

An aerial photograph of a large dam and reservoir. The dam is a long, curved concrete structure with a central powerhouse building. To the left of the dam is a large electrical substation with numerous power lines and towers. The reservoir is filled with water, and the surrounding landscape is lush green with trees and hills. The sky is clear and blue.

**MFCB**  
MEGA FIRST CORPORATION BERHAD

# 1Q2023 RESULTS BRIEFING

25 May 2023

# AGENDA

## 1. 1Q2023 Financial Review

- Earnings Review
- Balance Sheet Review
- Cash Flow Review
- Capital Deployed
- Gearing Position
- JV Edenor Technology
- Other Updates

## 2. Prospects for Remaining Quarters of 2023

For reference (updated)

3. Renewable Energy Division
4. Packaging Division
5. Resources Division
6. Investment in Joint Venture Edenor Technology
7. Plantation Update

# 1Q2023 EARNINGS REVIEW

	1Q2023 RM'000	1Q2022 RM'000	YoY Change (%)	4Q2022 RM'000	QoQ Change (%)
<b>Revenue</b>					
Renewable Energy	128,467	125,358	2.5%	161,597	-20.5%
Resources	55,811	45,320	23.1%	50,098	11.4%
Packaging	103,525	94,790	9.2%	98,869	4.7%
<b>Sub-total</b>	<b>287,803</b>	<b>265,468</b>	<b>8.4%</b>	<b>310,564</b>	<b>-7.3%</b>
Investment holding & others	59,550	6,916	761.0%	53,293	11.7%
<b>Total</b>	<b>347,353</b>	<b>272,384</b>	<b>27.5%</b>	<b>363,857</b>	<b>-4.5%</b>
<b>PBT</b>					
Renewable Energy	88,539	82,991	6.7%	114,279	-22.5%
Resources	5,769	5,299	8.9%	3,400	69.7%
Packaging	7,311	8,846	-17.4%	6,617	10.5%
<b>Sub-total</b>	<b>101,619</b>	<b>97,136</b>	<b>4.6%</b>	<b>124,296</b>	<b>-18.2%</b>
Investment holding & others	(11,927)	(819)	1356.3%	(2,244)	431.5%
<b>Share of profit in JV/associate:</b>					
- Operation earnings	2,311	4,141	-44.2%	(4,599)	-150.3%
<b>Total</b>	<b>92,003</b>	<b>100,458</b>	<b>-8.4%</b>	<b>117,453</b>	<b>-21.7%</b>
PAT	77,175	96,483	-20.0%	115,839	-33.4%
PAT attributable to owners of Company	70,548	81,338	-13.3%	95,170	-25.9%

- Revenue +27.5% to RM347.4 mil.
- Excluding RM14.9 mil tax penalty provision (under Investment Holding & Others), PBT +6.4% to RM106.9 mil.
- All core divisions posted positive growth rates.
- Tax dispute between 65%-owned IHSB and IRBM for YA2009/2010:**
  - On 2 Mar 2023, Court of Appeal allowed IRBM's appeal against High Court's decision. This effectively reinstates SCIT decision on 1 Sep 2020 and affirmed the assessments.
  - A one-off provision of RM11.4 mil income tax and RM14.9 mil penalties were made in current quarter.
- Investment Holding & Others revenue boosted by RM48.4 mil contribution from Tawau plant restarted in May 2022.
- Share of profit in JV/associate -44.2% to RM2.3 mil due mainly to lower profit contribution from Edenor.

