



AmInvestment Bank

# MEGA FIRST CORP

(MFCB MK EQUITY, MEGA.KL)

18 Jul 2025

## Company Report

### Resilient earnings from DSHP

# BUY

(Maintained)

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Rationale for report: Company Update

|                  |               |
|------------------|---------------|
| Price            | RM3.60        |
| Target Price     | RM5.18        |
| 52-week High/Low | RM5.09/RM3.67 |

#### Key Changes

|              |   |
|--------------|---|
| Target Price | ↔ |
| EPS          | ↔ |

| YE to Dec             | FY24    | FY25F   | FY26F   | FY27F   |
|-----------------------|---------|---------|---------|---------|
| Revenue (RMmil)       | 1,741.9 | 1,371.9 | 1,473.7 | 1,584.1 |
| Net Profit (RMmil)    | 459.2   | 405.8   | 489.2   | 511.2   |
| EPS (sen)             | 48.6    | 42.9    | 51.8    | 54.1    |
| EPS growth (%)        | 19.7    | (11.6)  | 20.6    | 4.5     |
| Consensus net (RMmil) |         | 450.8   | 472.2   | 486.0   |
| DPS (sen)             | 9.0     | 9.5     | 10.0    | 10.5    |
| PE (x)                | 7.4     | 8.4     | 7.0     | 6.7     |
| EV/EBITDA (x)         | 6.9     | 5.9     | 5.3     | 4.8     |
| Div Yield (%)         | 2.5     | 2.6     | 2.8     | 2.9     |
| ROE (%)               | 14.4    | 11.7    | 12.7    | 12.1    |
| Net Gearing (%)       | 26.4    | 29.1    | 22.0    | 16.2    |

#### Stock and Financial Data

|                              |         |
|------------------------------|---------|
| Shares Outstanding (million) | 945.2   |
| Market Cap (RMmil)           | 3,402.7 |
| Book Value (RM/Share)        | 3.52    |
| P/BV (x)                     | 1.0     |
| ROE (%)                      | 14.4    |
| Net Gearing (%)              | 26.4    |

Major Shareholders  
Goh Nan Kioh (35%)  
EPF (6.9%)

Free Float  
Avg Daily Value (RMmil)  
65.0  
3.0

| Price performance | 3mth | 6mth  | 12mth |
|-------------------|------|-------|-------|
| Absolute (%)      | -0.3 | -19.8 | -25.4 |
| Relative (%)      | -9.5 | -15.6 | -22.1 |



#### Investment Highlights

We expect Mega First's (MFCB) Edenor oleo JV to swing into the black in 2HFY25 as gas supply at Teluk Panglima Garang resumes and capacity shutdowns decline. Recall that gas supply was disrupted by the explosion at Putra Heights, which took place in April 2025. We think that MFCB's net profit would improve QoQ in 2QFY25 on the back of smaller oleo losses. We expect MFCB's net profit to recover in FY26F underpinned by a turnaround in the oleo JV. We maintain BUY on MFCB with a target price of RM5.18/share.

- BUY with an unchanged TP of RM5.18/share.** We derived MFCB's TP of RM5.18/share by applying a FY26F PE of 10x. The PE of 10x is the average in the past five years. MFCB is currently trading at an undemanding FY26F PE of 7x.
- DSHP is resilient.** We believe that earnings from Don Sahong Hydropower Plant (DSHP) would be supported by higher sales volume and lower water royalty expenses. We think that DSHP's sales volume would grow by 5% to 10% in FY25F driven by the commissioning of the fifth turbine in 3QFY24. This is expected to compensate for a weaker USD and lower tariff.
- Resources and packaging earnings to decline in FY25F.** We forecast resources EBIT to fall by 8% to RM44.3mil in FY25F dragged by weaker demand. On a brighter note, we believe that MFCB would be able to pass on any increase in petcoke costs in the form of higher selling prices. We expect packaging EBIT to slide by 30% to RM27.2mil in FY25F due to competition from China.
- Free cash flows to turn positive in FY25F.** MFCB completed the construction of its fifth turbine at DSHP in 3QFY24. Also, as the oleochemical plant has stabilised, it does not need any more cash injection. Hence, we anticipate a free cash flow of 43.3 sen per share in FY25F compared with -27 sen per share in FY24.

### Company profile

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Mega First Corporation (MFCB) is involved in hydropower plant, solar, lime mining and packaging activities. Apart from these, MFCB has coconut, macadamia, vegetable and fruit farms.

About 93% of MFCB's FY23 EBIT (ex-investment holding) came from the renewable energy (RE) division while the balance 7% came from the resources (lime mining) and packaging divisions. The RE division consists of hydropower and solar activities.

