

06 October 2025

# Malakoff Corporation

## TBE Fire: Risk Contained for Now

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Tanjung Bin faced yet another setback as Tanjung Bin Energy (TBE) caught fire last Thursday night. Fortunately, there were no casualties and the blaze has since been extinguished. The plant is currently under scheduled outage, limiting immediate impact. However, any delay extending into an unplanned outage could result in monthly capacity payment losses of RM53m-RM54m. Pending further details, we maintain our forecasts, TP of RM1.05 and OUTPERFORM rating.

**TBE caught fire.** Last Thursday at 8:00 pm, a fire occurred at the 1,000MW TBE plant. The fire was successfully extinguished, with no fatalities or injuries reported. The nearby 2,100MW Tanjung Bin Power (TBP) plant remains unaffected. While the official press statement did not provide details, media reports indicated that c.70% of TBE's flue gas desulfurisation (FGD) facility, which essentially works to prevent sulfur oxides from being emitted into the environment, was destroyed.

Tanjung Bin has experienced multiple forced outages over the past decade, which had negatively impacted Malakoff's earnings. At TBP, there were 22 boiler tube failures between 2015 and 2017. Meanwhile, TBE encountered a series of operational issues, including boiler and electrical problems in 2017, a conveyor belt fire in 2019, a turbine failure in 2021, and a 17-day forced outage in 2022.

**Under scheduled outage period.** The fire occurred during a scheduled outage, and grid stability remains unaffected. As long as repair works are completed within the outage window, MALAKOF will continue to receive capacity payments. The duration of the current scheduled outage, however, has not been disclosed. Any repair delays that extend beyond the scheduled period could negatively impact MALAKOF's financials.

**Unscheduled outage risk.** Over the past two years, TBE has consistently reported quarterly capacity payments of RM158m–RM162m. Should the outage extend into an unscheduled period, the financial impact could be material. For example, a 30-day delay could result in an estimated RM53m–RM54m loss in capacity payments, equivalent to c.24% of our FY25 earnings forecast. This may also affect dividend distributions, given Malakoff's policy of paying out no less than 70% of earnings. Nevertheless, repair costs are likely to be recoverable through insurance at a later stage.

**Forecasts.** Maintained, pending further update on the fire incident at TBE.

**Valuations.** We maintain our SoP-derived TP of RM1.05 (see Page 3) which incorporates a new 1,400MW gas-fired power plant in our model. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

**Investment case.** We like MALAKOF for its earnings stability underpinned by IPPs and concessions, though improvements in risk management are needed to mitigate unnecessary volatility from issues such as unplanned outages. On the flipside, strong electricity demand is creating opportunities for new plant developments and PPA extensions, positioning MALAKOF to benefit meaningfully. As such, we maintain OUTPERFORM call which is supported by a decent dividend yield of >3%.

## OUTPERFORM ↔

**Price:** RM1.00  
**Target Price:** RM1.05 ↔

### Share Price Performance



KLCI	1,635.06
YTD KLCI chg	-0.4%
YTD stock price chg	18.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MLK MK Equity
Market Cap (RM M)	4,887.0
Shares Outstanding	4,887.0
52-Week Range (H)	1.12
52-Week Range (L)	0.73
3-Mth Avg Daily Vol:	7,606,646
Free Float	37%
Beta	1.1

### Major Shareholders

Anglo Oriental Annuity	20.1%
MMC Corp Bhd	18.4%
Employees Provident Fund Board	15.0%

### Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Revenue	8,970.1	8,489.8	8,151.1
EBIT	785.6	732.4	672.5
PBT	459.7	403.2	376.9
<b>Net Profit</b>	268.7	223.4	214.6
<b>Core Profit</b>	228.3	223.4	214.6
Consensus	-	225.9	278.4
Earnings Revision (%)	-	-	-
Core EPS (sen)	4.6	4.5	4.3
Core EPS growth (%)	>100.0	-2.2	-3.9
NDPS (sen)	4.4	3.6	3.4
BV/Share (RM)	0.90	0.92	0.93
NTA/Share (RM)	0.50	0.58	0.65
Core PER (x)	18.5	22.4	23.3
PBV (x)	1.11	1.09	1.08
Price/NTA (x)	1.68	1.72	1.54
Net Gearing (x)	1.47	1.36	1.19
Net Yield (%)	5.2	3.6	3.4

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**Risks to our recommendation include:** (i) failure to secure new power plant projects and PPA extensions, (ii) regulatory risks, (iii) unplanned outages leading to lower capacity payment and thus affecting earnings, (iv) non-compliance of ESG standards set by various stakeholders, and (v) earnings volatility stemming from fuel margin gains or losses.

