

Malaysia

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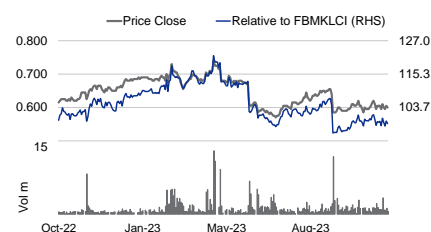
Consensus ratings*: Buy 6 Hold 5 Sell 0

Current price:	RM0.60
Target price:	RM0.80
Previous target:	RM0.80
Up/downside:	33.3%
CGS-CIMB / Consensus:	22.0%
Reuters:	MALA.KL
Bloomberg:	MLK MK
Market cap:	US\$613.7m
	RM2,932m
Average daily turnover:	US\$0.19m
	RM0.87m
Current shares o/s	4,887m
Free float:	17.0%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (RMm)	226.5	243.6	261.6
Core EPS (RM)	0.046	0.050	0.054
Core EPS Growth	(29.5%)	7.6%	7.4%
FD Core P/E (x)	12.95	12.03	11.21
Recurring ROE	3.56%	3.82%	4.09%
P/BV (x)	0.46	0.46	0.46
DPS (RM)	0.044	0.047	0.051
Dividend Yield	7.34%	7.89%	8.48%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.8	-4.8	-2.4
Relative (%)	-0.9	-4.1	-1.6

Major shareholders

	% held
MMC Corporation Berhad	38.5
PNB	11.8
Urusharta Jamaah Sdn. Bhd.	10.2

Analyst(s)

Dharmini THURASINGAM

T (60) 3 2635 9289

E dharmini@cgs-cimb.com

Malakoff Corporation

Expanding waste management services

- Malakoff has proposed to acquire a 49% stake in E-Idaman for RM133m, giving it exposure to waste management services in Perlis and Kedah.
- We view the deal positively as it strengthens the company's position in waste management services in addition to being earnings accretive.
- Reiterate Add with a DCF-based target price of RM0.80.

Proposed acquisition of a 49% stake in E-Idaman

- In a Bursa filing on Friday, 27 October 2023, Malakoff announced that it has entered into a conditional sale and purchase agreement with Metacorp Berhad for the proposed acquisition of a 49% stake in E-Idaman Sdn Bhd for a cash consideration of RM133m.
- According to the agreement, any upward/downward adjustment to the purchase consideration should not exceed 5%.
- Most of the balance 51% shareholding is held by Cenviro Sdn Bhd, a majority-owned investee company of Khazanah Nasional and SK Ecoplant as a shareholding partner.
- The company expects the acquisition to be completed within 6 months.

Background on E-Idaman

- E-Idaman is primarily involved in collection and disposal of municipal waste under a 22-year concession granted by the government of Malaysia in September 2011 for the provision of solid waste collection and public cleansing management services in the states of Kedah and Perlis.
- With more than 170 solid waste collection vehicles, E-Idaman is capable of handling an average of 1,450 tonnes per day of solid waste across 350,000 premises, in addition to running public cleaning services.

Initial take: An earnings-accretive acquisition

- In 2022, E-Idaman registered a revenue and net profit of RM293m and RM28m, respectively, implying an acquisition multiple of 9.6x P/E, which we find reasonable for a concession-type asset with a remaining 10-year tenure.
- Assuming all else remains equal, profit levels hold and taking into account loss of interest income, we estimate incremental earnings of ~RM9m for Malakoff from the proposed 49% associate stake, potentially enhancing overall group 2024F PAT by ~4%.
- That said, E-Idaman is expected to record a significant increase in revenues, according to the announcement. However, there were no details provided for this.
- Apart from the earnings accretion, we view the deal positively as it further strengthens the group's waste management and environmental solutions segment. Currently, Malakoff owns the concession to provide solid waste management services in Kuala Lumpur, Putrajaya and Pahang, handling ~3,200 tonnes per day.
- We have an Add rating on Malakoff with a DCF-based RM0.80 TP (WACC:9.1%). While 1H23 earnings were disappointing due to the negative fuel margins realised, we expect earnings and, in turn, cash flows to show improvements in subsequent quarters on the back of more stable coal prices. Key re-rating catalysts: earnings-accretive RE capacity expansion and a recovery in dividends going into 2024. Downside risks: negative fuel margins remaining persistently high and unplanned plant outages.

Figure 1: Peer comparison

Company	Mkt Cap	Rec.	Price	TP	PE (x)		PBV (x)		EV/EBITDA (x)		Yield (%)	
	(RMm)		(RM)	(RM)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Tenaga Nasional	57,121	ADD	9.87	12.00	15.6	12.8	1.0	0.9	5.5	5.0	4.7	4.8
Petronas Gas	33,955	HOLD	17.16	17.00	18.1	17.5	2.5	2.5	9.7	9.4	4.7	4.9
YTL Power International	17,015	ADD	2.10	2.40	8.7	8.5	1.0	0.9	8.1	7.9	3.3	3.8
Gas Malaysia Berhad	4,173	HOLD	3.25	3.20	11.8	13.7	3.1	2.9	6.8	8.0	6.4	5.5
Malakoff Corporation	2,932	ADD	0.60	0.80	12.9	12.0	0.5	0.5	4.6	4.3	7.3	7.9
Overall sector					13.4	12.9	1.6	1.5	6.9	6.9	5.3	5.4

