**Team Coverage**
(603) 7890 8899
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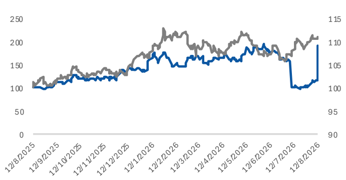
| **Recommendation:** | | **BUY** |
|---|---|---|
| Current Price: | | RM 2.22 |
| Previous Target Price: | | RM 3.060 |
| Target Price: | ↔ | RM 3.060 |
| Capital Upside/Downside: | | 37.8% |
| Dividend Yield (%): | | 10.4% |
| **Total Upside/Downside:** | | **48.2%** |

**Stock information**

| | |
|---|---|
| Board | MAIN |
| Sector | Industrial products & services |
| Bursa / Bloomberg Code | 5916 / SMELT MK |
| Syariah Compliant | Yes |
| ESG Rating | ★★★ |
| Shares issued (m) | 840.0 |
| Market Cap (RM' m) | 1,864.8 |
| 52-Week Price Range (RM) | 2.287-1.099 |
| Beta (x) | 1.1 |
| Free float (%) | 63.1 |
| 3M Average Volume (m) | 1.6 |
| 3M Average Value (RM' m) | 3.2 |

| **Top 3 Shareholders** | **(%)** |
|---|---|
| Straits Trading Co Ltd/Singapore | 26.8 |
| Straits Trading Amalgamated Reso | 16.6 |
| Sword Investments Pvt Ltd | 5.1 |

**Share Price Performance**




| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | 19.4 | 3.7 | 93.3 |
| Relative (%) | 16.4 | 4.0 | 76.1 |

**Earnings Summary**

| FYE Dec (RM m) | FY25 | FY26F | FY27F |
|---|---|---|---|
| Revenue | 1,759.0 | 1,918.3 | 2,199.8 |
| PATAMI | 82.0 | 121.9 | 197.6 |
| CNP | 80.4 | 121.9 | 197.6 |
| Core EPS (sen) | 9.6 | 14.5 | 23.5 |
| PE (x) | 18.9 | 12.5 | 7.7 |

*Source: Company, Apex Securities*

# Malaysia Smelting Corporation Berhad

## Mining Momentum Masks Smelting Slippage

- **2QFY26 core net profit came in at RM33.9m (-21.1% QoQ; +142.0% YoY), bringing 1HFY26 core net profit to RM76.8m, which accounted for 49.5% of our FY26F and 47.4% of consensus, in line with expectations at the half-year mark.**
- **QoQ earnings softened as a sharp decline in smelting profitability, on lower tin intermediates encashment and FX losses, more than offset stronger mining earnings.**
- **The RHT mini-smelter remains on track for completion within FY26, though operations will only commence in FY27 following a commissioning phase; the tailings scavenging plant is undergoing a similar commissioning process, with output ramping up ahead of end-FY26.**
- **We cut our FY26F core net profit forecast by 21.4% to RM121.9m following an update to our USD/MYR assumption; FY27F is largely unchanged.**
- **Maintain BUY with an unchanged TP of RM3.06, based on 13x FY27F EPS of 23.5sen.**

**Within our expectations.** MSC's 2QFY26 core net profit came in at RM33.9m (-21.1% QoQ; +142.0% YoY) after adjusting for a RM3.0m one-off dividend income, RM0.1m fair value gain on forward contracts and RM3.0m stock write-off, bringing 1HFY26 core net profit to RM76.8m, which accounted for 49.5% of our FY26F and 47.4% of consensus, in line with expectations at the half-year mark, supported by higher profit from the sales and encashment of tin intermediates, driven by higher tin prices and wider margins.

**QoQ.** 2QFY26 core net profit declined 21.1% QoQ to RM33.9m, as the sharp decline in smelting profitability more than offset stronger mining earnings. Revenue rose 39.4% QoQ to RM637.3m (1QFY26: RM457.0m), driven by higher refined tin sales volume and a higher average tin price of RM208,400/mt (1QFY26: RM193,100/mt). However, operating expenses (excluding D&A) increased at a faster pace of 49.5% QoQ, resulting in EBITDA margin compression to 10.4% (1QFY26: 16.4%). Tin mining PBT increased by RM3.9m (+7.1% QoQ) to RM59.1m (1QFY26: RM55.2m), underpinned by the higher average tin price. This was more than offset by tin smelting PBT, which declined by RM11.7m (-75.6% QoQ) to RM3.8m (1QFY26: RM15.5m), mainly due to lower sales and encashment of tin intermediates, coupled with FX losses during the quarter.