<b>MALAKOF's Valuations</b>				
	Equity Stake (%)	Valuations		Basis
		RM m	RM/share	
SEV	93.8	53	0.01	FCFF @ 6.8% discount rate
Prai Power	100	70	0.01	FCFF @ 8.9% discount rate
TBP	90	1,646	0.33	FCFF @ 9.6% discount rate
TBE	100	1,134	0.23	FCFF @ 10.8% discount rate
New IPP	100	1,421	0.28	FCFF @ 6.8% discount rate
Small Hydropower Plants	70	69	0.01	FCFF @ 7.0% discount rate
Alam Flora	97.4	533	0.11	FCFF @ 8.4% discount rate
Teknik Janakuasa	100	223	0.04	FCFF @ 8.4% discount rate
Associates		1,299	0.26	Book value @ FY24A
Net Cash/(Debt)		-1,181	-0.24	Adjusted for subsidiary's loan
		<b>5,267</b>	<b>1.05</b>	

Source: Kenanga Research



### 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>																	
GAS MALAYSIA BHD	MP	4.32	3.93	-9.0%	5,546.9	Y	12/2025	31.1	32.1	-9.7%	3.5%	13.9	13.4	3.5	25.8%	24.9	5.8%
KJTS GROUP BHD	OP	1.72	2.12	23.3%	1,184.8	Y	12/2025	2.3	4.0	20.8%	71.1%	73.3	42.8	12.6	16.4%	0.5	0.3%
MALAKOFF CORP BHD	OP	1.00	1.05	5.0%	4,887.0	Y	12/2025	4.5	4.3	-2.2%	-3.9%	22.4	23.3	1.1	4.9%	3.6	3.6%
PEKAT GROUP BHD	OP	1.79	1.68	-6.1%	1,156.5	Y	12/2025	7.2	8.5	109.0%	17.5%	24.9	21.2	4.4	24.0%	0.0	0.0%
PETRONAS GAS BHD	MP	18.58	16.80	-9.6%	36,764.8	Y	12/2025	93.8	97.5	-0.1%	3.9%	19.8	19.1	2.6	13.1%	72.0	3.9%
SAMAIDEN GROUP BHD	OP	1.39	2.08	49.6%	645.7	Y	06/2026	6.9	8.4	24.0%	21.6%	20.0	16.5	5.6	29.8%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.94	3.25	10.5%	2,463.4	Y	03/2026	10.1	13.7	48.7%	36.1%	29.2	21.4	5.8	22.2%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.240	0.470	95.8%	240.2	Y	09/2025	1.3	2.0	-29.3%	53.8%	18.5	12.0	3.0	19.1%	0.0	0.0%
TENAGA NASIONAL BHD	OP	13.28	17.10	28.8%	77,411.0	Y	12/2025	82.9	88.8	-2.0%	7.1%	16.0	15.0	1.2	7.7%	41.0	3.1%
YTL POWER INTERNATIONAL BHD	OP	4.31	4.66	8.1%	37,137.1	N	06/2026	32.8	31.8	-7.1%	-3.2%	13.1	13.6	1.5	11.6%	8.0	1.9%
<b>SECTOR AGGREGATE</b>					<b>167,437.3</b>					<b>-2.9%</b>	<b>3.8%</b>	<b>16.6</b>	<b>16.0</b>	<b>4.1</b>	<b>17.5%</b>		<b>1.8%</b>

Source: Kenanga Research

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**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>	Transition to Renewables	★			
	Reliable Energy & Fair Tariff	★	★	★	
	Effluent/Waste Management	★	★	★	
	Ethical Practices	★	★	★	
	Supply Chain Management	★	★	★	
	Customer Satisfaction	★	★	★	
<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.**

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