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

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BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	10,355	9,270	8,074	7,698
Gross Profit	3,030	2,630	2,464	2,393
Operating EBITDA	2,216	1,892	1,840	1,803
Depreciation And Amortisation	-1,214	-1,112	-1,085	-1,053
Operating EBIT	1,002	780	755	751
Financial Income/(Expense)	-523	-458	-401	-362
Pretax Income/(Loss) from Assoc.	276	109	109	109
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	756	431	464	498
Exceptional Items				
Pre-tax Profit	756	431	464	498
Taxation	-351	-165	-177	-190
Exceptional Income - post-tax	-19	0	0	0
Profit After Tax	386	266	287	308
Minority Interests	-84	-40	-43	-46
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	302	226	244	262
Recurring Net Profit	321	226	244	262
Fully Diluted Recurring Net Profit	321	226	244	262

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	1,540	3,020	3,824	4,581
Total Debtors	2,087	1,270	1,106	1,055
Inventories	1,681	1,505	1,311	1,250
Total Other Current Assets	803	803	803	803
Total Current Assets	6,111	6,597	7,043	7,688
Fixed Assets	10,957	10,564	10,199	9,767
Total Investments	1,828	1,937	2,046	2,156
Intangible Assets	2,527	2,207	1,887	1,567
Total Other Non-Current Assets	562	562	562	562
Total Non-current Assets	15,873	15,270	14,695	14,051
Short-term Debt	972	972	972	972
Current Portion of Long-Term Debt				
Total Creditors	1,599	1,432	1,247	1,189
Other Current Liabilities	636	636	636	636
Total Current Liabilities	3,208	3,040	2,856	2,798
Total Long-term Debt	7,771	7,771	7,771	7,771
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3,312	3,312	3,312	3,312
Total Non-current Liabilities	11,084	11,084	11,084	11,084
Total Provisions	997	997	997	997
Total Liabilities	15,288	15,120	14,936	14,878
Shareholders' Equity	6,361	6,372	6,385	6,398
Minority Interests	335	375	418	464
Total Equity	6,696	6,747	6,802	6,862

Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	2,216	1,892	1,840	1,803
Cash Flow from Inv. & Assoc.				
Change In Working Capital	-1,997	826	173	54
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	192	0	0	0
Net Interest (Paid)/Received	-608	-572	-572	-572
Tax Paid	-351	-165	-177	-190
Cashflow From Operations	-548	1,981	1,265	1,095
Capex	-301	-400	-400	-300
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	2,112	114	171	210
Cash Flow From Investing	1,811	-286	-229	-90
Debt Raised/(repaid)	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-293	-215	-231	-249
Preferred Dividends				
Other Financing Cashflow	-1,607	-572	-572	-572
Cash Flow From Financing	-1,900	-787	-803	-820
Total Cash Generated	-637	908	232	185
Free Cashflow To Equity	1,263	1,695	1,036	1,005
Free Cashflow To Firm	1,871	2,267	1,608	1,577

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	60.2%	(10.5%)	(12.9%)	(4.7%)
Operating EBITDA Growth	2.2%	(14.6%)	(2.7%)	(2.0%)
Operating EBITDA Margin	21.4%	20.4%	22.8%	23.4%
Net Cash Per Share (RM)	-1.47	-1.17	-1.01	-0.85
BVPS (RM)	1.30	1.30	1.31	1.31
Gross Interest Cover	1.65	1.36	1.32	1.31
Effective Tax Rate	46.4%	38.2%	38.2%	38.2%
Net Dividend Payout Ratio	79.9%	95.0%	95.0%	95.0%
Accounts Receivables Days	50.81	66.08	53.85	51.22
Inventory Days	63.67	87.58	91.87	88.09
Accounts Payables Days	77.2	83.3	87.4	83.8
ROIC (%)	4.23%	3.57%	3.82%	4.03%
ROCE (%)	6.42%	5.43%	5.61%	5.80%
Return On Average Assets	3.54%	2.78%	2.69%	2.66%

12-mth Fwd FD P/E (x) - Malakoff Corporation



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue growth (%)	60.2%	-10.5%	-12.9%	-4.7%

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Description:	Excellent	Very Good	Good	N/A	N/A

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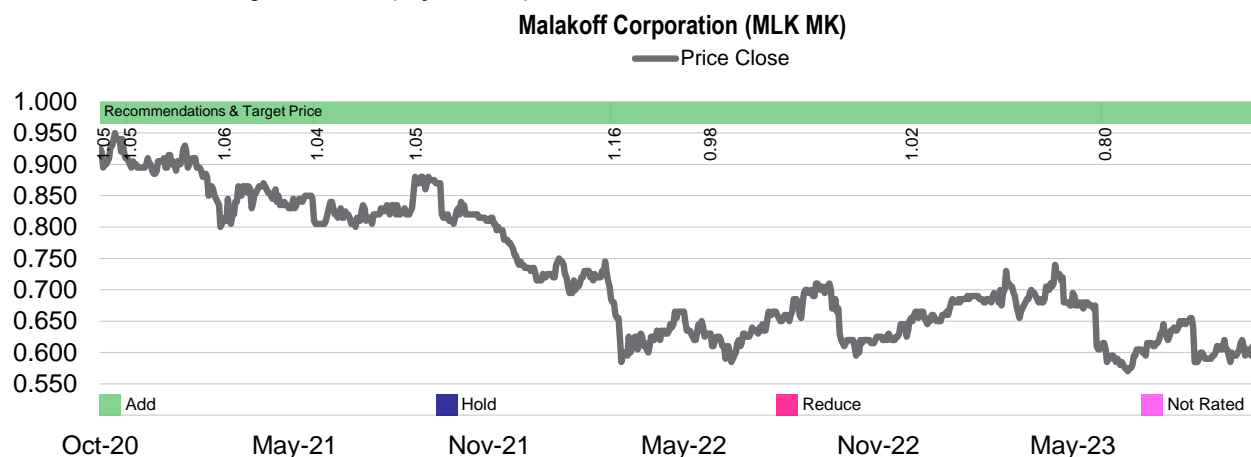
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.