Malayan Cement Berhad

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

ESG 3 Stars

Corporate Update

Maintain **BUY**

Revised Target Price **RM7.49** (from RM7.10)

3QFY25 Results Review

Resilient Margins, Reinforced Prospects

Maintain BUY. We maintain our **BUY** call and revise our **TP to RM7.49** as we peg the group's updated FY26F EPS of 31.2 sen to a three-year mean PER of 24x. 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, with projects such as warehouses, data centres and residential projects, with the upcoming Johor-Singapore Special Economic Zone (SEZ) set to serve as a new growth catalyst. The group is also well-positioned to capitalise export opportunities through its strategically located Langkawi plant. On the civil side, we expect projects such as the Penang LRT, airport expansions and other projects under Budget 2025 such as roads, schools and hospitals to drive demand.

Above expectations. Malayan Cement recorded a core net profit of RM183.0m in 3QFY25, surging +26.5yoy from the previous year's corresponding quarter. For the cumulative 9MFY25, the group's core net profit grew +32.5%yoy, coming in above ours and street's expectations, making up 84.3% and 92.6% of full-year estimates respectively. This was attributable to improved operational efficiencies, lower production costs, reduced borrowing costs and a stronger performance from its concrete business segment.

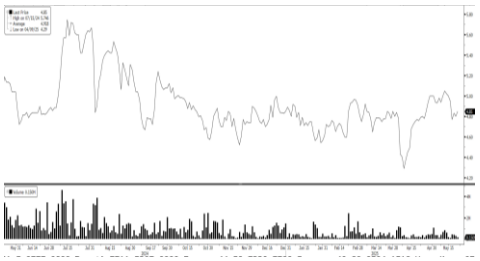
Cement segment. While the quarter saw an -7.86%yoy decline in revenue from cement to RM760.7m, operating profit grew +31.3%yoy to RM259.5m, attributable to improved operational efficiency and strengthened margins. For 9MFY25, revenue fell -8.49%yoy to RM2.36b while its operating profit grew +20.0%yoy to RM715.4m. Management guided that sales volume has decreased this quarter for the segment due to the lack of major projects in the market.

Aggregates & concrete segment. The segment saw its revenue surge +22.6%yoy in 3QFY25 to RM334.6m, delivering an operating profit of RM 29.9m, a growth of 8.5x as compared to the same quarter a year ago. For the cumulative 9MFY25, revenue grew +28.4%yoy to RM1.05b while the operating profit grew 4.3x yoy to RM109.9m. Management noted an increase in the sales volume and demand of ready-mixed concrete by ~+20%yoy in the current quarter coming from the industrial and commercial space.

Earnings revision. We are lifting our FY25E/FY26F/FY27F core earnings estimates by +10.7%/+5.4%/+6.6% respectively to RM635.4m/RM583.8m/RM615.8m to reflect stronger margins for both its cement and concrete businesses as well as a stronger performance for its concrete division along with a healthy pipeline of jobs that can be expected from 2HCY25 onwards.

RETURN STATISTICS	
Price @ 22nd May 2025 (RM)	4.85
Expected share price return (%)	54.4
Expected dividend yield (%)	+2.1
Expected total return (%)	+56.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.3	-1.5
3months	0.0	3.1
12 months	-7.1	-1.3

INVESTMENT STATISTICS

FYE June	2025E	2026F	2027F
Revenue	5,158	5,313	5,472
Operating Profit	1,119	1,052	1,094
Profit Before Tax	907.6	833.9	879.7
Core PATAMI	635.4	583.8	615.8
Core EPS	33.9	31.2	32.9
DPS	10	10	10
Dividend Yield	2.1%	2.1%	2.1%

KEY STATISTICS

FBM KLCI	1,527.02
Issued shares (m)	1332.90
Estimated free float (%)	27.05
Market Capitalisation (RM'm)	6,539.59
52-wk price range	RM4.21 - RM5.95
3-mth average daily volume (m)	0.48
3-mth average daily value (RM'm)	2.35
Top Shareholders (%)	
YTL Cement Bhd	54.41
Yeoh Sock Ping	10.93
Yeoh Seok Kian	4.56

