# Malayan Cement Berhad

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

ESG 3 Stars

Corporate Update

## 2QFY26 Results Review

## Another Outperforming Quarter

Maintain **BUY**

Revised Target Price **RM10.80**
(from RM7.60)

**Maintain BUY.** We maintain our **BUY** call with a revised **TP** of **RM10.80** as we peg the group's FY27F EPS of 45.0 sen to a PER of 24x. Malayan Cement remains one of our top picks within the construction sector, given its position as a key beneficiary of the construction upcycle. Demand is expected to be supported by a strong pipeline of civil and private projects, including warehouses, data centres, and residential developments, while the anticipated MRT3 rollout offers a multi-year catalyst. Additionally, the Johor-Singapore Special Economic Zone (JS-SEZ) is poised to unlock new growth opportunities, particularly for supporting industries. On the civil front, projects such as the Penang LRT and airport expansions, alongside infrastructure initiatives under Budget 2025 and the 13th Malaysia Plan including roads, schools, and hospitals should sustain robust demand momentum.

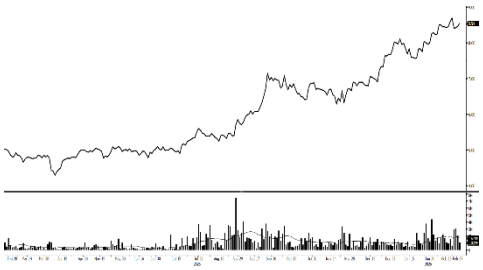
**Above expectations.** Malayan Cement recorded a core net profit of RM244.7m in 2QFY26, surging +56.8yoy from the previous year's corresponding quarter, attributable to stronger performances in both cement and concrete business segments. For the cumulative 6MFY25, the group's core net profit grew +50.1%yoy to RM451.2m, coming in above expectations, making up 64.8% of ours and 59.4% of consensus' full-year estimates. The group declared a dividend of 6 sen per share, translating to a payout ratio of 25.3% for 6MFY26.

**Key takeaways.** The quarter saw a +4.2%yoy increase in revenue from cement to RM810.1m, with the operating profit growing +16.8%yoy to RM284.3m, attributable to improved operational efficiency and stronger margins. Sales volume of specialised cement products and higher cement exports contributed towards the quarter. The aggregates and concrete segment saw a larger jump in revenue and operating profit to RM452.1m (+20.4%yoy) and RM66.7m (+62.4%yoy) respectively, attributable to the higher sales volume of ready-mixed concrete. In a briefing yesterday, management guided that 1HFY26 saw a +15% increase in ready mixed concrete sales volume, on top of a +4% price increase. The stronger bottom line for the quarter is also due to increased adoption of renewable energy and waste-heat recovery plants.

**Earnings estimates and TP.** We are upgrading our earnings estimates, on the back of stronger volume and margins. We are raising our FY26E/FY27F/FY28F earnings estimates by +18.8%/+20.8%/+25.6%. As such, we are also upgrading our **TP** to **RM10.80** after rolling forward our valuation base year to FY27F, pegging it to a PER or 24x, based on +1SD above its three-year mean.

| RETURN STATISTICS | |
|---|---|
| Price @ 26th Feb 2026 (RM) | 8.54 |
| Expected share price return (%) | +26.5 |
| Expected dividend yield (%) | +1.4 |
| Expected total return (%) | +27.9 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 10.2 | 10.4 |
| 3months | 11.5 | 22.2 |
| 12 months | 70.1 | 55.2 |

**INVESTMENT STATISTICS**

| FYE June | 2026E | 2027F | 2028F |
|---|---|---|---|
| Revenue | 6,113 | 6,419 | 6,740 |
| Operating Profit | 1,238 | 1,300 | 1,365 |
| Profit Before Tax | 1,070 | 1,143 | 1,247 |
| Core PATAMI | 802 | 857 | 935 |
| Core EPS | 42.1 | 45.0 | 0.0 |
| DPS | 12 | 12 | 12 |
| Dividend Yield | 1.4% | 1.4% | 1.4% |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,740.94 |
| Issued shares (m) | 1352.85 |
| Estimated free float (%) | 36.12 |
| Market Capitalisation (RM'm) | 11,869.50 |
| 52-wk price range | RM4.21 - RM8.74 |
| 3-mth average daily volume (m) | 1.30 |
| 3-mth average daily value (RM'm) | 10.06 |
| Top Shareholders (%) | |
| YTL Cement Bhd | 59.08 |
| Prudential PLC | 8.40 |
| Prudential Assurance Malaysia Bhd | 6.55 |

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## MALAYAN CEMENT: 2QFY26 RESULT SUMMARY

