

Malayan Cement Berhad

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

Another Outstanding Quarter to End FY23

KEY INVESTMENT HIGHLIGHTS

- **FY23 core net profit doubled to RM160.7m, exceeding estimates**
- **Cement revenue for the year grew +40.1% to RM2.87b, PBT RM374.0m**
- **Revenue from aggregates and concrete grew +35.0% to RM882.4m, recording a PBT of RM37.4m, rebounding from a loss in FY22**
- **Maintain BUY with an upgraded TP of RM4.50**

Exceed expectations. Malayan Cement Berhad (MCement) posted a 2.5x growth in its 4QFY23 core net profit to RM81.9m, on the back of a stronger revenue growth of +25.6%yoy to RM1.01b. For cumulative FY23, the group's core net profit more than doubled to RM160.7m, surpassing both ours and consensus estimates by 22.4% and 26.5% respectively.

Cement segment. Cement revenue in FY23 jumped +40.1%yoy to RM2.87b, delivering a PBT of RM374.0m, an improvement of +58.8%yoy. In terms of PBT margin, there was an improvement from 11.5% in FY22 to 13.0% in FY23, lifted by stronger margins in 3QFY23 and 4QFY23 of 18.3% and 19.2% respectively due to an improvement the volume and selling price of domestic cement. This was on top of the factor of the full year revenue consolidation of the 10 companies and subsidiaries that were acquired from YTL Cement Bhd in Sept-21 as compared to 282 days in FY22.

Aggregates & concrete segment. The segment's revenue grew +35.0% in FY23 to RM882.4m on the back of higher prices of ready-mixed concrete, achieving a PBT of RM37.4m, an improvement over a loss of -RM1.7m in FY22.

Earnings estimates. We are revising upwards our FY24E revenue and core earnings projections by +3.0% and +46.7% respectively to RM3.94b and RM185.4m respectively.

Target price. We are upgrading our **TP** to **RM4.50** as we peg a price-to-book ratio of 1.3x based on +1SD above its two-year mean to the group's FY24F estimated book value per share (BVPS) of RM3.46.

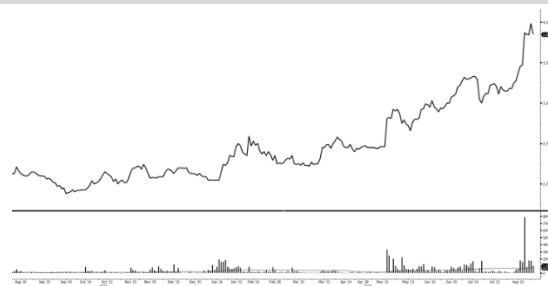
Maintain BUY. We expect MCement to continue benefitting from the strong demand for cement in line with the expectations of stronger job flows for both civil and private projects, including residential and commercial properties. There are strong job flows for logistics hubs, data centres and semiconductor plants, which will drive cement demand and mega projects that will drive demand in the near future are the upcoming MRT3 and Penang LRT rail projects. All factors considered, we reiterate our **BUY** recommendation on **MCement**.

Maintain BUY
Revised Target Price: RM4.50
(previously RM3.74)

RETURN STATISTICS

Price @ 24 th Aug 2023 (RM)	3.85
Expected share price return (%)	+16.88
Expected dividend yield (%)	1.33
Expected total return (%)	+18.21

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	25.0	24.3
3 months	25.4	28.0
12 months	80.8	87.1

INVESTMENT STATISTICS

FYE Jun	2023A	2024E	2025F
Revenue	3,757.0	3,944.9	3,984.3
Operating Profit	87.1	98.6	115.1
Profit Before Tax	253.1	284.0	296.8
Core net profit	160.7	185.4	217.1
Core EPS (sen)	9.0	10.4	12.2
DPS (sen)	6.0	6.0	6.0
Dividend Yield	1.6%	1.3%	1.3%

KEY STATISTICS

FBM KLCI	1,444.67
Issue shares (m)	934.70
Estimated free float (%)	7.54
Market Capitalisation (RM'm)	5,044.28
52-wk price range	RM1.84-RM4.10
3-mth average daily volume (m)	0.76
3-mth average daily value (RM'm)	2.49
Top Shareholders (%)	
YTL Cement Bhd	78.58
Amanah Saham Nasional Bhd	5.06
Oversea-Chinese Banking Corp	1.21

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MALAYAN CEMENT: 4QFY23 RESULTS SUMMARY