**YoY.** 2QFY26 core net profit surged 142.0% YoY to RM33.9m, driven primarily by a low base in 2QFY25 when the tin smelting segment was disrupted by the Putra Heights gas pipeline fire incident. Revenue rose 68.2% YoY to RM637.3m (2QFY25: RM379.0m), on higher sales quantity of refined tin and a higher average tin price of RM208,400/mt (2QFY25: RM139,800/mt). Tin smelting PBT swung to a RM3.8m profit from a RM9.6m loss in 2QFY25, a RM13.4m improvement, mainly due to higher profit from sales and encashment of tin intermediates and cost savings from the Butterworth plant closure, partially offset by a foreign exchange loss. Tin mining PBT rose RM30.1m (+103.5% YoY) to RM59.1m (2QFY25: RM29.1m), mainly due to higher tin production quantity and a higher average tin price.

**Outlook.** Tin prices remained elevated in 2QFY26, supported by tight supply conditions in Indonesia, Myanmar and the DRC, where regulatory, geopolitical and operational challenges continue to constrain production. On the demand side, global tin consumption remains underpinned by AI and data centre applications, semiconductors, photovoltaic panels and other energy-transition technologies. Meanwhile, management flagged that the ongoing Middle East conflict has driven energy prices higher, adding to cost pressures across both segments. Against this backdrop, the Group continues to benefit from efficiency gains at the newer Pulau Indah TSL furnace following the closure of the Butterworth plant.

On the mining front, management remains focused on raising daily output, expanding resources and adopting lower-cost processing methods to recover tin from lower-grade material. The tailings scavenging plant has been physically completed and is currently undergoing commissioning, with output expected to ramp up ahead of end-FY26. Separately, the RHT mini-smelter remains on track for completion within FY26, though similarly to the tailings plant, it will undergo a commissioning phase thereafter, with operations expected to commence only in FY27. Overall, we continue to see a clearer pathway towards earnings recovery and margin expansion over FY26-27.

**Earnings revision.** We cut our FY26F core net profit forecast by 21.4% to RM121.9m (from RM155.2m), after updating our USD/MYR assumption to 4.03 (from 4.15), in line with our in-house economist's latest forecast. As approximately 97% of MSC's sales are export-driven and USD-denominated, a stronger MYR translates into lower reported revenue upon conversion, and the impact on earnings is amplified by the Group's operating leverage. Our FY27F forecast is largely unchanged at RM197.6m, as our FY27F USD/MYR assumption of 4.15 is unchanged from previously.

**Valuation**. We maintain our **BUY** call with an unchanged TP of **RM3.06**, based on 13x FY27F EPS of 23.5sen. While our FY26F earnings forecast has been revised down following the USD/MYR update, our valuation base is unaffected as it is pegged to FY27F, where our USD/MYR assumption is unchanged. We continue to favour MSC given its unique positioning as the world's largest independent tin smelter, and its improving earnings quality as mining contribution rises and reliance on third-party feedstock declines.

**Risks**. Key downside risks include tin price volatility, feedstock supply disruptions, unhedged FX exposure, further project delays, and ongoing litigation.

