

Malayan Cement Berhad

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

Another Strong Quarter

KEY INVESTMENT HIGHLIGHTS

- **3QFY24 core net profit rose 2.3x to RM144.7m; revenue grew +10.9%yoy to RM1.10b**
- **Cement revenue grew +8.0%yoy to RM825.6m, operating profit rose +41.6%yoy to RM197.7m**
- **Revenue from aggregates and concrete grew +20.7%yoy to RM272.8m; operating profit 4.8x to RM3.5m**
- **Maintain BUY with a revised TP of RM6.03**


Exceed expectations. Malayan Cement recorded a core net profit of RM144.7m in 3QFY24, surging about 2.3x from the previous year's corresponding quarter. For the cumulative 9MFY24, the group's core net profit grew 4.6x to RM364.9m, coming in above ours and street's expectations, making up 97.0% and 91.3% of full-year estimates. This was attributable to stronger performances in both the cement and aggregates & concrete business segments.

Cement segment. Revenue from the cement business grew +8.0%yoy to RM825.6m in 3QFY24, while the operating profit rose +41.6%yoy to RM197.7m. For 9MFY24, revenue rose +23.3%yoy to RM2.58b while its operating profit grew 2.7x to RM595.5m on the back of stabilizing cement prices and stronger demand and moderation in coal prices.

Aggregates & concrete segment. The segment's revenue grew +20.7%yoy in 3QFY24 to RM272.8m, delivering an operating profit of RM3.5m. For the cumulative 9MFY24, revenue grew +26.1%yoy to RM821.3m while the operating profit grew +24.9%yoy to RM25.7m.

Earnings estimates. We are lifting our FY24E/FY25F/FY26F core net profit by +9.1%/+9.1%/+12.7% to RM410.3m/RM428.4m/RM458.3m to reflect the stronger performance and the improving prospects of the construction sector with a healthy pipeline of jobs that can be expected from 2HFY24 onwards.

Target price. We are upgrading our **TP** to **RM6.03** from RM5.33 previously as we peg the group's revised FY25F EPS of 23.2 sen to its two-year mean PER of 26x, which we believe is reasonable considering its large cement market share of about 60% in the peninsula.

Maintain BUY. We expect Malayan Cement will be among the main direct beneficiaries of the pickup in the construction sector, which is expected to be driven by a strong pipeline of jobs, both civil and private. Apart from the growth in private projects such as data centres, warehouses and semiconductor factories, civil projects that are expected to kick off by CY24 include the Penang LRT and the KL Sentral redevelopment. Ongoing infrastructure projects that will continue to drive cement demand are the likes of the East Coast Rail Link (ECRL), Rapid Transit Link (RTS) and LRT3. All factors considered; we reiterate our **BUY** recommendation on **Malayan Cement**. 

Maintain BUY

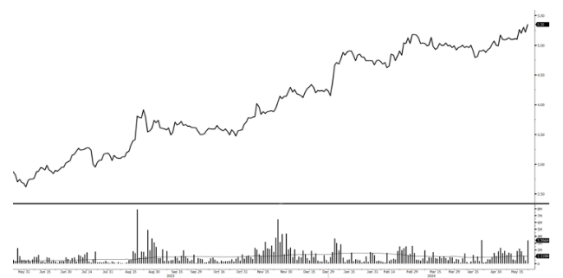
Revised Target Price: RM6.03

(Previously RM5.33)

RETURN STATISTICS

Price @ 23 rd May 2023 (RM)	5.35
Expected share price return (%)	+12.7
Expected dividend yield (%)	+1.0
Expected total return (%)	+13.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.6	5.7
3 months	7.2	0.9
12 months	84.5	59.6

INVESTMENT STATISTICS

FYE Jun	2024E	2025F	2026F
Revenue	4,508.5	4,733.9	4,875.9
Operating Profit	766.4	804.8	843.5
Profit Before Tax	613.1	641.4	677.7
Core net profit	410.3	428.4	458.3
Core EPS (sen)	22.3	23.2	24.9
DPS (sen)	6.0	6.0	6.0
Dividend Yield	1.0%	1.0%	1.0%

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	1310.20
Estimated free float (%)	10.94
Market Capitalisation (RM'm)	7,075.81
52-wk price range	RM2.64-RM5.38
3-mth average daily volume (m)	1.12
3-mth average daily value (RM'm)	5.63
Top Shareholders (%)	
YTL Cement Bhd	77.85
Amanah Saham Nasional Bhd	5.25
Norges Bank	1.99

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MALAYAN CEMENT: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Income Statement								
Revenue	1,098.4	1,158.6	990.7	-5.2%	10.9%	3,405.0	2,746.5	24.0%
Cost of sales	(708.6)	(778.1)	(713.0)	8.9%	0.6%	(2,294.4)	(2,071.7)	-11%
Gross profit	389.8	380.5	277.7	2.5%	40.4%	1,110.6	674.8	65%
Other operating income	23.5	21.0	21.5	12.1%	9.2%	71.7	51.6	39%
Other operating expenses	(212.2)	(176.7)	(158.9)	-20.1%	-33.5%	(560.7)	(481.9)	-16%
Profit from operations	201.2	224.8	140.4	-10.5%	43.3%	621.6	244.6	154%
Finance costs	(47.6)	(50.0)	(49.4)	4.7%	3.5%	(148.5)	(146.0)	-2%
Share of results in joint venture	7.7	12.8	7.7	-40.0%	0.3%	30.2	28.6	6%
Profit before tax	161.2	187.6	98.7	-14.1%	63.4%	503.4	127.1	296%
Taxation	(59.9)	(66.3)	(35.4)	9.7%	-69.4%	(184.7)	(47.6)	<-100%
Non-controlling interests	0.1	0.1	0.0	0.0%	>+100%	0.2	0.0	>+100%
Reported net profit	101.2	121.2	63.3	-16.5%	60.0%	318.5	79.5	>+100%
Core net profit	144.7	126.3	62.7	14.6%	>+100%	364.9	78.8	>+100%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,705.27	3,757.0	4,508.5	4,733.9	4,875.9
Gross profit	693.52	987.5	1,352.5	1,420.2	1,462.8
Operating profit	233.87	411.5	766.4	804.8	843.5
Profit before tax	129.22	253.1	613.1	641.4	677.7
Net profit	82.09	159.0	410.3	428.4	458.3
Core net profit	78.07	160.7	410.3	428.4	458.3
Core EPS (sen)	4.4	9.0	22.3	23.2	24.9
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
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	550.3	985.5	788.0
Current liabilities	1,831.3	1,769.2	902.2	1,615.5	1,291.9
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	1,060.8	1,489.2	1,947.5
Equity	5,778.9	5,954.5	6,463.4	6,891.8	7,350.1

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	129.2	253.1	613.1	641.4	677.7
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	497.6	533.9
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	375.6	411.9
Beginning cash flow	135.0	603.7	875.8	1,215.6	1,591.2
Ending cash flow	603.7	875.8	1,215.6	1,591.2	2,003.1

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating profit margin	8.6%	11.0%	17.0%	17.0%	17.3%
PBT margin	4.8%	6.7%	13.6%	13.6%	13.9%
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

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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