Malayan Cement Berhad

(3794 | LMC MK) Main | Industrial Products & Services

Healthy Start to FY25

Maintain **BUY**

Revised **Target Price: RM6.81**

(Previously RM6.60)

KEY INVESTMENT HIGHLIGHTS

- **1QFY25 core net profit rose +53.8%yoy to RM144.5m; slightly ahead of expectations**
- **Cement operating profit grew +12.5%yoy; Aggregates and concrete operating profit surged 5.8x**
- **FY25 demand to continue being driven by private sector with industrial projects such as warehouses and DCs**
- **Maintain BUY with an upgraded TP of RM6.81**

Exceed expectations. Malayan Cement kicked off 1QFY25 on a strong note with a +53.8%yoy increase in its core net profit to RM144.5m, attributable to stronger earnings from both the cement and concrete divisions. This came in slightly ahead of expectations, making up 30.8% of our and 30.0% of street's full year estimates.

Cement segment. While cement saw a decline in revenue during the quarter by -6.3%yoy to RM825.9m due to slightly weaker sales volume, operating profit grew +12.5%yoy to RM212.6m, attributable to improved operational efficiency. Management guided that both the volume, cement prices and costs remained stable.

Aggregates & concrete segment. The segment was the star performer this quarter, with a +29.3%yoy growth in revenue to RM344.5m while operating profit grew 5.8x to RM38.9m. Selling prices grew about 6%yoy and demand remained robust from the industrial segment, coming from the construction of data centres, factories and warehouses.

Private sector to continue driving demand. We expect FY25E to continue being driven by the private sector, with projects such as warehouses, data centres and residential projects. On the civil side, we expect projects such as the Penang LRT, airport expansions and other projects under Budget 2024 such as roads, schools and hospitals to drive demand.

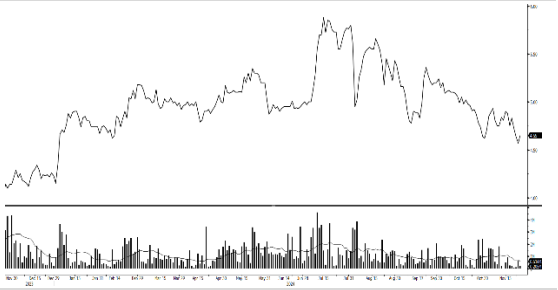
Earnings estimates. We are maintaining our earnings forecast, on the back of expectations that a stronger 1HFY25 will make up for a slightly weaker 3QCY25 (January to March) which is usually a slower quarter due to festivities and Feb being a shorter month.

Target price. We are upgrading our **TP** to **RM6.81** from RM6.60 previously as we roll forward our valuation base year to FY26F, pegging the group's EPS of 26.2 sen to its two-year mean PER of 26x.

Maintain BUY. Malayan Cement is among our top picks for the construction sector, being the main direct beneficiary of the pickup in the sector, which is expected to be driven by a strong pipeline of jobs, both civil and private. All factors considered; we reiterate our **BUY** recommendation on Malayan Cement.

RETURN STATISTICS	
Price @ 26th Nov 2024 (RM)	4.65
Expected share price return (%)	+46.5
Expected dividend yield (%)	2.2
Expected total return (%)	**+48.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.5	-3.6
3 months	-10.6	-12.8
12 months	15.1	4.4

INVESTMENT STATISTICS

FYE Jun	2024A	2025F	2026F
Revenue	4,446.4	4,668.8	4,808.8
Operating Profit	801.7	887.1	913.7
Profit Before Tax	647.5	699.4	720.4
Core net profit	429.0	468.6	482.7
Core EPS (sen)	27.2	25.4	26.2
DPS (sen)	10.0	10.0	10.0
Dividend Yield	2.2%	2.2%	2.2%

KEY STATISTICS	
FBM KLCI	1,603.15
Issued shares (m)	1332.90
Estimated free float (%)	26.79
Market Capitalisation (RM'm)	6,219.25
52-wk price range	RM4.06-RM5.95
3-mth average daily volume (m)	0.86
3-mth average daily value (RM'm)	4.31
Top Shareholders (%)	
YTL Cement Bhd	54.85
Yeoh Sock Ping	11.02
Yeoh Seok Kian	4.60