Income Statement	Quarterly Results					Cumulative		
	4QFY23	3QFY23	4QFY22	QoQ	YoY	FY23	FY22	YoY
Revenue	1,010.5	990.7	804.8	2.0%	25.6%	3,757.0	2,705.3	38.9%
Cost of sales	(697.8)	(713.0)	(572.5)	2.1%	-21.9%	(2,769.5)	(2,011.7)	-38%
Gross profit	312.7	277.7	232.3	12.6%	34.6%	987.5	693.5	42%
Other operating income	35.5	21.5	25.0	64.8%	42.0%	87.1	75.2	16%
Other operating expenses	(181.3)	(158.9)	(169.3)	-14.1%	-7.1%	(663.2)	(534.9)	-24%
Profit from operations	166.9	140.4	88.0	18.9%	89.7%	411.5	233.9	76%
Finance costs	(48.7)	(49.4)	(42.9)	1.4%	-13.6%	(194.7)	(143.3)	-36%
Share of results in joint venture	7.8	7.7	10.5	2.3%	-25.4%	36.4	38.6	-6%
Profit before tax	126.0	98.7	55.6	27.7%	126.6%	253.1	129.2	96%
Taxation	(46.3)	(35.4)	(21.8)	-31.0%	-112.4%	(93.9)	(47.1)	-99%
Non-controlling interests	0.1	0.0	(0.3)	1842.9%	140.5%	0.2	(1.5)	111%
Reported net profit	79.5	63.3	34.1	25.7%	133.1%	159.0	83.5	90%
Core net profit	81.9	62.7	33.0	30.7%	148.1%	160.7	78.1	105.8%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	1,369.51	2,705.27	3,757.0	3,944.9	3,984.3
Gross profit	160.40	693.52	987.5	1,025.7	1,028.0
Operating profit	29.52	233.87	411.5	433.9	438.3
Profit before tax	8.20	129.22	253.1	284.0	296.8
Net profit	7.09	82.09	159.0	185.4	217.1
Core net profit	8.43	78.07	160.7	185.4	217.1
Core EPS (sen)	0.5	4.4	9.0	10.4	12.2
DPS (sen)	0	0	6.0	6.0	6.0

Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
Fixed assets	1,372.1	2,782.5	2,862.5	2,833.9	2,805.5
Other investments and assets	1,678.2	5,882.6	5,650.7	5,823.9	5,794.8
Non-current assets	3,050.3	8,665.1	8,513.2	8,657.8	8,600.3
Cash	61.7	211.7	263.3	189.2	172.2
Trade debtors	121.1	538.1	614.6	484.0	484.0
Current assets	711.6	1,761.0	2,181.4	1,542.2	2,599.7
Trade creditors	339.3	650.1	790.5	650.0	650.0
Short-term debt	220.0	1,128.6	907.6	842.6	1,520.8
Current liabilities	667.5	1,831.3	1,769.2	1,381.3	2,493.1
Long-term debt	499.9	2,671.5	2,834.4	2,692.7	2,558.0
Non-current liabilities	559.2	2,815.9	2,970.9	2,834.4	2,692.7
Share capital	2,187.7	5,345.8	5,345.8	5,345.8	5,345.8
Retained earnings	309.4	392.9	551.9	650.5	787.8
Equity	2,535.3	5,778.9	5,954.5	5,984.3	6,014.2

Cash Flow (RM'm)	2021A	2022A	2023A	2024E	2025F
PBT	8.2	129.2	253.1	284.0	296.8
Depreciation & amortisation	155.2	180.1	271.0	189.0	189.0
Changes in working capital	(69.5)	33.3	(11.8)	33.0	33.0
Operating cash flow	113.3	459.6	672.7	469.3	474.0
Capital expenditure	(51.7)	(77.0)	(105.0)	(93.2)	(97.8)
Investing cash flow	(36.6)	(1,629.4)	(66.0)	(50.0)	(50.0)
Debt raised/(repaid)	(209.8)	1,874.5	(68.5)	(136.0)	(136.0)
Dividends paid	-	-	-	-	-
Financing cash flow	13.8	1,850.4	(88.3)	(79.5)	(72.0)
Net cash flow	57.8	467.7	264.0	339.8	352.0
Beginning cash flow	77.2	135.0	603.7	875.8	1,215.6
Ending cash flow	135.0	603.7	875.8	1,215.6	1,567.6

Profitability Margins	2021A	2022A	2023A	2024E	2025F
Operating profit margin	2.2%	8.6%	11.0%	11.0%	11.0%
PBT margin	0.6%	4.8%	6.7%	7.2%	7.5%
PAT margin	0.5%	3.0%	4.2%	4.7%	5.5%
Core PAT margin	0.6%	2.9%	4.3%	4.7%	5.5%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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