Malakoff Corporation

Bridging the Earnings Gap

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OUTPERFORM ↔

Price:	**RM0.78**
Target Price:	**RM1.09 ↑**

MALAKOF has received approval to extend PPAs for three gas-fired IPPs until Dec 2029. This long-awaited news is positive, bridging the earnings gap as existing PPAs expire. Operational recovery is also on track, with TBE resuming operations last week following the Oct fire incident. While coal jetty repairs continue, ample stockpiles ensure no disruption to power generation. We view recent price weakness as a buying opportunity ahead of the greenfield IPP announcement, which remains the key catalyst for long-term capacity replacement. Maintain OUTPERFORM with a higher TP of RM1.09.

Three PPA extensions secured until Dec 2029. Malakoff has announced that the EC has approved PPA extensions for three gas-fired power plants, namely Segari Energy Venture (SEV - 1,303MW), GB3 (429MW), and Prai Power Plant (PPP - 350MW). These extensions, valid until 31 Dec 2029, fall under Project Category 1 (Cat 1) of the competitive bidding exercise for brownfield IPPs in Peninsular Malaysia (2025–2029).

A long-awaited positive news, as it addresses the declining earnings trend caused by the original mid-2027 expiry dates. While returns under the extended PPAs are expected to be lower than previous terms, the plants are already fully depreciated. The minimal capital expenditure required to maintain operations makes these extensions highly value-accretive. For context, SEV's annual capacity payment dropped from RM742m (original 21-year PPA) to c.RM140m–RM170m during its first 10-year extension. We expect the upcoming extension to follow a similar lean-margin profile. Assuming the capacity payment holds at RM170m (for 1,303MW) with a WACC of 6.8%, we estimate these three extensions will contribute 5.0 sen to MALAKOF's SoP valuation.

Greenfield IPPs on the horizon. To align with the EC's plan for 6GW–8GW of new capacity by 2030, MALAKOF is positioning itself for greenfield projects. In Oct 2025, it signed a reservation agreement with Mitsubishi Power Ltd for two 700MW gas turbine sets (with an option for two more). These projects are crucial to bridging the earnings gap left by the 2,100MW Tanjung Bin Plant (TBP), which is set to expire in the early 2030s.

TBE back on line. The TBE plant, which suffered a fire at its flue gas desulfurization (FGD) facility in Oct 2025, has officially resumed operations on 28 Jan 2026. Since the fire occurred during a scheduled outage, capacity payments are likely unaffected. Repair costs are expected to be largely mitigated by insurance claims. Separately, repair works on the coal jetty conveyor belt at the Tanjung Bin Complex are ongoing, but it does not pose a risk to current generation as coal stockpiles remain sufficient.

Forecasts. Maintained, as we expect these PPA extensions becoming effective starting in 2027 as these plants need rectification works to be done before resuming full commercial operations.

Valuations. We raised our SoP-derived TP to RM1.09 (see Page 3) from RM1.04 after incorporating the three PPA extensions into our model. Note that our valuation has already factored in 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).

Share Price Performance

KLCI	1,740.88
YTD KLCI chg	3.6%
YTD stock price chg	-3.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MLK MK Equity
Market Cap (RM M)	3,811.8
Shares Outstanding	4,887.0
52-Week Range (H)	1.12
52-Week Range (L)	0.73
3-Mth Avg Daily Vol:	2,139,531
Free Float	39%
Beta	1.0

Major Shareholders

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

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Revenue	8,970.1	8,489.8	8,151.1
EBIT	785.6	562.4	672.5
PBT	459.7	233.2	377.1
Net Profit	268.7	142.0	214.6
Core Profit	228.3	142.0	214.6
Consensus	-	109.1	242.4
Earnings Revision (%)	-	-	-
Core EPS (sen)	4.6	2.8	4.3
Core EPS Growth (%)	>100.0	-37.8	51.1
NDPS (sen)	4.4	2.3	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	27.5	18.2
PBV (x)	0.87	0.85	0.84
Price/NTA (x)	1.68	1.33	1.20
Net Gearing (x)	1.47	1.35	1.19
Net Yield (%)	5.2	2.9	4.4

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 c.3%.

