

## Malayan Cement Berhad

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

### Concrete Start to FY23

#### KEY INVESTMENT HIGHLIGHTS

- **FY23 core net profit rose >+100%yoy to RM88.5m in 1QFY24**
- **Cement revenue grew +35.2%yoy to RM881.6m, operating profit surged 5.2x to RM189.0m**
- **Revenue from aggregates and concrete grew +28.9%yoy to RM266.5m; operating profit +19.2%yoy to RM6.7m**
- **Maintain BUY with an upgraded TP of RM4.91**

**Exceed expectations.** The core net profit for Malayan Cement Berhad (MCement) surged >+100%yoy to RM88.5m in 1QFY24 on the back of a stronger revenue of +33.7%yoy to RM1.15b. The earnings came in above expectations, surpassing both ours and consensus estimates, making up 47.7% and 41.5% of full-year estimates respectively.

**Cement segment.** Revenue from cement grew +35.2%yoy for the quarter to RM881.6m, attributable to stronger sales volume. Operating profit surged 5.2x to RM189.0m, attributable to the stabilisation of selling prices, moderating the impact of higher energy costs. Operating profit margin improved to 21.4%, as compared to 5.6% in 1QFY23 and 19.2% a quarter ago.

**Aggregates & concrete segment.** The segment's revenue grew +28.9%yoy in 1QFY24 to RM266.5m, with a +19.2%yoy higher operating profit of RM6.7m. Margins declined to 2.5% during the quarter, as compared to 2.7% a year ago and 7.3% last quarter.

**Earnings estimates.** We are lifting our FY24E/FY25F core earnings projection by +68.3%/74.4% to RM312.1m and RM378.6m respectively, in light of stronger selling prices and margins.

**Target price.** We are upgrading our **TP to RM4.91** as we peg a price-to-book ratio of 1.4x based on +1SD above its two-year mean to the group's FY25F estimated book value per share (BVPS) of RM3.51 as we roll-forward our valuation to the next financial year.

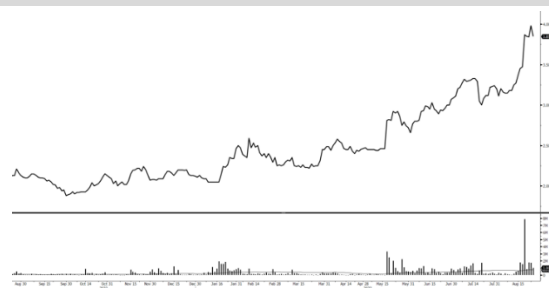
**Maintain BUY.** We expect MCement to continue benefitting from the strong demand for cement in line with the expectations of stronger job flows for both civil and private projects, including residential and commercial properties. There are strong job flows for logistics hubs, data centres and semiconductor plants, which will drive cement demand, on top of expected projects under the RM90b development expenditure from Budget 2024 and off-Budget mega projects such as the upcoming MRT3 and Penang LRT rail projects. All factors considered, we reiterate our **BUY** recommendation on **MCement**.

**Maintain BUY**
**Revised Target Price: RM4.91**  
 (previously RM4.50)

#### RETURN STATISTICS

Price @ 23 <sup>rd</sup> Nov 2023 (RM)	3.94
Expected share price return (%)	+24.62
Expected dividend yield (%)	1.22
Expected total return (%)	+25.84

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.0	9.6
3 months	7.4	-1.6
12 months	80.7	86.8

#### INVESTMENT STATISTICS

FYE Jun	2024E	2025F	206F
Revenue	4,106.6	4,229.8	4,356.7
Operating Profit	595.5	613.3	653.5
Profit Before Tax	435.3	463.2	492.3
Core net profit	312.1	378.6	383.4
Core EPS (sen)	17.4	20.7	20.9
DPS (sen)	6.0	6.0	6.0
Dividend Yield	1.2%	1.2%	1.2%

#### KEY STATISTICS

FBM KLCI	1,453.29
Issue shares (m)	1310.20
Estimated free float (%)	6.04
Market Capitalisation (RM'm)	5,162.19
52-wk price range	RM2.04-RM4.10
3-mth average daily volume (m)	1.16
3-mth average daily value (RM'm)	4.35
Top Shareholders (%)	
YTL Cement Bhd	78.58
Amanah Saham Nasional Bhd	5.29
Oversea-Chinese Banking Corp	1.33

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**MALAYAN CEMENT: 1QFY24 RESULTS SUMMARY**