# RENEWABLE ENERGY DIVISION



# EARNINGS REVIEW - RENEWABLE ENERGY DIVISION

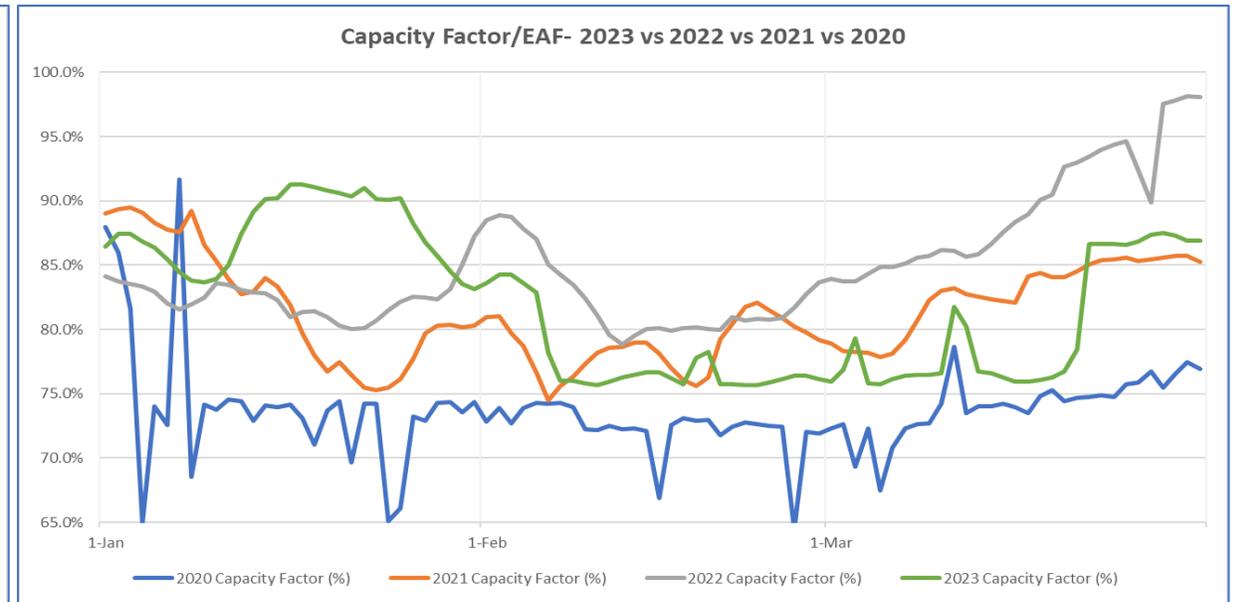
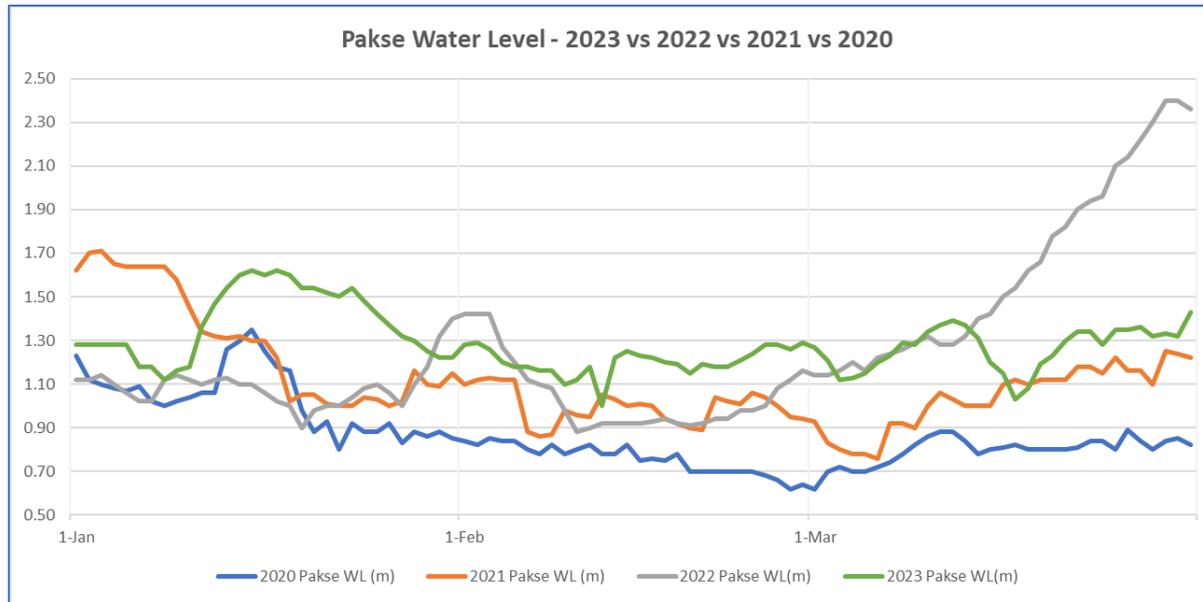
(RM mil)	2022					2023	Change	
	1Q	2Q	3Q	4Q	Total	1Q	YoY (%)	QoQ (%)
Revenue	125.4	151.5	158.4	161.6	596.9	128.5	2.5%	-20.5%
PBT	83.0	108.1	114.3	114.3	419.7	88.5	6.6%	-22.6%
PBT margin (%)	66.2%	71.4%	72.2%	70.7%	70.3%	68.9%		
EAF (%)	84.7%	98.0%	98.2%	97.4%	94.6%	81.9%	-3.3%	-15.9%
Average RM/USD rate	4.193	4.352	4.484	4.574	4.401	4.392	4.7%	-4.0%

## 1Q2023 vs 1Q2022

- Revenue +2.5% on 4.7% currency gain and 1% hydro tariff adjustment, partly offset by 3.4% lower hydro energy sales volume.
- EAF -2.8% to 81.9% due to annual turbine maintenance in Feb/Mar. No annual maintenance in 1Q2022.
- Solar revenue +26% to RM1.8 mil on higher installed C&I solar capacity of 20.5 MW.
- PBT + 6.6% to RM88.5 mil mainly on higher hydropower energy income in Laos and lower net interest expense.

