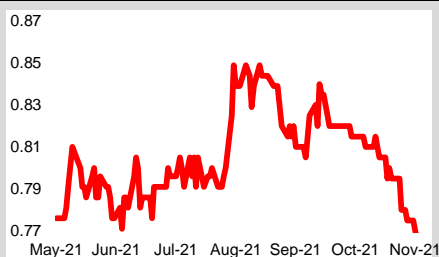


**DESCRIPTION**

Largest independent power producer (IPP) in Malaysia and SEA in terms of total generation capacity. Ventured into power generation and water production assets in Middle East and North Africa (MENA region) and renewable energy business (wind farm) in Australia.

**12-Month Target Price** RM1.02  
**Current Price** RM0.76  
**Expected Return** +34%

**Market** Main  
**Sector** Power  
**Bursa Code** 5264  
**Bloomberg Ticker** MLK MK  
**Shariah-compliant** Yes

**SHARE PRICE CHART**


52 Week Range (RM) 0.77 – 0.95  
3-Month Average Vol ('000) 1,290.6

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-6.1	-9.8	-1.4
Relative Returns	-1.9	-9.2	-1.3

**KEY STOCK DATA**

Market Capitalisation (RM m) 4,056.2  
No. of Shares (m) 4,887.0

**MAJOR SHAREHOLDERS**

	%
Anglo Oriental Annuities	20.1
MMC Corp	18.4
Amanah Saham Nasional	16.4

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**Above Expectations**

Malakoff's 3QYF21 core net profit came in at RM73.4m (+28.9% YoY, -40.7% QoQ) which beat our and consensus expectations. YTD, Group core net profit of RM277.1m (+10.3% YoY) is already 89% and 87% of our and consensus full year estimates primarily due to surge in the share of net profits in associates as operations resumed after the planned outages in 1QFY21. YoY, profits were also lifted due to higher energy payments recorded from Tanjung Bin Power Sdn. Bhd. (TBP) and Tanjung Bin Energy Sdn. Bhd. (TBE) on the back of higher applicable coal price (ACP). However, these were partially offset by lower energy payments recorded from gas plants namely Segari Energy Ventures Sdn. Bhd. (SEV), GB3 Sdn. Bhd. (GB3) and Prai Power Sdn. Bhd. (PPSB) given the decrease in despatch factor. All told, we adjust our FY21/FY22/FY23 profit estimates by +6%/+5%/+7% to factor in the better margins and higher contributions from associates/JV. Reiterate **Outperform** with DCF-based target price maintained at RM1.02

§ **Local assets** as a whole performed better due to increase in plant Equivalent Availability Factor (EAF) in both its coal-fired power plants and gas fired power plants. For coal-fired power plants, TBP's EAF rose to 96% in 3QFY21 from 87% in 2QFY21 while TBE saw an increase in EAF from 94% in 2QFY21 to 100% in 4QFY21 due to zero unplanned outages. As for international assets, we understand that performance in 3QFY21 was mainly affected by some repair works in two of its assets while the remaining two performed as expected.

§ **Alam Flora, another key profit driver.** We understand that in the Environmental Services segment i.e. Alam Flora continues to be a key driver of the Group's profits with a YTD contribution of RM75.8m, making up 31% of Group's overall earnings. Total domestic waste collected in KL, Pahang and Putrajaya was still around 280k tonnes. However, waste handled was lower in 3QFY21 due to lower incoming tonnage from transfer stations, landfill and incinerators facilities. Elsewhere, recyclable material collected was higher by 5% YoY due to higher waste collected and various recycling programmes conducted during the quarter.

