

# Mega First Corp. Bhd (MFCB MK)

## Don Sahong delivers

### No surprises

4Q21 results were in line with our/market expectations, with Don Sahong resuming full operation following scheduled turbine maintenance in 3Q21. Dividend was expectedly tepid as management continues to conserve cash for potential acquisitions. We still expect management to pursue value-accretive RE opportunities. Maintain BUY with a marginally lower MYR4.20 TP (-2%).

### Results in line

Excluding unrealised forex and fair value adjustments, Mega First's 4Q21 core net profit of MYR100m (+10% YoY, +12% QoQ) brings FY21 core net profit to MYR349m (+6% YoY), 3% above our forecasts and almost spot on with consensus. Reported earnings include a MYR125.1m one-off unallocated bargain difference in the associate income line (from the acquisition of Emery Oleochemical), which we have excluded from our core earnings. A 3.5sen DPS was declared, bringing full year DPS to 6.75sen (+8% YoY), representing a 14% payout ratio.

### Sequentially higher for all segments

Renewable energy EBIT was higher QoQ due to a base effect (recall Don Sahong revenue underwent scheduled turbine maintenance in 3Q21). Don Sahong's availability improved to 97.5% in 4Q21, from 90.1% in 3Q21. Meanwhile, resources EBIT was higher QoQ due to domestic demand recovery. Packaging EBIT was also higher QoQ due to the full-quarter consolidation of Stenta (two months contribution in 3Q21) and higher earnings and Hexachase.

### Revising forecasts

We have lowered our FY22/23 net profit forecasts by 1%/10% as we delay the commissioning of Don Sahong's fifth turbine from FY23 to FY24 in line with guidance, and introduce FY24 forecasts. Our TP (based on a sum-of-parts and includes MYR0.25/share of new projects) is marginally lowered to MYR4.20 (-2%). Management will host a results call this afternoon.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	767	915	1,010	1,078	1,204
EBITDA	518	552	563	578	632
Core net profit	329	349	350	362	394
Core EPS (sen)	36.1	36.8	37.1	38.3	41.7
Core EPS growth (%)	95.4	1.8	0.6	3.4	8.8
Net DPS (sen)	6.3	6.8	7.5	8.5	9.5
Core P/E (x)	9.5	9.5	9.7	9.4	8.6
P/BV (x)	1.7	1.4	1.3	1.2	1.0
Net dividend yield (%)	1.8	1.9	2.1	2.4	2.6
ROAE (%)	18.5	21.4	13.8	12.9	12.7
ROAA (%)	11.0	10.0	8.7	8.4	8.6
EV/EBITDA (x)	7.2	7.0	6.6	5.9	4.8
Net gearing (%) (incl perps)	30.0	22.7	11.4	net cash	net cash
Consensus net profit	-	-	374	405	na
MKE vs. Consensus (%)	-	-	(6.3)	(10.7)	na

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## BUY

Share Price	MYR 3.60
12m Price Target	MYR 4.20 (+19%)
Previous Price Target	MYR 4.30

### Company Description

Mega First Corp. operates through 3 key segments of Power, Resources, and Property.

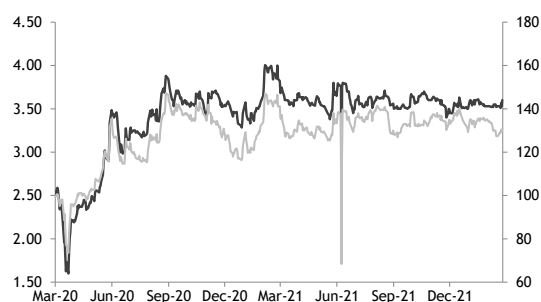
### Statistics

52w high/low (MYR)	3.85/1.87
3m avg turnover (USDm)	0.5
Free float (%)	46.0
Issued shares (m)	988
Market capitalisation	MYR3.6B USD847M

### Major shareholders:

Rubber Thread Industries Malaysia Sdn. B	22.4%
Keen Capital Investments Ltd.	8.1%
Fidelity Management & Research Co.	7.8%