**Figure 1: LME Tin price trend in USD/MT**


*Source: Bloomberg, Apex Securities*

## Results Comparison

| FYE Dec (RM m) | 2QFY26 | 2QFY25 | yoy (%) | 1QFY26 | qoq (%) | 6MFY26 | 6MFY25 | YTD (%) | Comments |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 637.3 | 379.0 | *68.2* | 457.0 | *39.4* | 1,094.3 | 748.7 | *46.2* | *Higher QoQ/YoY on higher sales volume and firmer average tin price* |
| Operating expense (excluding D&A) | (572.3) | (345.3) | *65.8* | (382.8) | *49.5* | (955.1) | (680.6) | *40.3* | |
| **EBITDA** | **66.1** | **32.4** | ***104.0*** | **75.1** | ***(12.0)*** | **141.3** | **65.6** | ***115.4*** | |
| Depreciation | (4.0) | (3.5) | *15.2* | (4.0) | *0.0* | (8.0) | (7.0) | *14.6* | |
| **EBIT/ Operating profit/(loss)** | **62.1** | **28.9** | ***114.7*** | **71.1** | ***(12.7)*** | **133.2** | **58.6** | ***127.4*** | |
| Net Finance Costs | (6.4) | (5.0) | *29.9* | (5.8) | *10.9* | (12.3) | (8.3) | *48.3* | |
| **Pre-tax profit** | **56.6** | **24.4** | ***131.4*** | **66.1** | ***(14.4)*** | **122.7** | **51.1** | ***140.1*** | *QoQ decline as weaker smelting offset stronger mining; YoY growth still supported by firmer tin prices* |
| Taxation | (14.8) | (5.5) | *169.1* | (15.8) | *(5.9)* | (30.6) | (23.6) | *29.5* | |
| **Profit-after tax** | **41.7** | **18.9** | ***120.4*** | **50.4** | ***(17.1)*** | **92.1** | **27.5** | ***235.1*** | |
| (-) Minority interest | 7.7 | 5.0 | *54.8* | 7.4 | *4.0* | 15.1 | 5.8 | *160.4* | |
| **PAT-MI** | **34.0** | **13.9** | ***143.9*** | **42.9** | ***(20.8)*** | **77.0** | **21.7** | ***255.1*** | |
| **Core net profit** | **33.9** | **14.0** | ***142.0*** | **43.0** | ***(21.1)*** | **76.8** | **21.8** | ***253.1*** | |
| Core EPS (sen) | 4.0 | 1.7 | *142.0* | 5.1 | *(21.1)* | 9.1 | 2.6 | *253.1* | |
| | | | | | | | | | |
| EBIT margin (%) | 9.7% | 7.6% | | 15.6% | | 12.2% | 7.8% | | *QoQ margin compression on weaker smelting contribution; YoY margins still expanded on cost savings* |
| EBITDA margin (%) | 10.4% | 8.6% | | 16.4% | | 12.9% | 8.8% | | |
| PBT margin (%) | 8.9% | 6.5% | | 14.5% | | 11.2% | 6.8% | | |
| Core PATMI margin (%) | 5.3% | 3.7% | | 9.4% | | 7.0% | -3.2% | | |

*Source: Company, Apex Securities*

## Revenue breakdown

| FYE Dec (RM m) | 2QFY26 | 2QFY25 | yoy (%) | 1QFY26 | qoq (%) | 6MFY26 | 6MFY25 | YTD (%) | Comments |
|---|---|---|---|---|---|---|---|---|---|
| **Segment Revenue** | | | | | | | | | |
| Tin Smelting | 637.3 | 379.0 | *68.2* | 457.0 | *39.4* | 1,094.3 | 748.7 | *46.2* | |
| Tin Mining | 129.1 | 82.2 | *57.1* | 117.0 | *10.4* | 246.1 | 161.5 | *52.4* | *Supported by firmer tin prices and improved production grade* |
| Others | - | - | - | - | - | - | - | - | |
| Adjustment | (129.1) | (82.2) | *57.1* | (117.0) | *10.4* | (246.1) | (161.5) | *52.4* | |
| **Total** | **637.3** | **379.0** | ***68.2*** | **457.0** | ***39.4*** | **1,094.3** | **748.7** | ***46.2*** | |
| | | | | | | | | | |
| **Profit before tax (PBT)** | | | | | | | | | |
| Tin Smelting | 3.8 | (9.6) | *nm* | 15.5 | *(75.7)* | 19.3 | (3.9) | *nm* | |
| Tin Mining | 59.1 | 29.1 | *103.5* | 55.2 | *7.1* | 114.3 | 58.4 | *95.8* | |
| Others | 0.7 | 0.3 | *158.6* | 0.6 | *11.6* | 1.4 | 0.5 | *176.8* | |
| Adjustment | (7.1) | 4.7 | *nm* | (5.3) | *34.1* | (12.3) | (3.9) | *213.0* | |
| **Total** | **56.6** | **24.4** | ***131.4*** | **66.1** | ***(14.4)*** | **122.7** | **51.1** | ***140.1*** | |
| | | | | | | | | | |
| PBT Margin | 0.6% | -2.5% | | 3.4% | | 1.8% | -0.5% | | |
| Tin Smelting | 45.8% | 35.4% | | 47.2% | | 46.5% | 36.2% | | |
| Tin Mining | 0.0% | 0.0% | | 0.0% | | 0.0% | 0.0% | | |
| Others | 5.5% | -5.7% | | 4.5% | | 5.0% | 2.4% | | |