Analyst

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MALAYAN CEMENT: 3QFY25 RESULT SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3Q25**	**2Q25**	**3Q24**	**QoQ**	**YoY**	**9MFY25**	**9MFY24**	**YoY**
Revenue	1,095.2	1,153.1	1,098.4	**-5.0%**	**-0.3%**	3,418.8	3,405.0	**0.4%**
Cost of sales	(647.3)	(753.8)	(708.6)	**14.1%**	**8.6%**	(2,168.3)	(2,294.4)	**5.5%**
Gross profit	447.9	399.4	389.8	**12.2%**	**14.9%**	1,250.5	1,110.6	**12.6%**
Other operating income	20.1	57.8	23.5	**-65.3%**	**-14.7%**	109.8	71.7	**53.2%**
Other operating expenses	(178.6)	(172.7)	(212.2)	**-3.4%**	**15.8%**	(535.0)	(560.7)	**4.6%**
Profit from operations	289.4	284.4	201.2	**1.7%**	**43.9%**	825.3	621.6	**32.8%**
Finance costs	(35.6)	(38.0)	(47.6)	**6.2%**	**25.2%**	(131.5)	(148.5)	**11.4%**
Share of results in joint venture	5.4	9.6	7.7	**-43.6%**	**-29.5%**	24.4	30.2	**-19.1%**
Profit before tax	259.8	256.0	161.2	**1.5%**	**61.1%**	718.9	503.4	**42.8%**
Taxation	(76.2)	(71.2)	(59.9)	**-7.0%**	**-27.1%**	(210.8)	(184.7)	**-14.1%**
Non-controlling interests	0.2	0.2	0.1	**-6.6%**	**>100%**	0.5	0.2	**>100%**
Reported net profit	182.8	184.7	101.2	**-1.0%**	**80.6%**	507.0	318.5	**59.2%**
Core net profit	183.0	156.1	144.7	**17.3%**	**26.5%**	483.6	364.9	**32.5%**

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	3,757.0	4,446.4	5,157.9	5,312.6	5,472.0
Gross profit	987.5	1,565.9	1,960.0	2,018.8	2,030.1
Operating profit	411.5	801.7	1,119.3	1,051.9	1,094.4
Profit before tax	253.1	647.5	907.6	833.9	879.7
Net profit	159.0	429.0	635.4	583.8	615.8
Core net profit	160.7	500.8	635.4	583.8	615.8
Core EPS (sen)	9.04	26.72	33.9	31.2	32.9
DPS (sen)	6	10	10	10	10
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Fixed assets	2,862.5	2,672.2	2,645.5	2,619.1	2,592.9
Other investments and assets	5,650.7	5,908.4	5,921.8	6,099.4	5,976.5
Non-current assets	**8,513.2**	**8,580.6**	**8,567.3**	**8,718.5**	**8,569.4**
Cash	263.3	178.7	172.2	206.6	248.0
Trade debtors	614.6	661.9	676.8	397.1	578.6
Current assets	**2,181.4**	**2,109.4**	**2,632.7**	**2,481.5**	**2,630.6**
Trade creditors	790.5	691.4	852.7	878.3	807.5
Short-term debt	907.6	566.1	1,135.1	971.9	785.3
Current liabilities	**1,769.2**	**1,395.7**	**1,860.8**	**1,593.3**	**1,287.5**
Long-term debt	2,834.4	2,579.3	2,450.3	2,327.8	2,211.4
Non-current liabilities	**2,970.9**	**2,982.5**	**2,579.3**	**2,450.3**	**2,327.8**
Share capital	5,345.8	5,406.9	5,345.8	5,345.8	5,345.8
Retained earnings	551.9	802.4	1,250.4	1,646.9	2,075.3
Equity	**5,954.5**	**6,311.9**	**6,759.9**	**7,156.3**	**7,584.7**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	**253.1**	**647.5**	**907.6**	**833.9**	**879.7**
Depreciation & amortisation	271.0	251.3	189.0	189.0	189.0
Changes in working capital	(12.4)	(112.5)	33.0	33.0	33.0
Operating cash flow	**418.3**	**809.6**	**1,069.8**	**996.1**	**1,041.9**
Capital expenditure	(105.0)	(160.2)	(126.9)	(130.7)	(130.7)
Investing cash flow	**(66.0)**	**(146.4)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt raised/(repaid)	(68.5)	(607.5)	**(136.0)**	**(136.0)**	**(136.0)**
Dividends paid	-	(178.5)	(107.0)	(107.0)	(107.0)
Financing cash flow	**(88.3)**	**(751.3)**	**(72.0)**	**(72.0)**	**(72.0)**
Net cash flow	**264.0**	**(88.1)**	**947.8**	**874.1**	**919.9**
Beginning cash flow	**603.7**	**875.8**	**788.5**	**1,736.3**	**2,610.3**
Ending cash flow	**875.8**	**788.5**	**1,736.3**	**2,610.3**	**3,530.2**
Profitability Ratios (%)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Operating profit margin	11.0%	18.0%	21.7%	19.8%	20.0%
PBT margin	6.7%	14.6%	17.6%	15.7%	16.1%
PAT margin	4.2%	9.6%	12.3%	11.0%	11.3%
Core PAT margin	4.3%	11.3%	12.3%	11.0%	11.3%

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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