MFCB's Don Sahong Hydropower Plant (DSHP) sells electricity to Electricite du Laos (EDL). EDL in turn sells the electricity to Cambodia.

MFCB's operations are in Laos, Malaysia and Cambodia.

MFCB's competitive advantage lies in its recurring income from DSHP, which are denominated in USD. MFCB also has one of the largest lime mines in Malaysia. MFCB has high exposure to RE via its hydropower and solar operations.

### Investment thesis and catalysts

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We have a BUY on MFCB as PE is undemanding at 7x FY26F EPS.

Share price kickers are stronger-than-expected earnings from the oleochemical joint venture and an appreciation of the USD.

### Valuation methodology

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We applied a FY26F PE of 10x to arrive at MFCB's target price of RM5.18/share. The PE of 10x is the five-year average.

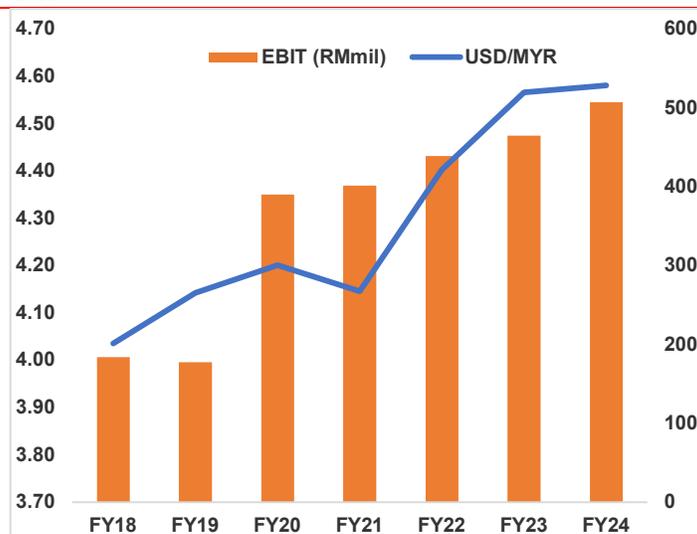
### Risk factors

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Key risks are losses in the oleochemical joint venture and increases in logistics and petcoke costs.

We estimate that a 10 sen depreciation in the USD vs. MYR would affect the RE division's EBIT by 2%, assuming everything else is the same.

## EXHIBIT 1: RE EBIT VS. USD/MYR



Source: Company, AmInvestment Bank

## EXHIBIT 2: VALUATIONS

|                  |      |
|------------------|------|
| Target PE (x)    | 10   |
| FY26F EPS        | 51.8 |
| ESG premium      | -    |
| 12-month TP (RM) | 5.18 |

## EXHIBIT 4: ESG MATRIX

|                                                    | Assessment                                                | Parameters                                       | Weightage   | Rating |   |   |   | Rationale                                                                                                         |
|----------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------|-------------|--------|---|---|---|-------------------------------------------------------------------------------------------------------------------|
| 1                                                  | GHG emissions                                             | Net zero by 2050F                                | 25%         | *      | * | * |   | Scope 1, 2 and 3 emissions were 799,204 tCO <sub>2</sub> e in FY24 vs. 800,773 tCO <sub>2</sub> e in FY23         |
| 2                                                  | Exposure to renewables                                    | More than 20% of generation mix or capacity      | 25%         | *      | * | * | * | High exposure to hydro and solar                                                                                  |
| 3                                                  | Contribution of coal to earnings                          | Less than 20%                                    | 25%         | *      | * | * | * | Zero coal                                                                                                         |
| 4                                                  | Workplace noise and chemical exposure - resource division | Noise exposure limit of 85 dB(A)                 | 25%         | *      | * | * | * | Zero case of non-compliance in FY24                                                                               |
| <b>Weighted score for environmental assessment</b> |                                                           |                                                  | <b>100%</b> | *      | * | * | * |                                                                                                                   |
| 1                                                  | Workers welfare                                           | Learning and development hours                   | 50%         | *      | * | * |   | Average training hours per executive was 25.8 in FY24 vs. 24.6 in FY23                                            |
| 2                                                  | Work related injuries                                     | Zero                                             | 50%         | *      | * |   |   | 13 work related injuries to hands and legs in FY24 vs. 12 in FY23; one fatality of third-party contractor in FY24 |
| <b>Weighted score for social assessment</b>        |                                                           |                                                  | <b>100%</b> | *      | * | * |   |                                                                                                                   |
| 1                                                  | Related party transactions                                | Value of RPTs                                    | 40%         | *      | * | * |   | RM97.2mil in FY24, mainly repayment of loan to shareholder                                                        |
| 2                                                  | Women in workforce                                        | % in workforce                                   | 30%         | *      | * | * |   | 23.9% of workforce were women in FY24 vs. 23% in FY23                                                             |
| 3                                                  | Remuneration to directors                                 | Total value of remuneration or % of salary costs | 30%         | *      | * | * |   | RM2.8mil in FY24 vs. RM3mil in FY23                                                                               |
| <b>Weighted score for governance assessment</b>    |                                                           |                                                  | <b>100%</b> | *      | * | * |   |                                                                                                                   |
|                                                    | Environmental score                                       |                                                  | 50%         | *      | * | * | * |                                                                                                                   |
|                                                    | Social score                                              |                                                  | 30%         | *      | * | * |   |                                                                                                                   |
|                                                    | Governance score                                          |                                                  | 20%         | *      | * | * |   |                                                                                                                   |
|                                                    | <b>Overall ESG Score</b>                                  |                                                  | <b>100%</b> | *      | * | * | * |                                                                                                                   |