*Source: Company, Apex Securities*

## Financial Highlights

**Income Statement**

| FYE Dec (RM m) | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| **Revenue** | **1,691.8** | **1,759.0** | **1,918.3** | **2,199.8** | **2,382.9** |
| **Gross Profit** | **243.7** | **244.7** | **327.8** | **450.0** | **564.0** |
| **EBITDA** | **165.1** | **172.5** | **222.7** | **328.3** | **431.6** |
| Depreciation & Amortisation | -13.6 | -14.8 | -15.1 | -15.5 | -16.1 |
| **EBIT** | **151.5** | **157.7** | **207.7** | **312.7** | **415.6** |
| Net Finance Income/ (Cost) | -19.2 | -20.8 | -19.8 | -19.8 | -19.8 |
| Associates & JV | -0.2 | 1.4 | 1.4 | 1.4 | 1.4 |
| **Pre-tax Profit** | **132.0** | **138.3** | **189.3** | **294.4** | **397.2** |
| Tax | -38.5 | -42.0 | -53.0 | -82.4 | -111.2 |
| **Profit After Tax** | **93.5** | **96.4** | **136.3** | **212.0** | **286.0** |
| Minority Interest | 14.1 | 14.4 | 14.4 | 14.4 | 14.4 |
| **Net Profit** | **79.4** | **82.0** | **121.9** | **197.6** | **271.6** |
| Exceptionals | -1.2 | 1.5 | 0.0 | 0.0 | 0.0 |
| **Core Net Profit** | **80.7** | **80.4** | **121.9** | **197.6** | **271.6** |

**Key Ratios**

| FYE Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| EPS (sen) | 9.6 | 9.6 | 14.5 | 23.5 | 32.3 |
| P/E (x) | 18.9 | 18.9 | 12.5 | 7.7 | 5.6 |
| P/B (x) | 3.5 | 3.4 | 3.4 | 3.3 | 3.2 |
| EV/EBITDA (x) | 8.2 | 7.9 | 5.8 | 4.1 | 3.1 |
| DPS (sen) | 31.0 | 7.5 | 14.2 | 23.1 | 31.7 |
| Dividend Yield (%) | 17.1% | 4.1% | 7.9% | 12.7% | 17.5% |
| EBITDA margin (%) | 9.8% | 9.8% | 11.6% | 14.9% | 18.1% |
| EBIT margin (%) | 9.0% | 9.0% | 10.8% | 14.2% | 17.4% |
| PBT margin (%) | 7.8% | 7.9% | 9.9% | 13.4% | 16.7% |
| PAT margin (%) | 5.5% | 5.5% | 7.1% | 9.6% | 12.0% |
| NP margin (%) | 4.7% | 4.7% | 6.4% | 9.0% | 11.4% |
| CNP margin (%) | 4.8% | 4.6% | 6.4% | 9.0% | 11.4% |
| ROE (%) | 10.4% | 10.0% | 14.9% | 23.6% | 31.7% |
| ROA (%) | 5.9% | 5.3% | 8.5% | 13.5% | 18.4% |
| Gearing (%) | 47.9% | 47.5% | 46.5% | 45.5% | 44.4% |
| Net gearing (%) | 20.6% | 19.3% | 27.0% | 20.1% | 21.2% |

| Valuations | FY27F |
|---|---|
| Core EPS (RM) | 0.235 |
| P/E multiple (x) | 13.0 |
| **Fair value (RM)** | **3.06** |
| ESG premium/discount | 0.0% |
| **Implied Fair Value (RM)** | **3.06** |

