%	1.4%	1.4%	1.6%	1.7%
Gearing (%) *	173.2%	154.6%	144.2%	147.5%	168.5%
Net gearing (%) *	126.8%	129.7%	109.4%	117.4%	128.1%

* 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 FY26 FEPS
Sungai Udang WTE	49.9	DCF, WACC: 7.6%
470MWac LSS5+ Solar Farm	226.2	DCF, WACC: 6.8%
100MWac Solar Farm in Bintulu, Sara	49.7	DCF, WACC: 6.8%
O&M	54.7	DCF, WACC: 7.4% g: 2.0%
Associates & JVs (Excluding E-Idamar)	1,302.5	Book Value
(-) Net Debt/(Cash)	5,279.9	
(-) Perpetual Sukuk	800.0	
Total Equity Value	4,753.2	
Enlarged share base (m share)	4,887.0	
Equity Value/ share (RM)	0.97	
ESG premium/discount	0.0%	
Fair Value (RM)	0.97	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & cash equivalents	2,571.0	1,375.6	1,934.7	1,684.5	1,937.5
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	4,995.9	5,403.3	4,912.9
Fixed Assets	10,454.2	10,136.5	9,779.2	9,895.6	10,188.7
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	2,001.4	2,095.7
Total Non-Current Assets	14,600.1	13,948.2	13,400.7	13,362.9	13,531.4
Short-term debt ^	926.7	752.1	1,082.2	1,118.0	1,211.7
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	3,021.2	2,969.8
Long-term debt ^	7,878.4	7,016.1	6,132.4	6,335.4	6,866.5
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	9,947.5	10,150.5	10,681.6
Shareholder's equity	4,489.7	4,505.5	4,488.5	4,490.6	4,449.4
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	5,558.5	5,594.5	4,792.9

^ 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	-801.7	-933.0
Others	1,354.1	-149.4	67.8	61.0	59.2
Investing cash flow	1,078.5	-614.8	-250.7	-740.7	-873.8
Dividends paid to shareholders	-193.0	-182.3	-219.9	-244.3	-293.2
Others	-1,590.6	-1,719.9	-1,082.2	-232.3	-627.0
Financing cash flow	-1,783.6	-1,902.2	-1,302.1	-476.7	-920.2
Net cash flow	1,031.4	-1,171.0	534.8	-250.3	253.0
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	1,934.7	1,684.5
Ending cash & cash equivalents	2,571.0	1,400.0	1,934.7	1,684.5	1,937.5

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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(a) nil.