### Price Performance



— Mega First - (LHS, MYR) — Mega First / Kuala Lumpur Composite Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	2	3	(10)
Relative to index (%)	(4)	(2)	(11)

Source: FactSet

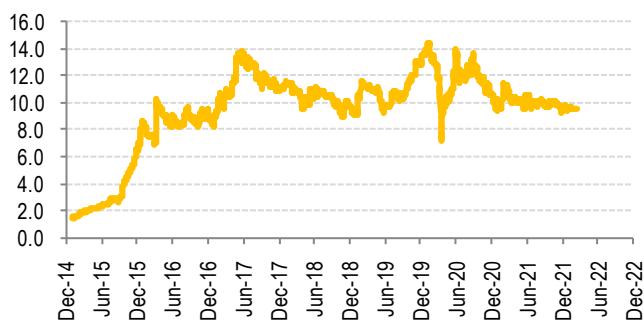
## Mega First: Summary results table

	Quarterly					Cumulative		
	4Q21	4Q20	%YoY	3Q21	%QoQ	FY21	FY20	%YoY
<b>FY Dec (MYR m)</b>								
Revenue	280.6	214.0	31.1	232.5	20.7	914.7	767.1	19.2
EBITDA	166.5	142.8	16.6	139.8	19.1	552.4	517.9	6.7
EBIT	135.7	116.3	16.6	111.4	21.8	441.8	414.9	6.5
Associate income	122.0	(0.0)	N/A	(0.1)	N/A	122.0	(0.0)	N/A
Net interest	(3.9)	(2.2)	75.2	(2.8)	39.2	(12.4)	(18.2)	(31.8)
<b>Pre-tax profit</b>	<b>241.0</b>	<b>116.1</b>	<b>107.5</b>	<b>108.1</b>	<b>122.8</b>	<b>539.7</b>	<b>389.0</b>	<b>38.8</b>
Tax	(4.4)	(6.3)	(29.7)	(2.0)	117.5	(8.8)	(10.8)	(18.7)
Minority Interests	(23.9)	(16.7)	43.3	(17.3)	38.7	(68.8)	(56.9)	21.0
<b>Net Profit</b>	<b>212.7</b>	<b>93.2</b>	<b>128.2</b>	<b>88.9</b>	<b>139.3</b>	<b>462.2</b>	<b>321.4</b>	<b>43.8</b>
<b>Recurring Net Profit</b>	<b>100.4</b>	<b>91.1</b>	<b>10.2</b>	<b>89.3</b>	<b>12.4</b>	<b>348.7</b>	<b>329.1</b>	<b>6.0</b>
Pre-ex EPS (sen)	10.60	10.01	5.9	9.43	12.5	36.81	72.29	(49.1)
Net DPS (sen)	3.50	3.25	7.7	0.00	N/A	6.75	6.25	8.0
Net cash/(debt)	(543.8)	(579.5)	(6.2)	(535.6)	1.5	(543.8)	(579.5)	(6.2)
Gearing (%)	22.7	30.0		24.5		22.7	30.0	
Capex	50.3	55.9	(10.0)	22.9	119.9	151.3	242.6	(37.7)
<b>Segmental results</b>								
<b>Revenue</b>	<b>4Q21</b>	<b>4Q20</b>	<b>%YoY</b>	<b>3Q21</b>	<b>%QoQ</b>	<b>FY21</b>	<b>FY20</b>	<b>%YoY</b>
Renewable energy	146.6	139.0	5.5	134.8	8.8	533.9	510.2	4.6
Resources	43.3	40.7	6.6	31.5	37.5	154.9	142.8	8.4
Packaging	84.1	28.8	192.0	63.4	32.6	208.2	97.8	113.0
Others	6.5	5.5	19.0	2.7	139.3	17.7	16.3	8.5
<b>Total</b>	<b>280.6</b>	<b>214.0</b>	<b>31.1</b>	<b>232.5</b>	<b>20.7</b>	<b>914.7</b>	<b>767.1</b>	<b>19.2</b>
<b>EBIT</b>	<b>4Q21</b>	<b>4Q20</b>	<b>%YoY</b>	<b>3Q21</b>	<b>%QoQ</b>	<b>FY21</b>	<b>FY20</b>	<b>%YoY</b>
Renewable energy	113.4	115.7	(2.0)	102.7	10.4	401.1	389.9	2.9
Resources	4.6	5.7	(19.0)	2.1	115.9	17.4	20.0	(12.8)
Packaging	11.7	4.3	168.3	8.6	36.4	25.4	11.7	116.8
Others	6.0	(9.4)	N/A	(2.0)	N/A	(2.1)	(6.7)	(68.3)
<b>Total</b>	<b>135.7</b>	<b>116.3</b>	<b>16.6</b>	<b>111.4</b>	<b>21.8</b>	<b>441.8</b>	<b>414.9</b>	<b>6.5</b>
<b>EBIT margin (%)</b>	<b>4Q21</b>	<b>4Q20</b>	<b>+/- ppt</b>	<b>3Q21</b>	<b>+/- ppt</b>	<b>FY21</b>	<b>FY20</b>	<b>+/- ppt</b>
Renewable energy	77.3	83.2	(5.9)	76.2	1.1	75.1	76.4	(1.3)
Resources	10.6	13.9	(3.3)	6.8	3.9	11.3	14.0	(2.7)
Packaging	13.9	15.1	(1.2)	13.5	0.4	12.2	12.0	0.2
<b>Blended</b>	<b>48.4</b>	<b>54.4</b>	<b>(6.0)</b>	<b>47.9</b>	<b>0.4</b>	<b>48.3</b>	<b>54.1</b>	<b>(5.8)</b>