*Source: Company, Apex Securities*

**Balance Sheet**

| FYE Dec (RM m) | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| Cash | 211.8 | 226.1 | 159.6 | 211.9 | 198.7 |
| Receivables | 38.1 | 88.5 | 87.8 | 89.2 | 90.1 |
| Inventories | 615.8 | 678.6 | 653.6 | 623.2 | 647.8 |
| Other current assets | 14.8 | 15.0 | 15.0 | 15.0 | 15.0 |
| **Total Current Assets** | **880.7** | **1,008.2** | **915.9** | **939.3** | **951.6** |
| Fixed Assets | 261.9 | 272.0 | 280.2 | 288.7 | 297.5 |
| Intangibles | 142.3 | 141.8 | 141.8 | 141.8 | 141.8 |
| Other non-current assets | 79.0 | 89.1 | 89.1 | 89.1 | 89.1 |
| **Total Non-Current Assets** | **483.2** | **502.9** | **511.0** | **519.6** | **528.3** |
| Short-term debt | 343.5 | 366.1 | 366.1 | 366.1 | 366.1 |
| Payables | 124.6 | 233.7 | 132.8 | 146.3 | 147.5 |
| Other current liabilities | 20.9 | 12.4 | 12.4 | 12.4 | 12.4 |
| **Total Current Liabilities** | **489.0** | **612.2** | **511.3** | **524.8** | **526.0** |
| Long-term debt | 27.8 | 14.4 | 14.4 | 14.4 | 14.4 |
| Other non-current liabilities | 71.5 | 82.5 | 82.5 | 82.5 | 82.5 |
| **Total Non-Current Liabilities** | **99.3** | **96.9** | **96.9** | **96.9** | **96.9** |
| Shareholder's equity | 775.5 | 801.9 | 818.8 | 837.1 | 856.9 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Equity** | **775.5** | **801.9** | **818.8** | **837.1** | **856.9** |

**Cash Flow**

| FYE Dec (RM m) | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| **Pre-tax profit** | **132.0** | **138.3** | **189.3** | **294.4** | **397.2** |
| Depreciation & amortisation | 13.6 | 14.8 | 15.1 | 15.5 | 16.1 |
| Changes in working capital | 147.4 | 146.8 | -75.2 | 42.5 | -24.4 |
| Others | -209.1 | -217.2 | -53.0 | -82.4 | -111.2 |
| **Operating cash flow** | **83.9** | **82.7** | **76.2** | **270.0** | **277.7** |
| Capex | -19.0 | -23.7 | -23.2 | -24.1 | -24.8 |
| Others | 21.8 | 6.4 | 0.0 | 0.0 | 0.0 |
| **Investing cash flow** | **2.9** | **-17.3** | **-23.2** | **-24.1** | **-24.8** |
| Dividends paid | -130.2 | -63.0 | -119.5 | -193.6 | -266.2 |
| Others | -8.6 | 11.9 | 0.0 | 0.0 | 0.0 |
| **Financing cash flow** | **-138.8** | **-51.1** | **-119.5** | **-193.6** | **-266.2** |
| **Net cash flow** | **-52.1** | **14.3** | **-66.5** | **52.3** | **-13.2** |
| Forex | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 264.2 | 211.8 | 226.1 | 159.6 | 211.9 |
| **Ending cash** | **211.8** | **226.1** | **159.6** | **211.9** | **198.7** |

## ESG Matrix Framework:

### Environment

| Parameters | Rating | Comments |
|---|---|---|
| Climate | ★★★ | Scope 1 and 2 emissions declined 23% YoY to 91,600 $tCO_2e$ in FY2025, supported by operational efficiencies and Pulau Indah consolidation. |
| Waste & Effluent | ★★★ | Waste management aligns with industry standards and regulatory requirements as well as minimise environmental impact. |
| Energy | ★★★ | Total energy consumption declined 8% YoY to 43.2m kWh in FY2025 |
| Water | ★★★ | Water consumption declined 7% YoY across all operating sites in FY2025 |
| Compliance | ★★★ | The Group complies with all local and international environmental regulations. |

### Social

| | | |
|---|---|---|
| Diversity | ★★ | Female Board representation stood at 42.9% in FY2025 |
| Human Rights | ★★★ | Enforce and adopts Code of Ethics and Conduct |
| Occupational Safety and Health | ★★★ | Formal grievance mechanism in place; strong zero-incident policies and health & safety oversight |
| Labour Practices | ★★★ | Fully compliant with labour standards; no violations in FY25 |

### Governance

| | | |
|---|---|---|
| CSR Strategy | ★★★★ | Allocated RM188k towards industry-academia collaboration initiatives in FY2025, alongside continued employee welfare, health and community engagement programmes. |
| Management | ★★ | Majority independent Board supported by dedicated ESG Committee and formal risk oversight frameworks. |
| 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



As of **Thursday, 13 Aug, 2026**, 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.