Unit Komunikasi Korporat

KERATAN AKHBAR

SURAT KHABAR	:	STARBIZ			
TARIKH	:	21/5/2021	MUKA SURAT	:	7
JABATAN	:	SEKTOR TENAGA			
KLASIFIKASI	:	**PERHATIAN**			

Starbiz 21/5/2021 m/s 7

Malakoff in for brighter days

Power player to benefit from contribution from associates

ENERGY

PETALING JAYA: Malakoff Corp Bhd has had a weak first quarter start, but a better financial year 2021 (FY21) can be seen for the group, given that last year's earnings were hit by forced outages.

The earnings profile of the independent power producer has also improved from profit contribution from Alam Flora Sdn Bhd, which is mainly in the business of waste management and is involved in sanitisation and disinfection services. Coupled with its additional stake in Saudi Arabia's Shuaibah independent water and power plant project, forward earnings and dividends are looking more sustainable, said analysts.

On Wednesday, Malakoff announced that its net profit for the first quarter ended March 31, 2021 (Q1), dropped 32.2% year-on-year (y-o-y) to RM60.44mil due to lower contributions from the Tanjung Bin Power Sdn Bhd (TBP) and Tanjung Bin Energy Sdn Bhd (TBE) coal plants. There were planned outages at the TBE and TBP power plants during the quarter.

Share of net profit in associates, mainly Shuaibah assets, dived by 31.9% y-o-y to RM27.8mil due to outages at some of the water and power plants in the Middle East. Alam Flora's net profit, meanwhile, inched up by RM3mil y-o-y to RM18mil in Q1.

AmInvestment Bank Research said that while at first glance, the Q1 net profit appeared to be below expectations and consensus estimates, it was keeping Malakoff's FY21 net profit forecast of RM316.8mil for now, as earnings are expected to recover in the second quarter on fewer plant outages.

The research firm forecasts Alam Flora's net profit to come in relatively flat at about RM57mil in FY21, supported by stable demand for sanitisation works.

In FY20, Alam Flora accounted for 18.3% of Malakoff's core net profit, excluding impairment of assets.

Most of Malakoff's capacity payments come from the TBE and TBP power plants. The research firm noted that TBE's equivalent availability factor (EAF) had dropped to 60% in Q1 from 88% in Q4 of FY20, while TBP's EAF declined to 82% in Q1 from 90% in Q4 of FY20.

Meanwhile, CGS-CIMB Research said that Malakoff could be conserving more cash for future business expansion. "Malakoff announced a FY20 final dividend per share (DPS) of 2.3 sen in March 2021, bringing its total FY20 DPS to 5.1 sen versus 6.55 sen for FY19 – circa an 87% dividend payout based on FY20's reported earnings, which is below our FY20 DPS forecast of 5.86 sen due to the lower-than-expected dividend payout," it said in a report.

According to CGS-CIMB, Malakoff has been paying out an average of more than 90% of its earnings as dividends since 2013, with circa 100% dividend payouts for 2017-2019.

"We gather that the group is still committed to maintaining its dividend policy of paying out a minimum 70% of its net profit to shareholders, but will likely be conserving more cash in future for new business opportunities. Hence, we adjust our FY21-FY23 dividend payout forecasts downwards from 100% to 80% accordingly," it said.

That said, it reiterated its "add" call on the stock, backed by improving earnings profile and decent dividend yields of around 5%-6% for forecast FY21-FY23.