\*Normalised mainly for forex and fair value adjustments

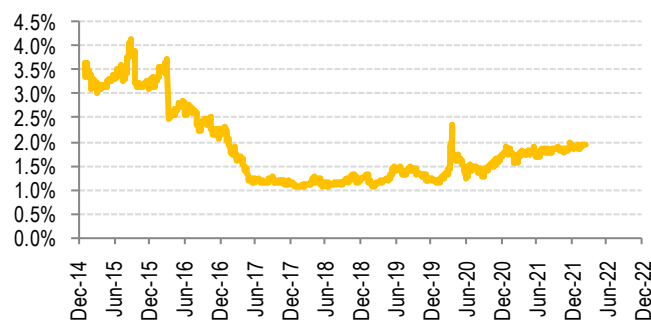
Source: Company, Maybank IBG Research

## Trailing PER



Source: Bloomberg, Maybank IBG Research

## Trailing net yield



Source: Bloomberg, Maybank IBG Research

### Target price derivation

(MYR m)	Value	Stake	Attri. value	per share	%
Power	3,982	80.0%	3,125	3.30	77%
Resources	252	100.0%	307	0.32	8%
Packaging	281	52.5%	242	0.26	6%
Property and residual net cash			142	0.15	4%
New projects			239	0.25	6%
<b>Equity value</b>			<b>3,966</b>	<b>4.20</b>	

