Corporate Update

Malayan Cement Berhad

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

ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM10.00**

3QFY26 Results Review

Earnings Continue to Beat Expectations

Maintain BUY. We maintain our **BUY** call with an unchanged **TP** of **RM10.00** as we peg the group's FY27F EPS of 47.6 sen to a PER of 21x. 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's (MCement) core net profit came in at RM258.4m (+41.2%yoy) in 3QFY26 after stripping out unrealised foreign exchange losses. Revenue rose +11.7%yoy to RM1.22b, supported by resilient performances from the ready-mixed concrete and dry mix divisions. For the cumulative 9MFY25, the group's core net profit grew +46.7%yoy to RM709.6m, coming in above expectations, making up 87.1% of ours and 83.6% of consensus' full-year estimates.

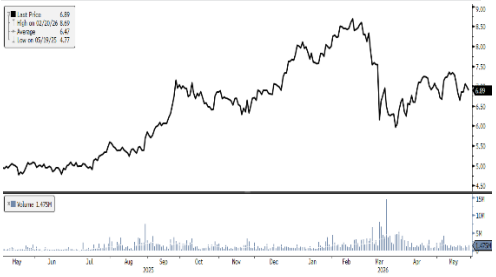
Segmental breakdown. The cement segment remained the key earnings driver, with revenue increasing to RM791.3m (+4.0%yoy) in 3QFY26, supported by improved cement ASPs and continued demand from infrastructure and industrial-related projects. Meanwhile, the aggregates and concrete division recorded a stronger revenue growth of +29.2%yoy to RM432.5m, driven by higher sales volume of ready-mixed concrete and increasing demand for high-grade bespoke ready-mix products. Group PBT surged +34.2%yoy to RM347.9m, supported by rigorous cost management initiatives as well as higher adoption of renewable energy and waste heat recovery plants.

Coal cost risks remain manageable in FY26. In a briefing yesterday, management indicated that coal cost impact in 3QFY26 remained limited, with coal prices only rising marginally by around +3%qoq despite electricity cost increasing +8%qoq. While recently procured coal supply has risen to around USD90/tonne from USD65/tonne previously, management expects the impact on 4QFY26 margins to remain manageable given its rolling 2 to 3-month procurement strategy. Meanwhile, cement rebates have narrowed to around RM20/tonne from as high as RM70/tonne previously, supporting cement ASP resilience near RM400/tonne.

Earnings estimates and TP. We are upgrading our earnings estimates, on the back of stronger volume and margins. We are raising our FY26E/FY27F earnings estimates by +10%/+6%. Nevertheless, we are maintaining our **TP** to **RM10.00**, pegging it to a PER or 21x, based on its three-year mean.

RETURN STATISTICS	
Price @ 28th May 2026 (RM)	6.89
Expected share price return (%)	+45.1
Expected dividend yield (%)	+1.7
Expected total return (%)	+46.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	2.1
3 months	15.5	-17.9
12 months	38.4	24.1

INVESTMENT STATISTICS

FYE June	2026E	2027F	2028F
Revenue	5,434	5,706	5,991
Operating Profit	1,946	2,044	2,146
Profit Before Tax	1,195	1,210	1,108
Core PATAMI	897	907	831
Core EPS	47.1	47.6	43.7
DPS	12	12	12
Dividend Yield	1.7%	1.7%	1.7%

KEY STATISTICS	
FBM KLCI	1,699.02
Issued shares (m)	1352.85
Estimated free float (%)	36.15
Market Capitalisation (RM'm)	9,753.56
52-wk price range	RM4.71 - RM8.74
3-mth average daily volume (m)	2.57
3-mth average daily value (RM'm)	17.80
Top Shareholders (%)	
YTL Cement Bhd	58.85
Prudential PLC	7.87
Prudential Assurance Malaysia Bhd	6.65