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.

MALAKOF's Valuations

	Equity Stake	Valuations		Basis
	(%)	RM m	RM/share	
SEV	93.8	263	0.05	FCFF @ 6.8% discount rate
Prai Power	100	88	0.02	FCFF @ 6.8% discount rate
GB3	75	20	0.00	FCFF @ 6.8% 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)		-1,244	-0.25	Adjusted for subsidiary's loan
		5,452	**1.09**	

Source: Kenanga Research

Income Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	10,355	9,067	8,970	8,490	8,151
EBITDA	2,232	843	1,854	1,690	1,817
Depreciation	-1,249	-1,106	-1,068	-1,127	-1,145
EBIT	983	-263	786	562	672
Interest Expense	-523	-491	-436	-455	-424
Associate	276	-201	110	126	129
Exceptional/FV	0	0	0	0	0
PBT	737	-955	460	233	377
Taxation	-351	93	-150	-47	-111
Minority Interest	-84	25	-41	-45	-52
Net Profit	302	-837	269	142	215
Core Net Profit	431	-837	228	142	215

Balance Sheet

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	10,957	10,487	10,065	9,722	9,371
Investment	1,980	1,486	1,436	1,438	1,438
Intangibles	2,527	2,260	1,979	1,672	1,378
Other FA	409	413	399	411	427
Inventories	1,681	785	1,037	1,118	1,041
Receivable	2,087	1,565	1,558	1,642	1,576
Other CA	803	955	1,389	1,315	1,263
Cash & Bank Bal.	1,540	2,330	1,098	685	666
Total Assets	21,984	20,281	18,960	18,003	17,159
Payables	1,599	1,391	1,372	1,473	1,387
ST Borrowings	972	897	852	806	864
Other ST Liability	636	684	617	544	522
LT Borrowings	7,771	7,940	6,857	6,021	5,316
Other LT Lia.	4,309	3,807	3,728	3,528	3,396
Perpetual Sukuk	800	800	800	800	800
Minority Interest	335	257	238	238	238
Net Assets	**5,561**	**4,504**	**4,498**	**4,594**	**4,637**
Share Capital	5,693	5,693	5,693	5,693	5,693
Reserves	-132	-1,189	-1,195	-1,099	-1,056
Equity	**5,561**	**4,504**	**4,498**	**4,594**	**4,637**

Cashflow Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	-301	1,421	1,062	1,011	1,372
Investing CF	1,622	586	-1,025	-500	-500
Financing CF	-1,350	-1,217	-1,268	-923	-892
Net Chg in Cash	-29	790	-1,232	-413	-20
Free Cash Flow	1,321	2,007	37	511	872

Financial Data & Ratios

FY Dec	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Revenue	60.2	-12.4	-1.1	-5.4	-4.0
EBITDA	6.7	-62.2	119.8	-8.8	7.5
Operating Income	15.9	-126.7	>100.0	-28.4	19.6
Pre-tax Income	56.9	-229.7	>100.0	-49.3	61.7
Net Income	16.1	-377.0	>100.0	-47.2	51.1
Core Net Income	31.7	-294.0	>100.0	-37.8	51.1
Profitability (%)					
EBITDA Margin	21.6	9.3	20.7	19.9	22.3
Operating Margin	9.5	-2.9	8.8	6.6	8.2
PBT Margin	7.1	-10.5	5.1	2.7	4.6
Net Margin	2.9	-9.2	3.0	1.7	2.6
Core Net Margin	4.2	-9.2	2.5	1.7	2.6
Effective Tax Rate	47.6	9.7	32.6	20.0	29.4
ROE	4.0	-1.3	3.9	3.4	3.8
ROA	5.5	-16.6	6.0	3.1	4.6
DuPont Analysis					
Net margin (%)	4.2	-9.2	2.5	1.7	2.6
Assets Turnover (x)	0.5	0.4	0.5	0.5	0.5
Leverage Factor (x)	4.0	4.5	4.2	3.9	3.7
ROE (%)	7.8	-18.6	5.1	3.1	4.6
Leverage					
Debt/Asset (x)	0.40	0.44	0.41	0.38	0.36
Debt/Equity (x)	1.57	1.96	1.71	1.49	1.33
Net Debt/(Cash)	-7,204	-6,507	-6,611	-6,214	-5,514
Net Debt/Equity (x)	1.30	1.44	1.47	1.35	1.19
Valuations					
EPS (sen)	8.6	-16.7	4.6	2.8	4.3
NDPS (sen)	5.3	3.0	4.4	2.3	3.4
BV (RM)	1.11	0.90	0.90	0.92	0.93
NTA (RM)	0.61	0.45	0.50	0.58	0.65
PER (x)	7.5	-3.8	18.5	27.5	18.2
Net yield (%)	8.1	4.7	5.2	2.9	4.4
PBV (x)	0.90	1.11	1.11	0.85	0.84
P/NTA (x)	1.07	1.41	1.68	1.33	1.20
EV/EBITDA (x)	4.7	11.5	5.8	6.0	5.2