| All in RM'm unless stated otherwise | Quarterly Results | | | | | Cumulative | | |
|---|---|---|---|---|---|---|---|---|
| **Income Statement** | **2Q26** | **1Q26** | **2Q25** | **QoQ** | **YoY** | **6MFY26** | **6MFY25** | **YoY** |
| Revenue | 1,262.2 | 1,215.4 | 1,153.1 | **3.9%** | **9.5%** | 2,477.6 | 2,323.6 | **6.6%** |
| Cost of sales | (716.5) | (738.4) | (753.8) | **3.0%** | **4.9%** | (1,454.9) | (1,520.9) | **4.3%** |
| Gross profit | 545.7 | 477.0 | 399.4 | **14.4%** | **36.6%** | 1,022.7 | 802.6 | **27.4%** |
| Other operating income | 30.5 | 30.2 | 57.8 | **1.1%** | **-47.1%** | 60.7 | 89.7 | **-32.3%** |
| Other operating expenses | (225.2) | (193.0) | (172.7) | **-16.7%** | **-30.4%** | (418.1) | (356.4) | **-17.3%** |
| Profit from operations | 351.0 | 314.2 | 284.4 | **11.7%** | **23.4%** | 665.3 | 535.9 | **24.1%** |
| Finance costs | (30.1) | (30.9) | (38.0) | **2.8%** | **20.8%** | (61.0) | (95.8) | **36.3%** |
| Share of results in joint venture | 8.8 | 6.2 | 9.6 | **41.6%** | **-8.1%** | 15.0 | 19.0 | **-20.9%** |
| Profit before tax | 329.8 | 289.5 | 256.0 | **13.9%** | **28.8%** | 619.3 | 459.1 | **34.9%** |
| Taxation | (96.5) | (88.8) | (71.2) | **-8.7%** | **-35.6%** | (185.3) | (134.6) | **-37.7%** |
| Non-controlling interests | 0.3 | 0.2 | 0.2 | **86.3%** | **80.7%** | 0.5 | 0.4 | **27.3%** |
| Reported net profit | 233.0 | 200.6 | 184.7 | **16.2%** | **26.2%** | 433.6 | 324.1 | **33.8%** |
| Core net profit | 244.7 | 206.5 | 156.1 | **18.5%** | **56.8%** | 451.2 | 300.6 | **50.1%** |

*Source: Company, MBSBR*

## FINANCIAL SUMMARY

| Profit or Loss (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Revenue | 4,446.4 | 4,528.2 | 6,113.1 | 6,418.7 | 6,739.6 |
| Gross profit | 1,565.9 | 1,718.3 | 2,189.6 | 2,299.1 | 2,414.1 |
| Operating profit | 801.7 | 1,125.6 | 1,238.0 | 1,299.9 | 1,364.9 |
| Profit before tax | 647.5 | 983.5 | 1,069.8 | 1,142.5 | 1,246.8 |
| Net profit | 429.0 | 672.8 | 802.3 | 856.9 | 935.1 |
| Core net profit | 500.1 | 649.7 | 802.3 | 856.9 | 935.1 |
| Core EPS (sen) | 26.3 | 34.1 | 42.1 | 45.0 | 49.1 |
| DPS (sen) | 6 | 10 | 12 | 12 | 12 |
| **Balance Sheet (RM'm)** | **2024A** | **2025A** | **2026E** | **2027F** | **2028F** |
| Fixed assets | 2,862.5 | 2,675.4 | 2,699.8 | 2,672.8 | 2,646.1 |
| Other investments and assets | 5,927.3 | 5,905.3 | 5,797.9 | 6,099.4 | 5,976.5 |
| **Non-current assets** | **8,789.8** | **8,580.6** | **8,497.7** | **8,772.2** | **8,622.6** |
| Cash | 263.3 | 178.7 | 162.7 | 195.3 | 234.4 |
| Trade debtors | 614.6 | 661.9 | 736.8 | 397.1 | 578.6 |
| **Current assets** | **2,181.4** | **2,109.4** | **2,219.5** | **2,427.8** | **2,577.4** |
| Trade creditors | 790.5 | 691.4 | 668.6 | 878.3 | 807.5 |
| Short-term debt | 907.6 | 566.1 | 428.0 | 1,114.7 | 919.2 |
| **Current liabilities** | **1,769.2** | **1,395.7** | **1,250.6** | **1,827.5** | **1,506.9** |
| Long-term debt | 2,834.4 | 2,579.3 | 2,157.4 | 2,049.5 | 1,947.1 |
| **Non-current liabilities** | **2,970.9** | **2,982.5** | **2,647.9** | **2,157.4** | **2,049.5** |
| Share capital | 5,345.8 | 5,406.9 | 5,460.5 | 5,345.8 | 5,345.8 |
| Retained earnings | 551.9 | 802.4 | 1,276.5 | 1,672.9 | 2,101.4 |
| **Equity** | **5,954.5** | **6,311.9** | **6,818.7** | **7,215.1** | **7,643.6** |

| Cash Flow (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| PBT | 647.5 | 983.5 | 1,069.8 | 1,142.5 | 1,246.8 |
| Depreciation & amortisation | 271.0 | 251.3 | 261.7 | 189.0 | 189.0 |
| Changes in working capital | (12.4) | (112.5) | (91.4) | 33.0 | 33.0 |
| **Operating cash flow** | **418.3** | **809.6** | **956.6** | **807.1** | **852.9** |
| Capital expenditure | (105.0) | (160.2) | (178.4) | (130.7) | (130.7) |
| **Investing cash flow** | **(66.0)** | **(146.4)** | **(127.0)** | **(50.0)** | **(50.0)** |
| Debt raised/(repaid) | (68.5) | (607.5) | (588.0) | (136.0) | (136.0) |
| Dividends paid | - | (178.5) | (198.8) | (107.0) | (107.0) |
| **Financing cash flow** | **(88.3)** | **(751.3)** | **(760.7)** | **(770.0)** | **(780.0)** |
| **Net cash flow** | **264.0** | **(88.1)** | **69.0** | **(12.9)** | **22.9** |
| **Beginning cash flow** | **603.7** | **875.8** | **788.5** | **848.3** | **835.4** |
| **Ending cash flow** | **875.8** | **788.5** | **848.3** | **835.4** | **858.2** |
| **Profitability Ratios (%)** | **2024A** | **2025A** | **2026E** | **2027F** | **2028F** |
| Operating profit margin | 18.0% | 24.9% | 25.0% | 26.0% | 26.5% |
| PBT margin | 14.6% | 21.7% | 17.5% | 17.8% | 18.5% |
| PAT margin | 9.6% | 14.9% | 13.1% | 13.4% | 13.9% |
| Core PAT margin | 11.2% | 14.3% | 13.1% | 13.4% | 14.6% |

*Source: Bloomberg, MBSBR*

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**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