Source: AmInvestment Bank

## EXHIBIT 5: FINANCIAL DATA

| Income Statement (RMmil, YE 31 Dec)    | 2023           | 2024           | 2025F          | 2026F          | 2027F          |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue                                | 1,317.6        | 1,741.9        | 1,371.9        | 1,473.7        | 1,584.1        |
| EBITDA                                 | 530.8          | 624.7          | 756.7          | 808.5          | 868.3          |
| Depreciation                           | (132.1)        | (144.0)        | (229.3)        | (251.9)        | (290.9)        |
| Operating income (EBIT)                | 398.8          | 480.6          | 527.4          | 556.6          | 577.4          |
| Other income & associates              | 94.5           | 34.9           | (10.0)         | 55.0           | 65.0           |
| Net interest                           | (16.5)         | (38.0)         | (61.5)         | (61.9)         | (54.8)         |
| Exceptional items                      | -              | 31.8           | -              | -              | -              |
| <b>Pretax profit</b>                   | <b>476.8</b>   | <b>509.3</b>   | <b>455.9</b>   | <b>549.7</b>   | <b>587.6</b>   |
| Taxation                               | (25.1)         | (18.3)         | (13.7)         | (16.5)         | (29.4)         |
| Minorities/pref dividends              | (67.9)         | (31.8)         | (36.5)         | (44.0)         | (47.0)         |
| <b>Net profit</b>                      | <b>383.7</b>   | <b>459.2</b>   | <b>405.8</b>   | <b>489.2</b>   | <b>511.2</b>   |
| <b>Core net profit</b>                 | <b>383.7</b>   | <b>427.4</b>   | <b>405.8</b>   | <b>489.2</b>   | <b>511.2</b>   |
| Balance Sheet (RMmil, YE 31 Dec)       | 2023           | 2024           | 2025F          | 2026F          | 2027F          |
| Fixed assets                           | 531.9          | 775.8          | 1,408.3        | 1,685.7        | 1,946.7        |
| Intangible assets                      | 54.7           | 57.9           | 57.9           | 57.9           | 57.9           |
| Other long-term assets                 | 2,771.9        | 3,441.3        | 3,379.7        | 3,383.1        | 3,396.5        |
| <b>Total non-current assets</b>        | <b>3,358.5</b> | <b>4,275.1</b> | <b>4,845.9</b> | <b>5,126.7</b> | <b>5,401.1</b> |
| Cash & equivalent                      | 528.2          | 268.3          | 201.0          | 500.0          | 803.5          |
| Stock                                  | 131.7          | 185.9          | 150.3          | 145.4          | 156.2          |
| Trade debtors                          | 488.7          | 391.8          | 319.5          | 323.0          | 347.2          |
| Other current assets                   | 1.4            | 0.3            | -              | -              | -              |
| <b>Total current assets</b>            | <b>1,150.0</b> | <b>846.3</b>   | <b>670.8</b>   | <b>968.4</b>   | <b>1,307.0</b> |
| Trade creditors                        | 168.8          | 214.5          | 140.9          | 153.4          | 167.8          |
| Short-term borrowings                  | 435.2          | 615.5          | 677.1          | 744.8          | 819.3          |
| Other current liabilities              | 6.0            | 3.8            | 3.8            | 3.8            | 3.8            |
| <b>Total current liabilities</b>       | <b>610.0</b>   | <b>833.8</b>   | <b>821.8</b>   | <b>902.0</b>   | <b>990.8</b>   |
| Long-term borrowings                   | 466.1          | 530.9          | 584.0          | 642.4          | 706.7          |
| Other long-term liabilities            | 208.4          | 212.1          | 214.1          | 215.1          | 216.1          |
| <b>Total long-term liabilities</b>     | <b>674.5</b>   | <b>743.1</b>   | <b>798.1</b>   | <b>857.5</b>   | <b>922.7</b>   |
| <b>Shareholders' funds</b>             | <b>3,056.9</b> | <b>3,324.5</b> | <b>3,640.5</b> | <b>4,035.2</b> | <b>4,447.2</b> |
