

Malayan Cement Berhad

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

Another Solid Quarter

KEY INVESTMENT HIGHLIGHTS

- **2QFY24 core net profit rose 8x to RM120.8m; revenue grew 29.2%yoy to RM1.16b**
- **Cement revenue grew +29.2%yoy to RM75.9m, operating profit surged 4.4x to RM209.3m**
- **Revenue from aggregates and concrete grew +28.9%yoy to RM281.9m; operating profit +9.1%yoy to RM15.5m**
- **Maintain BUY with an upgraded TP of RM5.33**

Exceed expectations. Malayan Cement recorded a core net profit of RM120.8m in 2QFY24, surging about 8x from the previous year's corresponding quarter. For the cumulative 6MFY24, the group's core net profit grew 13x to RM209.4m, coming in above ours and street's expectations making up 67.1% and 71.5% of full-year estimates. This came on the back of stronger performances in both the cement and aggregates & concrete business segments.

Cement segment. Revenue from the cement business grew +29.2%yoy to RM875.9m in 2QFY24, attributable to higher sales volume and stabilised selling prices. Operating profit jumped 4.4x to RM209.3m, equivalent to a margin of 23.9% an improvement over 7.1% in 2QFY23 and 21.4% in 1QFY24, on the back of moderation in coal prices.

Aggregates & concrete segment. The segment's revenue grew +28.9%yoy in 2QFY24 to RM281.9m, delivering an operating profit of RM15.5m. While the operating margin came in lower at 5.5% as compared to 6.5% in 2QFY23, it was an improvement over the previous quarter at 2.5%.

Earnings estimates. We are lifting our FY24E/FY25F/FY26F core net profit by +20.5%/+3.7%/+6.0% to RM376.1m/RM392.7m/RM406.7m in view of the better than expected margins.

Target price. We are upgrading our **TP** to **RM5.33** as we peg the group's FY25F EPS of 21.3 sen to a PER of 25x, which we believe is reasonable considering its large cement market share of almost 60% in the peninsula. The PER ascribed is -1SD below its two-year mean.

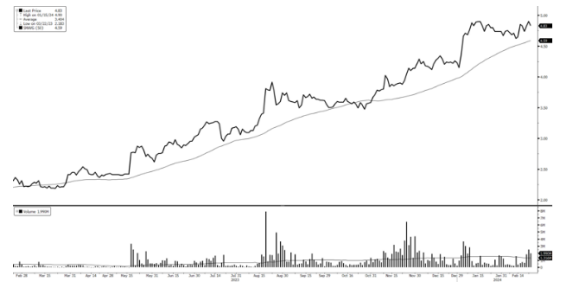
Maintain BUY. MCement remains as one of the main direct beneficiaries of the pick up in the construction sector, which is being driven by civil and non-residential projects, including manufacturing and logistics facilities, data centers, semiconductor factories and other strategic infrastructure and utilities projects, apart from initiatives announced under Budget 2024 and the Mid-Term Review of the 12th Malaysia Plan. Yet to be launched mega projects such as the MRT3 and Penang LRT are expected to further strengthen MCement's performance. All factors considered, we reiterate our **BUY** recommendation on **MCement**.

Maintain BUY
Revised Target Price: RM5.33
 (Previously RM4.91)

RETURN STATISTICS

Price @ 22 nd Feb 2024 (RM)	4.83
Expected share price return (%)	+10.35
Expected dividend yield (%)	1.13
Expected total return (%)	+11.48

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.4	-3.9
3 months	14.2	17.3
12 months	105.5	94.7

INVESTMENT STATISTICS

FYE Jun	2024E	2025F	206F
Revenue	4,132.8	4,339.4	4,469.6
Operating Profit	702.6	737.7	759.8
Profit Before Tax	562.1	588.0	607.9
Core net profit	376.1	392.7	406.7
Core EPS (sen)	20.4	21.3	22.1
DPS (sen)	6.0	6.0	6.0
Dividend Yield	1.1%	1.1%	1.1%

KEY STATISTICS

FBM KLCI	1,545.49
Issue shares (m)	1310.20
Estimated free float (%)	6.11
Market Capitalisation (RM'm)	6,333.10
52-wk price range	RM2.18-RM4.99
3-mth average daily volume (m)	1.37
3-mth average daily value (RM'm)	5.99
Top Shareholders (%)	
YTL Cement Bhd	78.52
Amanah Saham Nasional Bhd	5.29
Norges Bank	2.00