# RENEWABLE ENERGY DIVISION - DON SAHONG

Don Sahong : January-March Pakse Water Level and Capacity Factor/EAF



# RESOURCES DIVISION



# EARNINGS REVIEW - RESOURCES DIVISION

(RM mil)	2022					2023	Change	
	1Q	2Q	3Q	4Q	Total	1Q	YoY (%)	QoQ (%)
Revenue	45.3	49.9	61.0	50.1	206.3	55.8	23.2%	11.4%
PBT	5.3	3.8	4.9	3.4	17.4	5.8	9.4%	70.6%
PBT margin (%)	11.7%	7.6%	8.0%	6.8%	8.4%	10.4%		

## 1Q2023 vs 1Q2022

- Sales of lime products +23.7% to RM50.4 mil: sales volume +7.5%, stronger USD against RM.
- Lime product sales volume was buoyed by stronger overseas demand.
- PBT +9.4% to RM5.8 mil: higher sales volume and efficiency gain from higher production volume.



# PACKAGING DIVISION

# EARNINGS REVIEW - PACKAGING DIVISION

(RM mil)	2022					2023	Change	
	1Q	2Q	3Q	4Q	Total	1Q	YoY (%)	QoQ (%)
Revenue	94.8	100.7	104.6	98.9	399.0	103.5	9.2%	4.7%
PBT	8.8	9.3	8.8	6.6	33.5	7.3	-17.0%	10.6%
PBT margin (%)	9.3%	9.2%	8.4%	6.7%	8.4%	7.1%		

## 1Q2023 vs 1Q2022

- Revenue +9.2% to RM103.5 mil on higher sales of both flexible packaging and paper bag products.
- PBT -17% to RM7.3 mil on increasing labour and electricity costs plus weaker pricing power (due to intensifying competition amidst slowing consumption demand).

# BALANCE SHEET REVIEW

## Changes in Key Balance Sheet items

	At 31.3.2023 (RM million)	At 31.12.2022 (RM million)	Changes (RM million)	Explanation
Service concession asset	1,931.3	1,940.8	(9.5)	RM21.3 mil amortisation charge, partially offset by RM11.8 mil translation gain.
PPE	484.0	481.7	2.3	RM11.3 mil CAPEX ( <i>see below</i> ), partially offset by RM9 mil depreciation charge.
Investment properties	165.2	165.2	0.0	
ROU assets	118.0	119.0	(1.0)	RM1.1 mil depreciation charge.
Investment in quoted shares	154.9	152.3	2.6	Fair value gain of quoted securities.
Inventories (current)	141.9	147.9	(6.0)	Lower stock at Packaging Division.
Joint Ventures and associates	179.6	174.6	5.0	RM2.7 mil new investment and RM2.3 mil share of profit for the period.
Development expenditures	96.3	74.6	21.7	Progressive development of Don Sahong's 5th turbine expansion.
Inventories (non-current)	43.4	43.4	0.0	
Receivables and prepayments	426.7	437.3	(10.6)	Lower balance outstanding from EDL, partially offset by higher receivables of Packaging and Resources Divisions.
Deferred tax liabilities	124.8	124.3	0.5	
Payables and accruals (current)	223.3	155.7	67.6	RM36.4 mil final dividend accrual and RM26.3 mil provision for additional income tax and penalties.
Shareholder Equity	2,793.5	2,750.6	42.9	
Net Assets per share (RM)	2.96	2.91	0.05	