| Minority interests                     | 167.1          | 219.9          | 256.4          | 300.4          | 347.4          |
| BV/share (RM)                          | 3.23           | 3.52           | 3.85           | 4.27           | 4.71           |
| Cash Flow (RMmil, YE 31 Dec)           | 2023           | 2024           | 2025F          | 2026F          | 2027F          |
| Pretax profit                          | 476.8          | 509.3          | 455.9          | 549.7          | 587.6          |
| Depreciation                           | 132.1          | 144.0          | 229.3          | 251.9          | 290.9          |
| Net change in working capital          | (99.4)         | (227.5)        | 20.6           | (2.5)          | (50.1)         |
| Others                                 | 77.3           | 53.6           | 3.4            | (67.2)         | (83.5)         |
| <b>Cash flow from operations</b>       | <b>586.8</b>   | <b>479.4</b>   | <b>709.2</b>   | <b>731.9</b>   | <b>744.9</b>   |
| Capital expenditure                    | (238.4)        | (617.5)        | (300.0)        | (300.0)        | (300.0)        |
| Net investments & sale of fixed assets | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Others                                 | (432.1)        | (154.1)        | (437.8)        | (136.1)        | (147.2)        |
| <b>Cash flow from investing</b>        | <b>(670.5)</b> | <b>(771.6)</b> | <b>(737.8)</b> | <b>(436.1)</b> | <b>(447.2)</b> |
| Debt raised/(repaid)                   | 179.4          | 218.9          | 114.6          | 126.1          | 138.7          |
| Equity raised/(repaid)                 | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Dividends paid                         | (81.7)         | (97.5)         | (71.8)         | (75.6)         | (79.4)         |
| Others                                 | (52.3)         | (58.1)         | (56.6)         | (62.2)         | (68.5)         |
| <b>Cash flow from financing</b>        | <b>45.5</b>    | <b>63.4</b>    | <b>(13.8)</b>  | <b>(11.7)</b>  | <b>(9.2)</b>   |
| <b>Net cash flow</b>                   | <b>(38.2)</b>  | <b>(228.8)</b> | <b>(42.4)</b>  | <b>284.1</b>   | <b>288.5</b>   |
| <b>Net cash/(debt) b/f</b>             | <b>482.8</b>   | <b>462.9</b>   | <b>228.4</b>   | <b>201.0</b>   | <b>500.0</b>   |
| Forex                                  | 18.4           | (5.7)          | 15.0           | 15.0           | 15.0           |
| <b>Net cash/(debt) c/f</b>             | <b>462.9</b>   | <b>228.4</b>   | <b>201.0</b>   | <b>500.0</b>   | <b>803.5</b>   |
| Key Ratios (YE 31 Dec)                 | 2023           | 2024           | 2025F          | 2026F          | 2027F          |
| Revenue growth (%)                     | -1.6           | 32.2           | -21.2          | 7.4            | 7.5            |
| EBITDA growth (%)                      | -4.8           | 17.7           | 21.1           | 6.9            | 7.4            |
| Pretax margins (%)                     | 36.2           | 29.2           | 33.2           | 37.3           | 37.1           |
| Net profit margins (%)                 | 29.1           | 26.4           | 29.6           | 33.2           | 32.3           |
| Interest cover (x)                     | 32.2           | 16.4           | 12.3           | 13.1           | 15.8           |
| Effective tax rate (%)                 | 5.3            | 3.6            | 3.0            | 3.0            | 5.0            |
| Net dividend payout (%)                | 20.3           | 18.5           | 22.1           | 19.3           | 19.4           |
| Trade debtors turnover (days)          | 135.4          | 82.1           | 85.0           | 80.0           | 80.0           |
| Stock turnover (days)                  | 36.5           | 39.0           | 40.0           | 36.0           | 36.0           |
| Trade creditors turnover (days)        | 82.3           | 72.2           | 72.0           | 72.0           | 72.0           |

Source: Company, AmInvestment Bank estimates

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