All in RM'm unless stated otherwise	Quarterly Results				
	1Q24	4Q23	1Q23	QoQ	YoY
<b>Income Statement</b>					
Revenue	1,148.1	1,010.5	858.9	13.6%	33.7%
Cost of sales	(807.7)	(697.8)	(668.5)	-15.8%	-20.8%
Gross profit	340.3	312.7	190.4	8.8%	78.8%
Other operating income	27.2	35.5	9.0	-23.5%	>+100%
Other operating expenses	(171.9)	(181.3)	(157.4)	5.2%	-9.2%
Profit from operations	195.6	166.9	42.0	17.2%	>+100%
Finance costs	(50.8)	(48.7)	(46.8)	-4.4%	-8.6%
Share of results in joint venture	9.7	7.8	8.9	24.3%	9.7%
Profit before tax	154.6	126.0	4.1	22.7%	>+100%
Taxation	(58.4)	(46.3)	(3.2)	-26.1%	<-100%
Non-controlling interests	0.0	0.1	(0.0)	-77.9%	>+100%
Reported net profit	96.1	79.5	1.0	20.8%	>+100%
Core net profit	88.5	81.9	0.8	8.1%	>+100%

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,705.27	3,757.0	4,106.6	4,229.8	4,356.7
Gross profit	693.52	987.5	1,149.9	1,184.4	1,219.9
Operating profit	233.87	411.5	595.5	613.3	653.5
Profit before tax	129.22	253.1	435.3	463.2	492.3
Net profit	82.09	159.0	312.1	378.6	383.4
Core net profit	78.07	160.7	312.1	378.6	383.4
Core EPS (sen)	4.4	9.0	17.4	20.7	20.9
DPS (sen)	0	6.0	6.0	6.0	6.0

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	2,782.5	2,862.5	2,833.9	2,805.5	2,777.5
Other investments and assets	5,882.6	5,650.7	5,823.9	5,921.8	6,099.4
<b>Non-current assets</b>	<b>8,665.1</b>	<b>8,513.2</b>	<b>8,657.8</b>	<b>8,727.3</b>	<b>8,876.9</b>
Cash	211.7	263.3	189.2	172.2	206.6
Trade debtors	538.1	614.6	657.1	676.8	397.1
<b>Current assets</b>	<b>1,761.0</b>	<b>2,181.4</b>	<b>1,542.2</b>	<b>2,472.7</b>	<b>2,323.1</b>
Trade creditors	650.1	790.5	827.9	852.7	878.3
Short-term debt	1,128.6	907.6	842.6	1,520.8	1,584.6
<b>Current liabilities</b>	<b>1,831.3</b>	<b>1,769.2</b>	<b>1,381.3</b>	<b>2,493.1</b>	<b>2,597.7</b>
Long-term debt	2,671.5	2,834.4	2,692.7	2,558.0	2,430.1
<b>Non-current liabilities</b>	<b>2,815.9</b>	<b>2,970.9</b>	<b>2,834.4</b>	<b>2,692.7</b>	<b>2,558.0</b>
Share capital	5,345.8	5,345.8	5,345.8	5,345.8	5,345.8
Retained earnings	392.9	551.9	650.5	787.8	787.8
<b>Equity</b>	<b>5,778.9</b>	<b>5,954.5</b>	<b>5,984.3</b>	<b>6,014.2</b>	<b>6,044.3</b>

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	129.2	253.1	435.3	463.2	492.3
Depreciation & amortisation	180.1	271.0	189.0	189.0	189.0
Changes in working capital	33.3	(11.8)	33.0	33.0	33.0
<b>Operating cash flow</b>	<b>459.6</b>	<b>672.7</b>	<b>469.3</b>	<b>497.2</b>	<b>526.3</b>
Capital expenditure	(77.0)	(105.0)	(123.0)	(126.9)	(130.7)
<b>Investing cash flow</b>	<b>(1,629.4)</b>	<b>(66.0)</b>	<b>(50.0)</b>	<b>(50.0)</b>	<b>(50.0)</b>
Debt raised/(repaid)	1,874.5	(68.5)	(136.0)	(136.0)	(136.0)
Dividends paid	-	-	(107.0)	(107.0)	(107.0)
<b>Financing cash flow</b>	<b>1,850.4</b>	<b>(88.3)</b>	<b>(79.5)</b>	<b>(72.0)</b>	<b>(72.0)</b>
<b>Net cash flow</b>	<b>467.7</b>	<b>264.0</b>	<b>339.8</b>	<b>375.2</b>	<b>404.3</b>
<b>Beginning cash flow</b>	<b>135.0</b>	<b>603.7</b>	<b>875.8</b>	<b>1,215.6</b>	<b>1,590.8</b>
<b>Ending cash flow</b>	<b>603.7</b>	<b>875.8</b>	<b>1,215.6</b>	<b>1,590.8</b>	<b>1,995.1</b>

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating profit margin	8.6%	11.0%	14.5%	14.5%	15.0%
PBT margin	4.8%	6.7%	10.6%	11.0%	11.00%
PAT margin	3.0%	4.2%	7.6%	9.0%	8.50%
Core PAT margin	2.9%	4.3%	7.6%	9.0%	8.50%

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