Analyst

Ming San Soong
soong.ms@mbsb.com

MALAYAN CEMENT: 3QFY26 RESULT SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3QFY26**	**2QFY26**	**3QFY25**	**QoQ**	**YoY**	**9MFY26**	**9MFY25**	**YoY**
Revenue	1,223.8	1,262.2	1,095.2	**-3.0%**	**11.7%**	3,701.3	3,418.8	**8.3%**
Cost of sales	(684.2)	(716.5)	(647.3)	**4.5%**	**-5.7%**	(2,139.1)	(2,168.3)	**1.3%**
Gross profit	539.6	545.7	447.9	**-1.1%**	**20.5%**	1,562.2	1,250.5	**24.9%**
Other operating income	36.4	30.5	20.1	**19.2%**	**81.4%**	97.1	109.8	**-11.5%**
Other operating expenses	(204.2)	(225.2)	(178.6)	**9.3%**	**-14.3%**	(622.3)	(535.0)	**-16.3%**
Profit from operations	371.8	351.0	289.4	**5.9%**	**28.5%**	1,037.0	825.3	**25.7%**
Finance costs	(28.1)	(30.1)	(35.6)	**6.6%**	**21.1%**	(89.1)	(131.5)	**32.2%**
Share of results in joint venture	4.2	8.8	5.4	**-52.3%**	**-22.3%**	19.3	24.4	**-21.2%**
Profit before tax	347.9	329.8	259.2	**5.5%**	**34.2%**	967.2	718.3	**34.7%**
Taxation	(100.9)	(96.5)	(76.2)	**-4.5%**	**-32.4%**	(286.1)	(210.8)	**-35.8%**
Non-controlling interests	0.3	0.3	0.2	**-1.7%**	**90.3%**	0.8	0.5	**46.2%**
Reported net profit	246.7	233.0	182.8	**5.9%**	**34.9%**	680.3	507.0	**34.2%**
Core net profit	258.4	244.7	183.0	**5.6%**	**41.2%**	709.6	483.6	**46.7%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	4,446.4	4,528.2	5,433.8	5,705.5	5,990.8
Gross profit	1,565.9	1,718.3	1,946.3	2,043.7	2,145.8
Operating profit	801.7	1,125.6	1,358.5	1,483.4	1,587.6
Profit before tax	647.5	983.5	1,195.4	1,209.6	1,108.3
Net profit	429.0	672.8	896.6	907.2	831.2
Core net profit	500.1	649.7	896.6	907.2	831.2
Core EPS (sen)	26.3	34.1	47.1	47.6	43.7
DPS (sen)	10	12	12	12	12
Balance Sheet (RM'm)	**2024A**	**2025A**	**2026E**	**2027F**	**2028F**
Fixed assets	2,675.4	2,699.8	2,672.8	2,646.1	2,619.6
Other investments and assets	5,905.3	5,797.9	6,099.4	5,976.5	5,976.5
Non-current assets	**8,580.6**	**8,497.7**	**8,772.2**	**8,622.6**	**8,596.1**
Cash	178.7	162.7	195.3	234.4	281.2
Trade debtors	661.9	736.8	397.1	578.6	578.6
Current assets	**2,109.4**	**2,219.5**	**2,427.8**	**2,577.4**	**2,603.9**
Trade creditors	691.4	668.6	878.3	807.5	807.5
Short-term debt	566.1	428.0	1,114.7	919.2	853.5
Current liabilities	**1,395.7**	**1,250.6**	**1,827.5**	**1,506.9**	**1,399.3**
Long-term debt	2,579.3	2,157.4	2,049.5	1,947.1	1,849.7
Non-current liabilities	**2,982.5**	**2,647.9**	**2,157.4**	**2,049.5**	**1,947.1**
Share capital	5,406.9	5,460.5	5,345.8	5,345.8	5,345.8
Retained earnings	802.4	1,276.5	1,672.9	2,101.4	2,311.5
Equity	**6,311.9**	**6,818.7**	**7,215.1**	**7,643.6**	**7,853.7**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	**647.5**	**983.5**	**1,195.4**	**1,209.6**	**1,108.3**
Depreciation & amortisation	251.3	261.7	189.0	189.0	189.0
Changes in working capital	(112.5)	(91.4)	33.0	33.0	33.0
Operating cash flow	**809.6**	**956.6**	**1,168.6**	**1,182.7**	**1,081.4**
Capital expenditure	(160.2)	(178.4)	(130.7)	(130.7)	(130.7)
Investing cash flow	**(146.4)**	**(127.0)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt raised/(repaid)	(607.5)	(588.0)	(136.0)	(136.0)	(136.0)
Dividends paid	(178.5)	(198.8)	(107.0)	(107.0)	(107.0)
Financing cash flow	**(751.3)**	**(760.7)**	**(770.0)**	**(780.0)**	**(780.0)**
Net cash flow	**(88.1)**	**69.0**	**348.6**	**352.7**	**251.4**
Beginning cash flow	**875.8**	**788.5**	**848.3**	**1,196.9**	**1,549.6**
Ending cash flow	**788.5**	**848.3**	**1,196.9**	**1,549.6**	**1,801.0**
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%	22.0%	21.2%	18.5%
PAT margin	9.6%	14.9%	16.5%	15.9%	13.9%
Core PAT margin	11.2%	14.3%	16.5%	15.9%	14.6%

Source: Bloomberg, MIDFR

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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