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MALAYAN CEMENT: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
Income Statement	**1Q25**	**4Q24**	**1Q24**	**QoQ**	**YoY**
Revenue	1,170.4	1,041.4	1,148.1	**12.4%**	**1.9%**
Cost of sales	(767.2)	(586.2)	(807.7)	**-30.9%**	**5.0%**
Gross profit	403.2	455.2	340.3	**-11.4%**	**18.5%**
Other operating income	32.0	42.5	27.2	**-24.9%**	**17.7%**
Other operating expenses	(183.7)	(317.6)	(171.9)	**42.2%**	**-6.9%**
Profit from operations	251.5	180.1	195.6	**39.6%**	**28.5%**
Finance costs	(57.9)	(45.7)	(50.8)	**-26.5%**	**-13.8%**
Share of results in joint venture	9.4	9.7	9.7	**-2.8%**	**-3.1%**
Profit before tax	203.1	144.1	154.6	**40.9%**	**31.4%**
Taxation	(63.4)	(33.8)	(58.4)	**-87.7%**	**-8.6%**
Non-controlling interests	0.2	0.1	0.0	**43.1%**	**553.3%**
Reported net profit	139.4	110.2	96.1	**26.6%**	**45.1%**
Core net profit	144.5	135.2	94.0	**6.9%**	**53.8%**

FINANCIAL SUMMARY

Income Statement (RM'm)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
Revenue	2,705.27	3,757.0	4,446.4	4,668.8	4,808.8
Gross profit	693.52	987.5	1,565.9	1,680.8	1,683.1
Operating profit	233.87	411.5	801.7	887.1	913.7
Profit before tax	129.22	253.1	647.5	699.4	720.4
Net profit	82.09	159.0	428.7	468.6	482.7
Core net profit	78.07	160.7	500.1	468.6	482.7
Core EPS (sen)	4.4	9.0	27.2	25.4	26.2
DPS (sen)	0	6.0	10.0	10.0	10.0

Balance Sheet (RM'm)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
Fixed assets	2,782.5	2,862.5	2,672.2	2,645.5	2,619.1
Other investments and assets	5,882.6	5,650.7	5,908.4	5,921.8	6,099.4
Non-current assets	**8,665.1**	**8,513.2**	**8,580.6**	**8,567.3**	**8,718.5**
Cash	211.7	263.3	178.7	172.2	206.6
Trade debtors	538.1	614.6	661.9	676.8	397.1
Current assets	**1,761.0**	**2,181.4**	**2,109.4**	**2,632.7**	**2,481.5**
Trade creditors	650.1	790.5	691.4	852.7	878.3
Short-term debt	1,128.6	907.6	566.1	1,147.0	946.2
Current liabilities	**1,831.3**	**1,769.2**	**1,395.7**	**1,880.4**	**1,551.1**
Long-term debt	2,671.5	2,834.4	2,579.3	2,450.3	2,327.8
Non-current liabilities	**2,815.9**	**2,970.9**	**2,982.5**	**2,579.3**	**2,450.3**
Share capital	5,345.8	5,345.8	5,406.9	5,345.8	5,345.8
Retained earnings	392.9	551.9	802.4	1,230.8	1,689.1
Equity	**5,778.9**	**5,954.5**	**6,311.9**	**6,740.3**	**7,198.6**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	**129.2**	**253.1**	**647.5**	**699.4**	**720.4**
Depreciation & amortisation	180.1	271.0	249.1	189.0	189.0
Changes in working capital	33.3	(11.8)	(103.6)	33.0	33.0
Operating cash flow	**459.6**	**672.7**	**1,140.1**	**1,134.0**	**1,170.3**
Capital expenditure	(77.0)	(105.0)	(160.2)	(126.9)	(130.7)
Investing cash flow	**(1,629.4)**	**(66.0)**	**(146.4)**	**(50.0)**	**(50.0)**
Debt raised/(repaid)	1,874.5	(68.5)	(607.5)	**(136.0)**	**(136.0)**
Dividends paid	-	-	(178.5)	(107.0)	(107.0)
Financing cash flow	**1,850.4**	**(88.3)**	**(751.3)**	**(72.0)**	**(72.0)**
Net cash flow	**467.7**	**264.0**	**(88.1)**	**1,012.0**	**1,048.3**
Beginning cash flow	**135.0**	**603.7**	**875.8**	**788.5**	**1,800.6**
Ending cash flow	**603.7**	**875.8**	**788.5**	**1,800.6**	**2,848.9**

Profitability Margins	2022A	2023A	2024A	2025F	2026F
Operating profit margin	8.6%	11.0%	18.0%	19.0%	19.0%
PBT margin	4.8%	6.7%	14.6%	15.0%	15.0%
PAT margin	3.0%	4.2%	9.6%	10.0%	10.0%
Core PAT margin	2.9%	4.3%	11.3%	10.0%	10.0%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology