

31 May 2024

# Press Metal Aluminium

## Improved Aluminium Price Outlook

By Teh Kian Yeong | [tehky@kenanga.com.my](mailto:tehky@kenanga.com.my)

**PMETAL's 1QFY24 results beat expectations. Its 1QFY24 core net profit jumped 48% YoY on a strong ASP and better contribution from associate PT Bintan. Aluminium prices will be buoyed by the recovery in demand in China while supply will be capped by geopolitical tensions. We raise our FY24-25F net profit forecasts by 34% and 36%, respectively, lift our TP by 30% to RM6.35 (from RM4.90) and upgrade our call to OUTPERFORM from MARKET PERFORM.**

PMETAL's 1QFY24 core profit of RM420.2m beat expectations, coming in at 29% and 26% of our full-year forecast and the full-year consensus estimate, respectively. The variance against our forecast came largely from higher-than-expected ASP and stronger-than-expected performance from associate PT Bintan. It declared a first interim NDPS of 1.75 sen, which exceeded our expectation.

**YoY**, its 1QFY24 revenue grew 18% largely due to a higher sales volume (+13%) coupled with the stronger USD against MYR, partially eroded by a lower ASP (-5%). The average LME aluminium spot price fell 8% in 1QFY24 to USD2,200/MT from RM2,401/MT in 1QFY23. Its core profit jumped by a steeper 48% buoyed by higher contribution from associate PT Bintan on full commissioning of PT's 2m MT capacity per annum in 2QFY23.

**QoQ**, its top line grew 2% as a higher ASP (+4%) more than cushioned a lower sales volume (-2%). Its core profit jumped 27% on lower input cost and higher contribution from associate PT Bintan (+27%) driven by higher alumina prices.

**Outlook.** China's consumption of aluminium has thus far in 2024 surprised to the upside, while globally, the demand for aluminium has been buoyed by RE investments and EVs. Meanwhile, global aluminium supply will remain tight due to: (i) more stringent "green" requirements, especially in China, resulting in the permanent shutdown of smelters powered by fossil fuels (especially coal); (ii) the sanctions on Russian producers by the West (Russia contributes to c.6% of world aluminium production); and (iii) higher tariffs on China imports by the US.

**Forecasts.** We upgrade our FY24-25F net profit forecasts by 34% and 36%, respectively, as we raise our aluminium price assumption to USD2,550/MT-USD2,650/MT (from USD2,350/MT-USD2,400/MT) and long-term assumption to USD2,300/MT (from USD2,200/MT). Correspondingly, we also increase our NDPS forecasts based on an unchanged pay-out ratio of 40%.

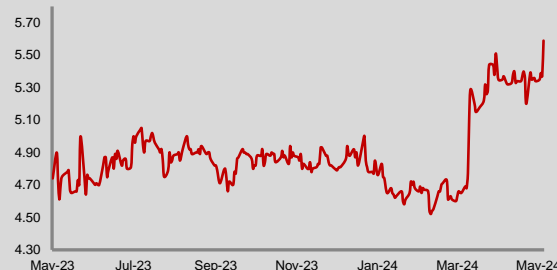
**Valuations.** We raise our DCF-derived TP by 30% to RM6.35 (from RM4.90) based on WACC of 7.8% (updated from 8.7%) and TG of 2%. Our TP reflects a 5% premium by virtue of its 4-star ESG rating as appraised by us (see Page 4).

**Investment case.** We continue to like PMETAL for its: (i) structural cost advantage over international peers given its access to low-cost hydro-power secured under four long-term PPA contracts ending between 2034 and 2040, (ii) strong secured alumina supply with stakes in two alumina miners, i.e., Japan Alumina Associate (40%) and PT Bintan (25%) which supply 80% of its requirements, and (iii) green investment appeal as a clean energy source producer. Upgrade to **OUTPERFORM** from **MARKET PERFORM**.

# OUTPERFORM ↑

**Price:** RM5.59  
**Target Price:** RM6.35 ↑

### Share Price Performance



KLCI	1,604.26
YTD KLCI chg	10.3%
YTD stock price chg	16.2%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PMAH MK Equity
Market Cap (RM m)	46,059.5
Shares Outstanding	8,239.6
52-week range (H)	5.64
52-week range (L)	4.43
3-mth avg. daily vol.	7,813,670
Free Float	39%
Beta	1.7

### Major Shareholders

Alpha Milestone Sdn Bhd	33.8%
Koon Ming Poh	6.2%
Koon Weng Poh	5.1%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	13803	16713	16648
EBIT	1709	2677	3073
PBT	1632	2642	3076
<b>Net Profit (NP)</b>	<b>1214</b>	<b>1912</b>	<b>2224</b>
<b>Core Net Profit</b>	<b>1254</b>	<b>1912</b>	<b>2224</b>
Consensus (NP)	-	1621	1865
Earnings Rev. (%)	-	+34.1	+35.7
Core EPS (sen)	15.2	23.2	27.0
Core EPS Growth (%)	-12.9	52.5	16.3
NDPS (sen)	7.0	9.3	10.8
BV/Share (RM)	0.90	0.98	1.14
NTA/Share (RM)	0.89	0.97	1.13
PER (x)	31.6	24.1	20.7
PBV (x)	6.24	5.71	4.90
P/NTA (x)	6.29	5.76	4.93
Net Gearing (x)	0.52	0.30	0.06
Net Dividend Yield (%)	1.5	1.7	1.9

31 May 2024

**Risks to our call include:** (i) a global recession resulting in a sharp fall in the demand for aluminium, hurting prices, (ii) escalation in the cost of key inputs such as alumina and carbon anode, and (iii) major plant disruptions or plant closures.

<b>Income Statement</b>								
<b>FYE Dec (RM m)</b>	<b>1Q FY24</b>	<b>4Q FY23</b>	<b>Q-o-Q Chg</b>	<b>1Q FY23</b>	<b>Y-o-Y Chg</b>	<b>3M FY24</b>	<b>3M FY23</b>	<b>Y-o-Y Chg</b>
Turnover	3,616.7	3,532.4	2%	3,071.7	18%	3,616.7	3,071.7	18%
EBITDA	698.1	587.6	19%	588.3	19%	698.1	588.3	19%
Depreciation	-185.4	-169.9	9%	-148.3	25%	-185.4	-148.3	25%
EBIT	512.7	417.7	23%	440.0	17%	512.7	440.0	17%
Interest expense	-59.9	-61.4	-3%	-62.9	-5%	-59.9	-62.9	-5%
Associates	87.0	68.2	27%	13.9	525%	87.0	13.9	525%
Exceptional items	-12.2	-10.6	14%	-2.8	328%	-12.2	-2.8	328%
Pretax profit	540.9	423.7	28%	392.8	38%	540.9	392.8	38%
Taxation	-45.3	-24.0	89%	-37.4	21%	-45.3	-37.4	21%
Profit after tax	495.6	399.7	24%	355.4	39%	495.6	355.4	39%
Minority interest	-87.6	-79.3	10%	-73.4	19%	-87.6	-73.4	19%
Net profit	408.0	320.5	27%	282.0	45%	408.0	282.0	45%
Core net profit	420.2	331.1	27%	284.8	48%	420.2	284.8	48%
EPS (sen)	5.1	4.0	27%	3.5	48%	5.1	3.5	48%
NDPS (sen)	1.75	1.75	0%	1.75	0%	1.75	1.75	0%
NTA/share (RM)	0.83	0.83	0%	0.82	1%	0.83	0.82	1%
EBITDA margin	19.3%	16.6%		19.2%		19.3%	19.2%	
EBIT margin	14.2%	11.8%		14.3%		14.2%	14.3%	
Pretax margin	15.0%	12.0%		12.8%		15.0%	12.8%	
Core net margin	11.6%	9.4%		9.3%		11.6%	9.3%	
Effective tax rate	8.4%	5.7%		9.5%		8.4%	9.5%	
<b>Spot Price</b>								
Aluminium (USD/MT)	2,200	2,194	0%	2,401	-8%	2,200	2,401	-8%
Alumina (USD/MT)	361	334	8%	357	1%	335	357	-6%
Carbon Anode (CNY/MT)	2,992	3,756	-20%	6,097	-51%	2,992	6,097	-51%

