

26 February 2026

Malakoff Corporation

FY25 Disappoints

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MALAKOF delivered disappointing FY25 results, as 4QFY25 slipped into a loss due to capacity payment losses at TBE, and provisions related to a fire incident. We expect 1QFY26 to remain weak, as TBE only resumed full operations in late January, while repair works at the Tanjung Bin Complex are slated for completion in March. Nonetheless, the PPA extensions for three IPPs should bridge the earnings gap as existing agreements expire. We have cut our FY26F earnings by 17% and trimmed our TP to RM1.00 (from RM1.09). **OUTPERFORM** retained.

FY25 result below expectation. MALAKOF's FY25 core profit of RM113.2m fell short of our expectation, coming in 20% below our forecast. This was primarily driven by a weak 4QFY25 results which slipped into a loss due to TBE's capacity payment loss affected by steam turbine generator rotor failure and provision for availability target penalty (ATP) arising from the fire incident. MALAKOF has stated that the announcement of the final NDPS will be made upon the finalisation of the audited financial statement next month. Our FY25 NDPS projection of 2.3 sen implies a final NDPS of 0.8 sen (1.5 sen was declared in 2QFY25).

QOQ. 4QFY25 turned to a core loss of RM11.8m from RM28.2m core profit in 3QFY25. This was largely due to the mentioned TBE's capacity payment loss and provision for ATP. Meanwhile, associate and JV incomes normalised to RM34.6m from RM13.6m which helped to mitigated earnings weakness.

YoY. FY25 core profit plunged 50% YoY to RM113.2m from RM228.3m in FY24, following the TBE's unplanned outage coupled with the provision for ATP. In addition, lower capacity payments from Prai Power Plant under its extended PPA carries lower payment terms.

Outlook. We anticipate another weak 1QFY26 as TBE only resumed full commercial operation on 28 Jan 2026. In addition, repair works of conveyor belts at Tanjung Bin Complex (which is critical for coal transport) are not expected to be completed until Mar 2026. On a positive note, the PPA extension of three gas-fired IPPs, namely SEV, Prai Power and GB3 are expected to bridge the earnings gap as existing PPAs expire.

Forecasts. We cut FY26 earnings forecasts by 17% to account for the loss in capacity payment for TBE and further ATP provision in 1QFY26. Our estimates do not incorporate any insurance claims. We also introduce our new FY27 earnings estimates, where we project 33% profit growth, largely driven by the contribution from the three PPA extensions mentioned above.

Valuations. Following earnings revision and a valuation roll-over to FY26F, we lowered our RNAV-driven TP to RM1.00 (from RM1.09). 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. We therefore upgrade the stock to **OUTPERFORM** from MARKET PERFORM, supported by a decent dividend yield of >3%.

OUTPERFORM ↔

Price: RM0.83
Target Price: RM1.00 ↓

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	2.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MLK MK
Market Cap (RM m)	4,056.2
Shares outstanding	4,887.0
52-week range (H)	1.12
52-week range (L)	0.73
3-mth avg. daily vol.	1,996,079
Free Float	39%
Beta	1.0

Major Shareholders

Anglo Oriental Annuity	20.1%
MMC Corp Bhd	18.5%
Employees Provident Fund	18.4%

Summary Earnings Table

FY Dec (RM m)	2025F	2026F	2027F
Revenue	7,209.3	8,151.1	8,880.0
EBIT	483.1	622.5	661.2
PBT	175.7	326.9	384.5
Net Profit	96.1	179.1	238.0
Core Profit	113.2	179.1	238.0
Consensus	-	242.7	273.9
Earnings Revision (%)	-	-16.5	NEW
Core EPS (sen)	2.3	3.6	4.8
Core EPS Growth (%)	-50.4	58.2	32.9
NDPS (sen)	1.5	2.9	3.8
BV/Share (RM)	1.14	0.93	0.94
NTA/Share (RM)	1.14	0.65	0.72
Core PER (x)	37.3	23.2	17.4
PBV (x)	0.73	0.90	0.89
Price/NTA (x)	1.45	1.28	1.16
Net Gearing (x)	1.35	1.19	1.01
Net Yield (%)	1.8	3.5	4.6

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.

Income Statement								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Turnover	1,471.2	1,690.5	-13%	2,163.0	-32%	7,209.3	8,970.1	-20%
EBITDA	256.4	358.2	-28%	387.6	-34%	1,445.8	1,854.1	-22%
Depreciation	-207.8	-222.5	-7%	-258.3	-20%	-962.7	-1,068.0	-10%
EBIT	48.6	135.7	-64%	129.3	-62%	483.1	786.1	-39%
Interest income	11.9	13.9	-15%	13.6	-12%	57.3	68.4	-16%
Interest expense	-110.4	-115.5	-4%	-120.7	-9%	-460.8	-504.0	-9%
Associates	34.6	13.6	155%	34.7	0%	96.2	109.7	-12%
Pretax profit	-15.4	47.7	-132%	56.9	-127%	175.7	460.3	-62%
Taxation	-7.2	-7.1	2%	-27.9	-74%	-44.2	-149.7	-70%
Profit after tax	-22.5	40.6	-156%	29.0	-178%	131.5	310.6	-58%
Minority interest	-6.4	-12.4	-48%	-2.9	119%	-35.4	-41.9	-15%
Net profit	-29.0	28.2	-203%	26.0	-211%	96.1	268.7	-64%
Core net profit	-11.8	28.2	-142%	48.7	-124%	113.2	228.3	-50%
EPS (sen)	-0.2	0.6	-142%	1.0	-124%	2.3	4.6	-50%
NDPS (sen)	0.0	0.0	N/A	2.2	-100%	1.5	4.4	-66%
NTA/share (RM)	0.49	0.49	-2%	0.50	-4%	0.49	0.50	-4%
EBITDA margin	17%	21%		18%		20%	21%	
EBIT margin	3%	8%		6%		7%	9%	
Pretax margin	-1%	3%		3%		2%	5%	
Effective tax rate	-47%	15%		49%		25%	33%	