Source: Maybank IBG Research

## Risk statement

There are several risk factors for our earnings estimates, target price and rating for MFCB. In the power segment, generation and thus revenue at Don Sahong is dependent on the Mekong River's flow rate. In the resources segment, lime products are commoditised and are thus vulnerable to price fluctuations.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Metrics</b>					
P/E (reported) (x)	8.7	7.4	9.7	9.4	8.6
Core P/E (x)	9.5	9.5	9.7	9.4	8.6
P/BV (x)	1.7	1.4	1.3	1.2	1.0
P/NTA (x)	(29.6)	11.1	5.9	4.0	2.9
Net dividend yield (%)	1.8	1.9	2.1	2.4	2.6
FCF yield (%)	7.7	10.8	9.6	12.1	12.8
EV/EBITDA (x)	7.2	7.0	6.6	5.9	4.8
EV/EBIT (x)	9.0	8.7	8.2	7.3	6.0
<b>INCOME STATEMENT (MYR m)</b>					
Revenue	767.1	914.7	1,009.8	1,078.1	1,204.1
EBITDA	517.9	552.4	563.4	577.8	631.5
Depreciation	(102.9)	(110.6)	(110.9)	(112.0)	(120.8)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	414.9	441.8	452.5	465.8	510.8
Net interest income / (exp)	(18.2)	(12.4)	(17.9)	(12.8)	(12.5)
Associates & JV	(0.0)	(3.1)	0.0	0.0	0.0
Exceptionals	(7.7)	113.5	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	389.0	539.7	434.6	453.0	498.2
Income tax	(10.8)	(8.8)	(11.4)	(13.6)	(16.6)
Minorities	(56.9)	(68.8)	(72.9)	(77.3)	(87.5)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	321.4	462.2	350.3	362.1	394.1
Core net profit	329.1	348.7	350.3	362.1	394.1
<b>BALANCE SHEET (MYR m)</b>					
Cash & Short Term Investments	92.8	257.6	448.0	667.6	802.3
Accounts receivable	308.2	410.3	453.7	484.4	541.0
Inventory	61.8	128.9	152.1	167.2	189.1
Property, Plant & Equip (net)	470.9	631.3	702.6	712.7	714.2
Intangible assets	2,044.7	2,094.1	2,094.1	2,094.1	2,094.1
Investment in Associates & JVs	4.0	146.0	144.3	142.7	141.0
Other assets	99.3	201.2	201.2	201.2	201.2
<b>Total assets</b>	<b>3,081.7</b>	<b>3,869.3</b>	<b>4,195.9</b>	<b>4,469.9</b>	<b>4,683.0</b>
ST interest bearing debt	129.0	281.3	281.3	281.3	281.3
Accounts payable	125.1	118.5	142.1	156.3	176.7
LT interest bearing debt	543.4	520.2	470.2	370.2	170.2
Other liabilities	350.0	556.0	630.0	708.0	796.0
<b>Total Liabilities</b>	<b>1,147.4</b>	<b>1,476.2</b>	<b>1,523.4</b>	<b>1,515.7</b>	<b>1,424.5</b>
Shareholders Equity	1,934.3	2,393.1	2,672.5	2,954.2	3,258.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Total shareholder equity</b>	<b>1,934.3</b>	<b>2,393.1</b>	<b>2,672.5</b>	<b>2,954.2</b>	<b>3,258.5</b>
<b>Total liabilities and equity</b>	<b>3,081.7</b>	<b>3,869.3</b>	<b>4,195.9</b>	<b>4,469.9</b>	<b>4,683.0</b>
<b>CASH FLOW (MYR m)</b>					
Pretax profit	389.0	539.7	434.6	453.0	498.2
Depreciation & amortisation	102.9	110.6	110.9	112.0	120.8
Adj net interest (income)/exp	18.2	12.4	17.9	12.8	12.5
Change in working capital	(228.4)	(61.2)	(43.1)	(31.7)	(58.0)
Cash taxes paid	(5.1)	(10.5)	(11.4)	(13.6)	(16.6)
Other operating cash flow	17.1	(122.2)	0.0	0.0	0.0
Cash flow from operations	293.8	468.8	509.0	532.5	556.9
Capex	(52.3)	(112.1)	(182.2)	(122.2)	(122.2)
Free cash flow	241.5	356.8	326.8	410.3	434.7
Dividends paid	(56.8)	(61.6)	(70.9)	(80.4)	(89.8)
Equity raised / (purchased)	124.0	(6.8)	0.0	0.0	0.0
Change in Debt	(75.4)	67.3	(50.0)	(100.0)	(200.0)
Other invest/financing cash flow	(229.4)	(195.0)	(15.5)	(10.4)	(10.1)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	3.8	160.6	190.3	219.6	134.8

