

## Malayan Cement Berhad

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

### Finishing on A New High

#### KEY INVESTMENT HIGHLIGHTS

- **4QFY24 core net profit rose +65.0%yoy to RM135.2m; FY24 core net profit tripled to RM500.1m, exceeding expectations**
- **Cement FY24 operating profit doubled to RM761.4m; concrete division grew +7.9% to RM40.4m**
- **FY25 demand to continue being driven by private sector with industrial projects such as warehouses and DCs**
- **Maintain BUY with an upgraded TP of RM6.60**

**Exceed expectations.** Malayan Cement achieved a +65.0%yoy increase in its 4QFY24 core net profit to RM135.2m, ending FY24 on a strong note with a core net profit that tripled to RM500.1m. This exceeded our FY24 estimates by 21.9% and the consensus by 11.4%, attributable to stronger performances in both cement and ready-mixed concrete.


**Cement segment.** While cement saw a decline in revenue during the quarter by -6.6%qoq to RM771.5m on the back of softer demand and slower production, the cumulative 12 months recorded a +16.7% increase to RM3.36b while operating profit doubled to RM761.4m. This was attributable to stabilisation in selling prices and moderation in coal prices.

**Aggregates & concrete segment.** The segment's revenue also inched lower by -1.1%qoq to RM269.9m but the cumulative FY24 saw a +23.7% increase to RM1.09b. Operating profit grew +7.9% to RM40.4m.

**Private sector to continue driving demand.** Like FY24, management expects FY25F demand to continue being driven by the private sector, with projects such as warehouses, data centres and residential projects. On the civil side, we expect projects such as the Penang LRT, airport expansions and other projects under Budget 2024 such as roads, schools and hospitals to drive demand.

**Earnings estimates.** We are lifting our FY25F/FY26F core net profit by +9.4%/+5.3% to RM468.6m/RM482.7m to reflect the stronger performance and the improving prospects of the construction sector which should sustain demand in the coming years.

**Target price.** We are upgrading our **TP** to **RM6.60** from RM6.03 previously as we peg the group's revised FY25F EPS of 25.3 sen to its two-year mean PER of 26x.

**Maintain BUY.** Malayan Cement is 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, the expected rollout of civil jobs starting 2HCY24 is expected to drive the demand for cement and ready-mixed concrete moving forward. All factors considered; we reiterate our **BUY** recommendation on **Malayan Cement.** 

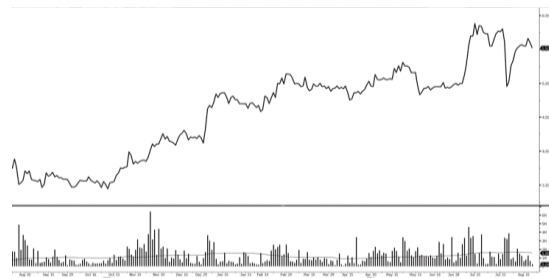
**Maintain BUY**

**Revised Target Price: RM6.60**  
(Previously RM6.03)

#### RETURN STATISTICS

Price @ 21 <sup>st</sup> Aug 2024 (RM)	5.54
Expected share price return (%)	+19.1
Expected dividend yield (%)	+1.5
Expected total return (%)	+20.6

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.0	-4.2
3 months	10.8	4.6
12 months	43.4	26.8

#### INVESTMENT STATISTICS

FYE Jun	2024A	2025F	2026F
Revenue	4,446.4	4,668.8	4,808.8
Operating Profit	801.7	887.1	913.7
Profit Before Tax	647.5	699.4	720.4
Core net profit	429.0	468.6	482.7
Core EPS (sen)	27.2	25.4	26.2
DPS (sen)	10.0	10.0	10.0
Dividend Yield	1.5%	1.5%	1.5%

#### KEY STATISTICS

FBM KLCI	1,635.32
Issue shares (m)	1310.20
Estimated free float (%)	16.52
Market Capitalisation (RM'm)	7,371.83
52-wk price range	RM3.48-RM5.95
3-mth average daily volume (m)	1.61
3-mth average daily value (RM'm)	8.52
Top Shareholders (%)	
YTL Cement Bhd	72.38
Amanah Saham Nasional Bhd	5.19
Norges Bank	1.97