Source: Company

Segmental Breakdown								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Segment revenue:								
Power Generation - Local	1091.9	1463.9	-25%	1907.1	-43%	6124.9	7919.2	-23%
Power Generation - Foreign	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Waste mgmt & env. services	216.0	219.1	-1%	212.2	2%	886.7	872.3	2%
Other - Local	163.3	7.5	2073%	43.7	274%	197.7	178.5	11%
Other - Foreign	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Eliminations	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
Group revenue	1471.2	1690.5	-13%	2163.0	-32%	7209.3	8970.1	-20%
Segment result:								
Power Generation - Local	-51.4	88.2	-158%	-43.9	17%	159.8	356.7	-55%
Power Generation - Foreign	61.4	7.6	712%	54.7	12%	108.0	119.8	-10%
Waste mgmt & env. services	38.6	29.1	32%	35.4	9%	133.1	126.4	5%
Other - Local	-9.9	-4.5	118%	83.4	-112%	96.9	98.2	-1%
Other - Foreign	9.7	30.5	-68%	51.6	-81%	95.9	284.1	-66%
Eliminations	-70.8	-110.3	-36%	-152.8	-54%	-462.2	-675.3	-32%
Group PAT	-22.5	40.6	-156%	28.4	-179%	131.5	310.0	-58%
PAT margin:								
Power Generation - Local	-5%	6%		-2%		3%	5%	
Power Generation - Foreign	N/A	N/A		N/A		N/A	N/A	
Waste mgmt & env. services	18%	13%		17%		15%	14%	
Other - Local	-6%	-60%		191%		49%	55%	
Other - Foreign	N/A	N/A		N/A		N/A	N/A	
Eliminations	N/A	N/A		N/A		N/A	N/A	
Group PAT margin	-2%	2%		1%		2%	3%	

Source: Company

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MALAKOF's Valuations				
	Equity Stake (%)	Valuations		Basis
		RM m	RM/share	
SEV	93.8	149	0.03	FCFF @ 6.8% discount rate
Prai Power	100	46	0.01	FCFF @ 6.8% discount rate
GB3	75	20	0.00	FCFF @ 6.8% discount rate
TBP	90	1,403	0.28	FCFF @ 9.6% discount rate
TBE	100	1,085	0.22	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	512	0.10	FCFF @ 8.4% discount rate
Teknik Janakuasa	100	216	0.04	FCFF @ 8.4% discount rate
Associates		1,299	0.26	Book value @ FY24A
Net Cash/(Debt)		-1,242	-0.25	Adjusted for subsidiary's loan
		4,977	1.00	

Source: Kenanga Research

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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	4.77	4.50	-5.7%	6,124.7	Y	12/2026	31.7	32.1	5.6%	1.3%	15.1	14.9	3.7	25.4%	25.3	5.3%
KJTS GROUP BHD	OP	0.820	2.12	158.5%	566.1	Y	12/2025	2.3	4.0	20.8%	71.1%	34.9	20.4	6.0	16.4%	0.5	0.6%
MALAKOFF CORP BHD	OP	0.830	1.00	20.5%	4,056.2	Y	12/2025	3.6	4.8	58.2%	32.9%	23.2	17.4	0.9	3.9%	2.9	3.5%
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	18.48	18.80	1.7%	36,567.0	Y	12/2026	95.9	97.2	12.1%	1.4%	19.3	19.0	2.5	13.1%	72.0	3.9%
SAMAIDEN GROUP BHD	OP	1.08	2.08	92.6%	542.4	Y	06/2026	6.9	8.4	24.0%	21.6%	15.6	12.8	4.3	29.8%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	2.32	3.45	48.7%	2,198.5	Y	03/2026	10.3	14.3	51.9%	39.2%	22.5	16.2	4.5	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.205	0.470	129.3%	205.2	Y	09/2026	1.3	2.0	-29.3%	53.8%	15.8	10.3	2.6	19.1%	0.0	0.0%
TENAGA NASIONAL BHD	OP	14.18	16.80	18.5%	82,657.2	Y	12/2025	78.8	85.9	-4.1%	9.0%	18.0	16.5	1.3	7.4%	39.0	2.8%
YTL POWER INTERNATIONAL BHD	OP	2.91	4.40	51.2%	25,138.3	N	06/2026	30.3	31.6	-14.2%	4.3%	9.6	9.2	1.0	10.8%	8.0	2.7%
SECTOR AGGREGATE					159,009.0					-2.6%	6.9%	16.4	15.4	3.0	17.3%		1.9%

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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