**KEY FORECAST TABLE**

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	7,278.5	6,276.8	7,072.4	7,081.3	6,946.3	-1.2%
Pre-tax Profit	479.5	444.6	537.2	553.2	531.9	2.6%
Net Profit	320.2	286.6	329.4	319.3	328.3	0.6%
Core Net Profit	223.0	278.1	329.4	319.3	328.3	10.1%
EPS (Sen)	6.4	5.7	6.6	6.4	6.6	0.6%
P/E (x)	11.9	13.3	11.5	11.9	11.6	
DPS (Sen)	6.6	2.8	6.6	6.4	6.6	
Div Yield (%)	8.6	3.7	8.7	8.4	8.6	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<b>FYE Dec (RM m)</b>	<b>3Q21</b>	<b>3Q20</b>	<b>2Q21</b>	<b>YoY Chg (%)</b>	<b>QoQ Chg (%)</b>	<b>YTD FY21</b>	<b>YTD FY20</b>	<b>YoY chg (%)</b>
Revenue	1,583.8	1,482.9	1,584.4	6.8	0.0	4,519.4	4,763.0	-5.1
Cost of sales	-1,287.8	-1,239.0	-1,221.3	3.9	5.4	-3,575.9	-3,913.0	-8.6
<b>Gross profit</b>	<b>296.0</b>	<b>243.9</b>	<b>363.1</b>	<b>21.4</b>	<b>-18.5</b>	943.4	850.0	<b>11.0</b>
Other income	5.4	7.6	3.9	-28.3	38.2	16.2	64.1	-74.7
Administrative expenses	-49.3	-54.1	-60.7	-8.9	-18.8	-159.8	-163.2	-2.1
Other operating expenses	-47.0	-34.8	-37.6	35.0	25.0	-114.5	-93.2	22.8
<b>EBIT</b>	<b>205.2</b>	<b>162.6</b>	<b>268.8</b>	<b>26.2</b>	<b>-23.7</b>	685.4	657.7	<b>4.2</b>
Finance income	28.2	41.0	31.4	-31.2	-10.1	88.3	136.6	-35.4
Finance costs	-172.3	-185.6	-172.0	-7.2	0.2	-515.4	-565.0	-8.8
Share of profit of equity-accounted associates and JV, net of tax	57.5	49.7	61.5	15.7	-6.5	146.8	141.0	4.1
<b>Profit before tax</b>	<b>118.6</b>	<b>67.6</b>	<b>189.7</b>	<b>75.5</b>	<b>-37.5</b>	405.0	370.3	<b>9.4</b>
Income tax expenses	-45.8	-7.0	-59.8	555.2	-23.3	-128.4	-91.4	40.5
Non-controlling interests	-5.6	-9.8	-12.2	-43.0	-54.2	-31.2	-34.0	
Profit for discontinue operations	0.0	0.0	0.0	#DIV/0!	#DIV/0!	0.0	0.0	
<b>Net profit</b>	<b>67.2</b>	<b>50.8</b>	<b>117.7</b>	<b>32.2</b>	<b>-43.0</b>	<b>245.3</b>	<b>244.9</b>	<b>0.2</b>
Core net profit	73.4	56.9	123.7	28.9	-40.7	277.1	251.2	10.3
Basic EPS (sen)	1.24	1.82	1.24			1.24	1.82	
GP Margin (%)	19%	16%	23%			21%	18%	
EBIT Margin (%)	13%	11%	17%			15%	14%	
Net Profit Margin (%)	4%	3%	7%			5%	5%	
Effective Tax Rate (%)	-39%	-10%	-32%			-32%	-25%	

Source: Company

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	7,278.5	6,276.8	7,072.4	7,081.3	6,946.3
Gross Profit	1,186.6	1,143.0	1,374.2	1,373.1	1,345.2
Operating Income	1,107.1	844.4	1,091.4	1,089.8	1,069.8
Pre-tax Profit	479.5	444.6	537.2	553.2	531.9
Income Tax	-149.6	-114.5	-155.8	-182.6	-154.2
Effective Tax Rate (%)	31.2	25.8	29.0	33.0	29.0
Minorities	-54.5	-43.5	-51.9	-51.3	-49.4
<b>Net Profit</b>	<b>320.2</b>	<b>286.6</b>	<b>329.4</b>	<b>319.3</b>	<b>328.3</b>
Core Net Profit	223.0	278.1	329.4	319.3	328.3
<b>Growth (%)</b>					
Revenue	-1%	-14%	13%	0%	-2%
Gross Profit	-16%	-4%	20%	0%	-2%
Core net Profit	2%	25%	12%	3%	-4%

Source: Company, PublicInvest Research estimates

**BALANCE SHEET DATA**

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	12,874.1	12,398.7	13,093.5	13,253.1	13,532.2
Cash and Cash Equivalents	5,254.9	4,440.8	5,407.1	5,652.0	5,808.0
Trade and Other Receivables	1,501.3	1,364.9	1,458.8	1,460.6	1,432.7
Other Assets	6,929.7	5,984.4	6,309.0	6,022.2	5,722.0
<b>Total Assets</b>	<b>26,559.9</b>	<b>24,188.8</b>	<b>26,268.4</b>	<b>26,387.9</b>	<b>26,495.0</b>
Trade and Other Payables	1,593.2	1,360.3	1,548.1	1,550.1	1,520.5
Borrowings	12,398.1	10,882.1	12,149.8	12,277.4	12,405.1
Deferred tax	1,294.8	1,200.9	1,294.8	1,294.8	1,294.8
Other Liabilities	4,598.4	4,300.7	4,598.4	4,598.4	4,598.4
<b>Total Liabilities</b>	<b>19,884.5</b>	<b>17,744.0</b>	<b>19,591.0</b>	<b>19,720.7</b>	<b>19,818.8</b>
Total Equity	6,675.4	6,444.7	6,677.3	6,667.2	6,676.2
<b>Total Equity and Liabilities</b>	<b>26,559.9</b>	<b>24,188.8</b>	<b>26,268.4</b>	<b>26,387.9</b>	<b>26,495.0</b>

Source: Company, PublicInvest Research estimates

**PER SHARE DATA & RATIOS**

FYE Dec	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	1.3	1.3	1.3	1.3	1.3
NTA Per Share	0.6	0.7	0.8	0.8	0.9
EPS (Sen)	6.4	5.7	6.6	6.4	6.6
DPS (Sen)	6.6	2.8	6.6	6.4	6.6
Payout Ratio (%)	102.3	48.9	100.0	100.0	100.0
ROA (%)	1.2	1.2	1.3	1.2	1.2
ROE (%)	4.8	4.4	4.9	4.8	4.9

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### **STOCKS**

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### **SECTOR**

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

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**Published and printed by:**

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