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.
Stocks Under Coverage																	
GAS MALAYSIA BHD	MP	4.61	4.45	-3.5%	5,919.2	Y	12/2025	31.1	32.1	-9.7%	3.5%	14.8	14.3	3.7	25.8%	24.9	5.4%
KJTS GROUP BHD	OP	0.815	2.12	160.1%	562.2	Y	12/2025	2.3	4.0	20.8%	71.1%	34.7	20.3	6.0	16.4%	0.5	0.6%
MALAKOFF CORP BHD	OP	0.780	1.09	39.7%	3,811.8	Y	12/2025	2.8	4.3	-37.8%	51.1%	27.5	18.2	0.9	3.1%	2.3	2.9%
PEKAT GROUP BHD	OP	1.35	1.68	24.4%	953.5	Y	12/2025	7.2	8.5	109.0%	17.5%	18.8	16.0	3.3	24.0%	0.0	0.0%
PETRONAS GAS BHD	MP	18.38	18.70	1.7%	36,369.1	Y	12/2025	93.8	97.5	-0.1%	3.9%	19.6	18.9	2.5	13.1%	72.0	3.9%
SAMAIDEN GROUP BHD	OP	1.14	2.08	82.5%	572.3	Y	06/2026	6.9	8.4	24.0%	21.6%	16.4	13.5	4.6	29.8%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.52	3.45	36.9%	2,387.4	Y	03/2026	10.3	14.3	51.9%	39.2%	24.5	17.6	4.9	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.175	0.470	168.6%	175.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	13.5	8.8	2.2	19.1%	0.0	0.0%
TENAGA NASIONAL BHD	OP	13.94	16.80	20.5%	81,258.2	Y	12/2025	78.8	85.9	-4.1%	9.0%	17.7	16.2	1.3	7.4%	39.0	2.8%
YTL POWER INTERNATIONAL BHD	OP	3.23	4.40	36.2%	27,877.9	N	06/2026	30.3	31.6	-14.2%	4.3%	10.7	10.2	1.1	10.8%	8.0	2.5%
SECTOR AGGREGATE					**159,886.8**					**-6.6%**	**7.7%**	**16.7**	**15.5**	**3.0**	**17.2%**		**1.8%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating
GENERAL	Earnings Sustainability & Quality	★ ★
	Community Investment	★ ★ ★
	Workers Safety & Wellbeing	★ ★ ★
	Corporate Governance	★ ★ ★
	Anti-Corruption Policy	★ ★ ★
	Emissions Management	★ ★ ★
SPECIFIC	Transition to Renewables	★
	Reliable Energy & Fair Tariff	★ ★ ★
	Effluent/Waste Management	★ ★ ★
	Ethical Practices	★ ★ ★
	Supply Chain Management	★ ★ ★
	Customer Satisfaction	★ ★ ★
	OVERALL	★ ★ ★

☆ 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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