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	9.3	19.2	10.4	6.8	11.7
EBITDA growth	139.1	6.7	2.0	2.6	9.3
EBIT growth	112.3	6.5	2.4	2.9	9.6
Pretax growth	106.5	38.8	(19.5)	4.2	10.0
Reported net profit growth	111.8	43.8	(24.2)	3.4	8.8
Core net profit growth	116.5	6.0	0.5	3.4	8.8
<b>Profitability ratios (%)</b>					
EBITDA margin	67.5	60.4	55.8	53.6	52.5
EBIT margin	54.1	48.3	44.8	43.2	42.4
Pretax profit margin	50.7	59.0	43.0	42.0	41.4
Payout ratio	17.7	13.8	20.2	22.2	22.8
<b>DuPont analysis</b>					
Net profit margin (%)	41.9	50.5	34.7	33.6	32.7
Revenue/Assets (x)	0.2	0.2	0.2	0.2	0.3
Assets/Equity (x)	1.6	1.6	1.6	1.5	1.4
ROAE (%)	18.5	21.4	13.8	12.9	12.7
ROAA (%)	11.0	10.0	8.7	8.4	8.6
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(81.6)	119.7	161.0	163.2	159.8
Days receivable outstanding	95.0	141.4	154.0	156.6	153.3
Days inventory outstanding	73.7	78.2	97.5	100.8	99.4
Days payables outstanding	250.3	99.8	90.4	94.2	92.9
Dividend cover (x)	5.6	7.2	4.9	4.5	4.4
Current ratio (x)	1.7	2.0	2.5	3.0	3.3
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.7	2.6	2.8	2.9	3.3
Net gearing (%) (incl perps)	30.0	22.7	11.4	net cash	net cash
Net gearing (%) (excl. perps)	30.0	22.7	11.4	net cash	net cash
Net interest cover (x)	22.8	35.5	25.2	36.3	40.7
Debt/EBITDA (x)	1.3	1.5	1.3	1.1	0.7
Capex/revenue (%)	6.8	12.3	18.0	11.3	10.1
Net debt/ (net cash)	579.5	543.8	303.5	(16.1)	(350.9)

Source: Company; Maybank

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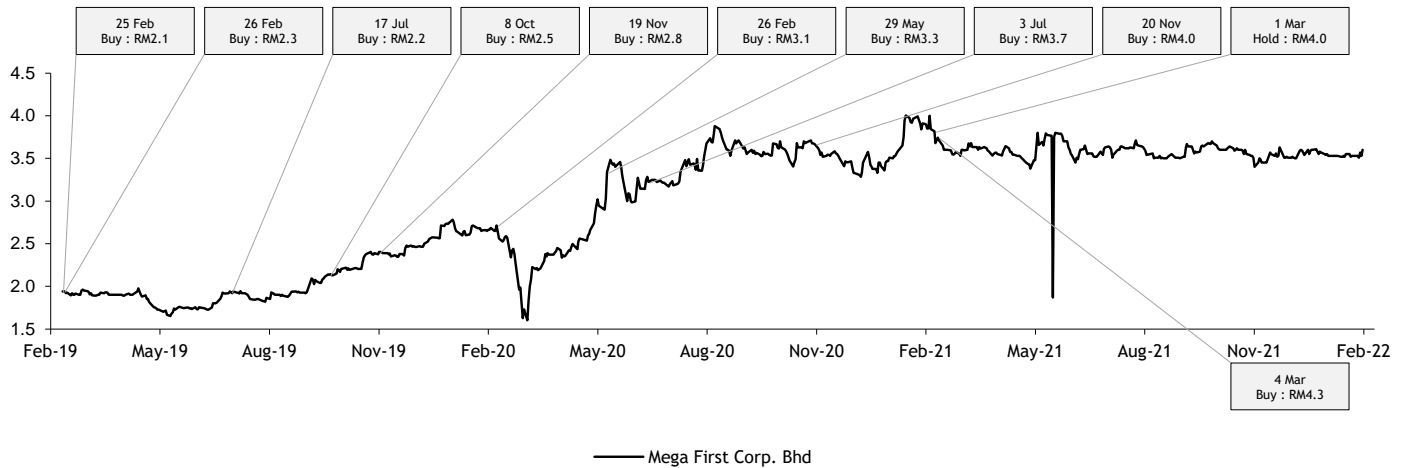
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