Analyst
Royce Tan Seng Hooi
 royce.tan@midf.com.my
 03-2173 8461

MALAYAN CEMENT: 2QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	2Q24	1Q24	2Q23	QoQ	YoY	6MFY24	6MFY23	YoY
Income Statement								
Revenue	1,158.6	1,148.1	897.0	0.9%	29.2%	2,306.6	1,755.8	31.4%
Cost of sales	(778.1)	(807.7)	(690.2)	3.7%	-12.7%	(1,585.8)	(1,358.7)	-17%
Gross profit	380.5	340.3	206.7	11.8%	84.1%	720.8	397.1	82%
Other operating income	21.0	27.2	21.1	-22.7%	-0.4%	48.1	30.1	60%
Other operating expenses	(176.7)	(171.9)	(165.6)	-2.8%	-6.7%	(348.5)	(323.0)	-8%
Profit from operations	224.8	195.6	62.2	14.9%	>+100%	420.4	104.2	>+100%
Finance costs	(50.0)	(50.8)	(49.9)	1.6%	-0.3%	(100.8)	(96.7)	-4%
Share of results in joint venture	12.8	9.7	12.0	31.5%	6.5%	22.5	20.9	8%
Profit before tax	187.6	154.6	24.3	21.4%	>+100%	342.1	28.4	>+100%
Taxation	(66.3)	(58.4)	(9.0)	-13.6%	<-100%	(124.8)	(12.2)	<-100%
Non-controlling interests	0.1	0.0	0.1	100.0%	1.7%	0.1	0.0	>+100%
Reported net profit	121.2	96.1	15.3	26.2%	>+100%	217.3	16.2	>+100%
Core net profit	120.8	88.5	15.3	36.5%	>+100%	209.4	16.1	>+100%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,705.27	3,757.0	4,132.8	4,339.4	4,469.6
Gross profit	693.52	987.5	1,239.8	1,301.8	1,340.9
Operating profit	233.87	411.5	702.6	737.7	759.8
Profit before tax	129.22	253.1	562.1	588.0	625.7
Net profit	82.09	159.0	376.1	392.7	406.7
Core net profit	78.07	160.7	376.1	392.7	406.7
Core EPS (sen)	4.4	9.0	20.4	21.3	22.1
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
Non-current assets	8,665.1	8,513.2	8,657.8	8,727.3	8,876.9
Cash	211.7	263.3	189.2	172.2	206.6
Trade debtors	538.1	614.6	657.1	676.8	397.1
Current assets	1,761.0	2,181.4	1,542.2	2,472.7	2,323.1
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
Current liabilities	1,831.3	1,769.2	1,381.3	2,493.1	2,597.7
Long-term debt	2,671.5	2,834.4	2,692.7	2,558.0	2,430.1
Non-current liabilities	2,815.9	2,970.9	2,834.4	2,692.7	2,558.0
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
Equity	5,778.9	5,954.5	5,984.3	6,014.2	6,044.3

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
Operating cash flow	459.6	672.7	469.3	497.2	526.3
Capital expenditure	(77.0)	(105.0)	(123.0)	(126.9)	(130.7)
Investing cash flow	(1,629.4)	(66.0)	(50.0)	(50.0)	(50.0)
Debt raised/(repaid)	1,874.5	(68.5)	(136.0)	(136.0)	(136.0)
Dividends paid	-	-	(107.0)	(107.0)	(107.0)
Financing cash flow	1,850.4	(88.3)	(79.5)	(72.0)	(72.0)
Net cash flow	467.7	264.0	339.8	375.2	404.3
Beginning cash flow	135.0	603.7	875.8	1,215.6	1,590.8
Ending cash flow	603.7	875.8	1,215.6	1,590.8	1,995.1

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating profit margin	8.6%	11.0%	17.0%	17.0%	17.0%
PBT margin	4.8%	6.7%	13.6%	13.6%	14.00%
PAT margin	3.0%	4.2%	9.1%	9.1%	9.4%
Core PAT margin	2.9%	4.3%	9.1%	9.1%	9.4%

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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