Source: Company/Bloomberg

<b>Segment Breakdown</b>								
<b>FYE Dec (RM m)</b>	<b>1Q FY24</b>	<b>4Q FY23</b>	<b>Q-o-Q Chg</b>	<b>1Q FY23</b>	<b>Y-o-Y Chg</b>	<b>3M FY24</b>	<b>3M FY23</b>	<b>Y-o-Y Chg</b>
<b>Turnover</b>								
Smelting	3,084.5	2,956.0	4%	2,624.8	18%	3,084.5	2,624.8	18%
Extrusion	452.2	484.5	-7%	419.5	8%	452.2	419.5	8%
Refinery	69.4	91.0	-24%	25.1	176%	69.4	25.1	176%
Contracting & Others	10.7	0.9	1081%	2.3	365%	10.7	2.3	365%
<b>Group Turnover</b>	<b>3,616.7</b>	<b>3,532.4</b>	<b>2%</b>	<b>3,071.7</b>	<b>18%</b>	<b>3,616.7</b>	<b>3,071.7</b>	<b>18%</b>
<b>Segment Results</b>								
Smelting	491.5	420.9	17%	413.2	19%	491.5	413.2	19%
Extrusion	16.4	22.0	-25%	28.7	-43%	16.4	28.7	-43%
Refinery	3.8	4.5	-15%	0.6	549%	3.8	0.6	549%
Contracting & Others	-11.2	-40.2	-72%	-5.4	106%	-11.2	-5.4	106%
<b>Group EBIT</b>	<b>500.6</b>	<b>407.1</b>	<b>23%</b>	<b>437.2</b>	<b>15%</b>	<b>500.6</b>	<b>437.2</b>	<b>15%</b>
<b>EBIT Margin</b>								
Smelting	15.9%	14.2%		16%		16%	16%	
Extrusion	3.6%	4.5%		7%		4%	7%	
Refinery	6%	5%		2%		6%	2%	
Contracting & Others	N/A	N/A		N/A		N/A	N/A	
<b>Group EBIT</b>	<b>14%</b>	<b>12%</b>		<b>14%</b>		<b>14%</b>	<b>14%</b>	

Source: Company

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
ENGTEX GROUP BHD	OP	1.10	1.41	28.2%	485.5	Y	12/2024	9.2	12.5	300.0%	35.0%	11.9	8.8	0.5	4.7%	0.8	0.7%
OM HOLDINGS LTD	OP	1.51	1.80	19.2%	1,157.0	Y	12/2024	17.7	29.8	63.6%	68.6%	8.5	5.1	0.6	7.0%	6.6	4.4%
PRESS METAL ALUMINUM HOLDINGS BHD	OP	5.59	6.35	13.6%	46,059.5	Y	12/2024	23.2	27.0	52.5%	16.3%	24.1	20.7	5.7	24.8%	9.3	1.3%
UNITED U-LI CORPORATION BHD	OP	1.77	1.91	7.9%	385.5	Y	12/2024	23.9	29.8	29.7%	24.6%	7.4	5.9	0.9	13.2%	6.0	3.4%
<b>Sector Aggregate</b>					<b>48,087.5</b>					<b>54.3%</b>	<b>20.0%</b>	<b>22.5</b>	<b>18.8</b>	<b>4.3</b>	<b>19.0%</b>		<b>2.4%</b>

Source: Kenanga Research

This section is intentionally left blank

31 May 2024

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	☆	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	★	
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★	★	★
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★	★	
	Legal & Regulatory Compliance	★	★	★		
<b>OVERALL</b>		★	★	★	★	

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