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## MALAYAN CEMENT: 4QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	4QFY24	3QFY24	4QFY23	QoQ	YoY	FY24	FY23	YoY
<b>Income Statement</b>								
Revenue	1,041.4	1,098.4	1,010.5	-5.2%	3.1%	4,446.4	3,757.0	18.3%
Cost of sales	(586.2)	(708.6)	(697.8)	17.3%	16.0%	(2,880.6)	(2,769.5)	-4.0%
Gross profit	455.2	389.8	312.7	16.8%	45.6%	1,565.9	987.5	58.6%
Other operating income	42.5	23.5	35.5	80.8%	19.8%	114.2	87.1	31.1%
Other operating expenses	(317.6)	(212.2)	(181.3)	-49.7%	-75.2%	(878.3)	(663.2)	-32.4%
Profit from operations	180.1	201.2	166.9	-10.5%	7.9%	801.7	411.5	94.9%
Finance costs	(45.7)	(47.6)	(48.7)	4.0%	6.1%	(194.2)	(194.7)	0.3%
Share of results in joint venture	9.7	7.7	7.8	26.3%	23.8%	39.9	36.4	9.7%
Profit before tax	144.1	161.2	126.0	-10.6%	14.4%	647.5	253.1	155.8%
Taxation	(33.8)	(59.9)	(46.3)	43.6%	27.1%	(218.5)	(93.9)	-132.6%
Non-controlling interests	0.1	0.1	0.1	128.3%	0.7%	0.3	0.2	72.9%
Reported net profit	110.2	101.2	79.5	8.8%	38.5%	428.7	159.0	169.6%
Core net profit	135.2	144.7	81.9	-6.6%	65.0%	500.1	160.7	211.3%

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	2,705.27	3,757.0	4,446.4	4,668.8	4,808.8
Gross profit	693.52	987.5	1,565.9	1,680.8	1,683.1
Operating profit	233.87	411.5	801.7	887.1	913.7
Profit before tax	129.22	253.1	647.5	699.4	720.4
Net profit	82.09	159.0	428.7	468.6	482.7
Core net profit	78.07	160.7	500.1	468.6	482.7
Core EPS (sen)	4.4	9.0	27.2	25.4	26.2
DPS (sen)	0	6.0	10.0	10.0	10.0

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
Fixed assets	2,782.5	2,862.5	2,672.2	2,645.5	2,619.1
Other investments and assets	5,882.6	5,650.7	5,908.4	5,921.8	6,099.4
<b>Non-current assets</b>	<b>8,665.1</b>	<b>8,513.2</b>	<b>8,580.6</b>	<b>8,567.3</b>	<b>8,718.5</b>
Cash	211.7	263.3	178.7	172.2	206.6
Trade debtors	538.1	614.6	661.9	676.8	397.1
<b>Current assets</b>	<b>1,761.0</b>	<b>2,181.4</b>	<b>2,109.4</b>	<b>2,632.7</b>	<b>2,481.5</b>
Trade creditors	650.1	790.5	691.4	852.7	878.3
Short-term debt	1,128.6	907.6	566.1	1,147.0	946.2
<b>Current liabilities</b>	<b>1,831.3</b>	<b>1,769.2</b>	<b>1,395.7</b>	<b>1,880.4</b>	<b>1,551.1</b>
Long-term debt	2,671.5	2,834.4	2,579.3	2,450.3	2,327.8
<b>Non-current liabilities</b>	<b>2,815.9</b>	<b>2,970.9</b>	<b>2,982.5</b>	<b>2,579.3</b>	<b>2,450.3</b>
Share capital	5,345.8	5,345.8	5,406.9	5,345.8	5,345.8
Retained earnings	392.9	551.9	802.4	1,230.8	1,689.1
<b>Equity</b>	<b>5,778.9</b>	<b>5,954.5</b>	<b>6,311.9</b>	<b>6,740.3</b>	<b>7,198.6</b>

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	129.2	253.1	647.5	699.4	720.4
Depreciation & amortisation	180.1	271.0	249.1	189.0	189.0
Changes in working capital	33.3	(11.8)	(103.6)	33.0	33.0
<b>Operating cash flow</b>	<b>459.6</b>	<b>672.7</b>	<b>1,140.1</b>	<b>1,134.0</b>	<b>1,170.3</b>
Capital expenditure	(77.0)	(105.0)	(160.2)	(126.9)	(130.7)
<b>Investing cash flow</b>	<b>(1,629.4)</b>	<b>(66.0)</b>	<b>(146.4)</b>	<b>(50.0)</b>	<b>(50.0)</b>
Debt raised/(repaid)	1,874.5	(68.5)	(607.5)	(136.0)	(136.0)
Dividends paid	-	-	(178.5)	(107.0)	(107.0)
<b>Financing cash flow</b>	<b>1,850.4</b>	<b>(88.3)</b>	<b>(751.3)</b>	<b>(72.0)</b>	<b>(72.0)</b>
<b>Net cash flow</b>	<b>467.7</b>	<b>264.0</b>	<b>(88.1)</b>	<b>1,012.0</b>	<b>1,048.3</b>
<b>Beginning cash flow</b>	<b>135.0</b>	<b>603.7</b>	<b>875.8</b>	<b>788.5</b>	<b>1,800.6</b>
<b>Ending cash flow</b>	<b>603.7</b>	<b>875.8</b>	<b>788.5</b>	<b>1,800.6</b>	<b>2,848.9</b>

Profitability Margins	2022A	2023A	2024A	2025F	2026F
Operating profit margin	8.6%	11.0%	18.0%	19.0%	19.0%
PBT margin	4.8%	6.7%	14.6%	15.0%	15.0%
PAT margin	3.0%	4.2%	9.6%	10.0%	10.0%
Core PAT margin	2.9%	4.3%	11.3%	10.0%	10.0%

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