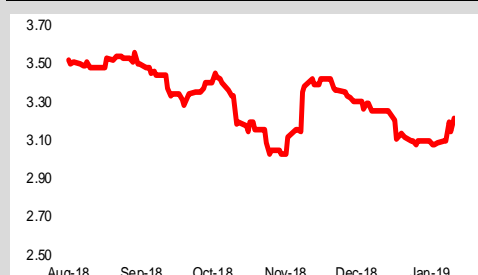


DESCRIPTION

A conglomerate company that is mainly involved in power, resources and property businesses.

12-Month Target Price RM4.74
Current Price RM3.22
Expected Return +47.2%

Market Sector Main Conglomerate
Bursa Code 3069
Bloomberg Ticker MFCB MK
Shariah-compliant Yes

SHARE PRICE CHART


52 Week Range (RM) 2.99-3.80
3-Month Average Vol ('000) 110.9

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-3.4	-5.4	-12.2
Relative Returns	-3.0	2.5	-10.5

KEY STOCK DATA

Market Capitalisation (RM m) 1,278.1
No. of Shares (m) 390.3

MAJOR SHAREHOLDERS

Shareholder	%
Goh Family	34.0
Fidelity Fund	8.8
Mega First Corp (Share buy-back a/c)	5.1

Chong Hoe Leong

T 603 2268 3015

F 603 2268 3014

E chonghoeleong@publicinvestbank.com.my

In The Final Lap

We recently had a meeting with Mega First's (MFCB) management and came away with some positive developments. The Laos hydropower project is in the final stage of completion and we will see the first turbine installation in March followed by the energy test in June-July. The resources segment will continue to see margin pressures however due to a slowdown in economic activities and a weakening US Dollar. Interestingly, management has set its sights on the renewable energy business in Malaysia as the next venture after successful operation of the Don Sahong hydropower plant. Maintain **Outperform** call with an unchanged TP of RM4.74.

§ **Laos hydropower project on the right track.** Construction of the Don Sahong hydropower project has reached 79%-80% as of Dec-2018. We expect to see the 1st turbine installation in March 2019 followed by the energy test in June-July. According to the engineering test, the turbines are expected to generate water flows at a rate of 600 cu meter/second with an average utilization rate of 89%-90%, which is one of the highest levels in the world. We understand that as there are more new hydropower stations emerging along the Mekong river, it will generate more water flow into the channels heading towards the Don Sahong hydropower's turbines, which are located at the southern end of Laos. Technically, it will help increase the water flow and potentially increase the utilization rate especially during the dry season, which is expected to see a low utilization rate of 77% for now. Meanwhile, the government's transmission line measuring 120km from the Electricite du Laos Ban Hat substation to Don Sahong's Ban Hut substation is currently on track for both parties (about 40% completed).

Upon commercial operation, the four turbines are expected to generate an annual electricity production of 1,825GWh or 5,000MW/day and will be sold to Electricite Du Laos (EDL) for domestic consumption while excess electricity supplies will be sold to Cambodia. EDL will pay Don Sahong according to the energy availability and the payments are guaranteed by the Laos Ministry of Finance. It is worth noting that the company will see a one-off lucrative gain (not included in our FY19 earnings forecasts) during the 6-month energy testing period as energy generated will be sold directly to EDL. Based on our earnings estimates, the hydropower project will contribute annual sales of RM400m-RM450m and profit of RM200m-260m during the 25 years of concession.

§ **Challenging outlook in resources arm.** The limestone business will continue to be under margin pressure due to i) heightening cost pressure (70% of operating cost is fixed cost), ii) inability to pass on to consumers, iii) weakening US dollar and iv) weaker demand, especially in the steel sector, due to slower pace in regional economic activities. Nevertheless, the increased production capacity by 400mt/day to 1,960mt/day following the recent completion of kiln 8 in Gopeng, will help buffer the earnings pressure by lifting sales volumes.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	915.4	910.8	782.0	591.5	777.5	-4.0%
Gross Profit	227.8	229.6	219.0	165.6	349.9	11.3%
Pre-tax Profit	199.6	192.9	173.2	127.2	303.0	11.0%
Core Net Profit	120.7	110.4	120.7	88.6	231.8	17.7%
EPS (Sen)	31.6	28.9	31.7	23.2	60.8	17.7%
P/E (x)	10.2	11.1	10.2	13.9	5.3	
DPS (Sen)	5.0	4.0	4.0	4.0	30.0	
Dividend Yield (%)	1.6	1.0	1.0	1.0	7.9	

Source: Company, PublicInvest Research estimates

Figure 1: SOP-based Valuations

Sum-Of-Parts Valuations	Valuation Basis	Value (RM m)	RM/share
Resources	CY19 PER of 18x	429.4	0.87
Don Sahong hydropower project	80% stake & 10% discount (WACC: 7.7%)	1,691.8	3.42
Investment in quoted shares	Book Value	56.9	0.11
Investment Properties	Book Value	167.7	0.34
Fully-diluted Target Price (RM/share)		2,345.8	4.74
No. of shares (m)		401.9	
ESOS (m)		14.1	
Treasury shares (m)		20.5	
Full conversion of warrants (m)		58.8	
Fully diluted share base (m)		495.3	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	915.4	910.8	782.0	591.5	777.5
Gross Profit	227.8	229.6	219.0	165.6	349.9
EBIT	205.8	199.7	194.4	151.3	324.0
Finance costs	-6.2	-6.8	-21.6	-24.6	-21.5
Pre-tax Profit	199.6	192.9	173.2	127.2	303.0
Income Tax	-42.4	-35.2	-31.2	-22.9	-30.3
Effective Tax Rate (%)	21.2	18.2	18.0	18.0	10.0
Minorities	-36.5	-47.3	-21.3	-15.6	-40.9
Core Net Profit	120.7	110.4	120.7	88.6	231.8
Growth (%)					
Revenue	55.5	-0.5	-14.1	-24.4	31.4
Gross Profit	34.6	-3.0	-2.7	-22.2	114.1
Core Net Profit	46.1	0.3	-9.9	-26.6	161.5

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Fixed assets	315.5	262.1	239.7	210.3	173.6
Other long-term assets	794.1	1,240.7	1,790.7	2,090.7	2,100.7
Cash at Bank	291.3	138.7	250.5	188.5	190.9
Other current assets	186.9	204.0	173.8	131.5	164.6
Total Assets	1,587.8	1,845.5	2,454.7	2,621.0	2,629.8
ST Borrowings	65.9	108.4	108.4	108.4	108.4
LT Borrowings	22.6	112.7	612.7	712.7	562.7
Payables	134.5	195.9	163.2	125.1	125.6
Other Liabilities	42.1	58.8	58.8	58.8	58.8
Total Liabilities	265.1	475.8	943.1	1,005.0	855.5
Shareholders' Equity	1,322.7	1,369.7	1,511.7	1,616.0	1,774.3
Total Equity and Liabilities	1,587.8	1,845.5	2,454.8	2,621.1	2,629.8

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	3.5	3.6	4.0	4.2	4.7
NTA Per Share (Sen)	3.4	3.6	3.9	4.2	4.6
EPS (sen)	31.6	28.9	31.7	23.2	60.8
DPS (sen)	5.0	4.0	4.0	4.0	30.0
Payout Ratio (%)	15.8	13.8	12.6	17.2	49.4
ROA (%)	9.9	8.5	5.8	4.0	10.4
ROE (%)	11.9	11.5	9.4	6.5	15.4

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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Published and printed by:

PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014

Dealing Line 603 2268 3129