*Capex comprised mainly:*

*a) RM4.2 million for plantation development.*

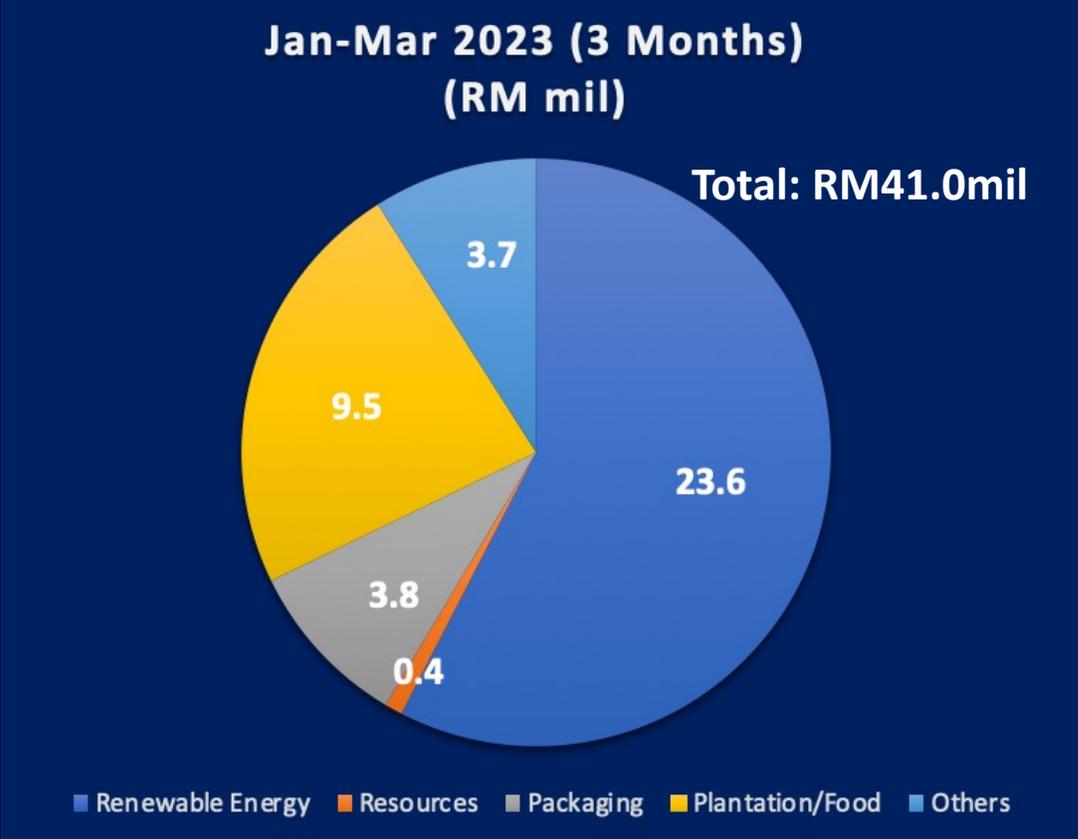
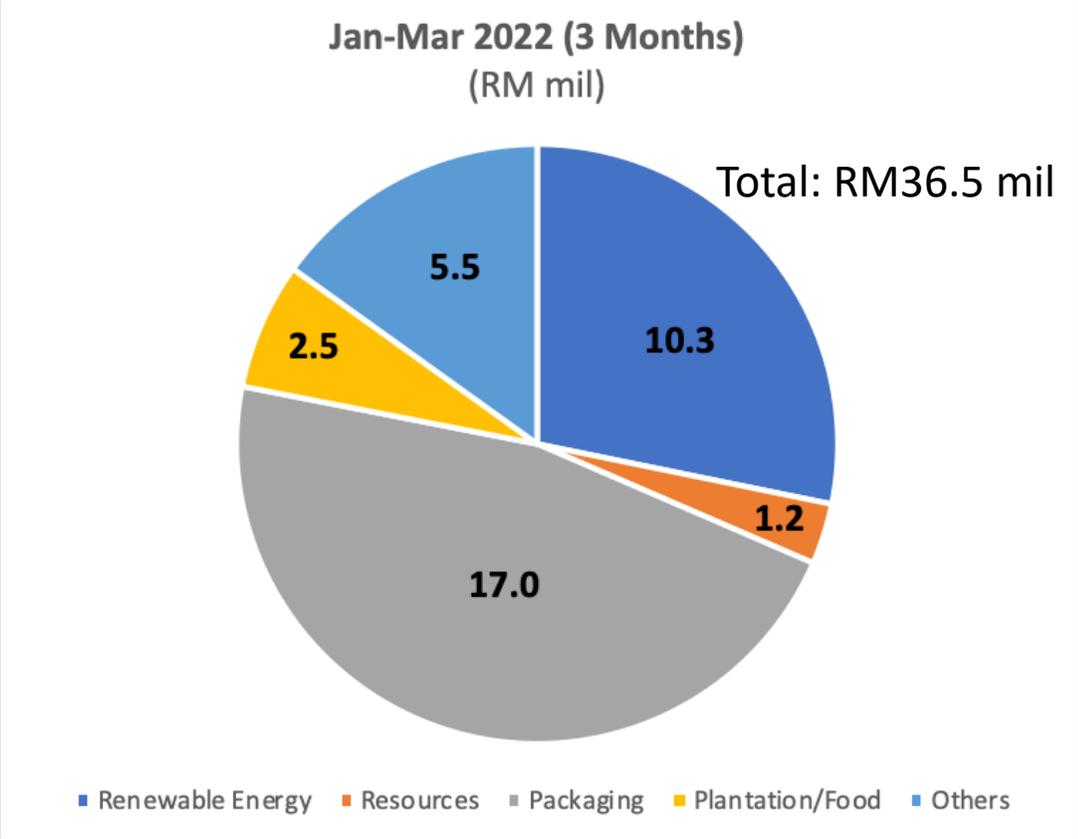
*b) RM3.8 million by Packaging Division for plant expansion.*

*c) RM1.7 million for C&I solar power development.*

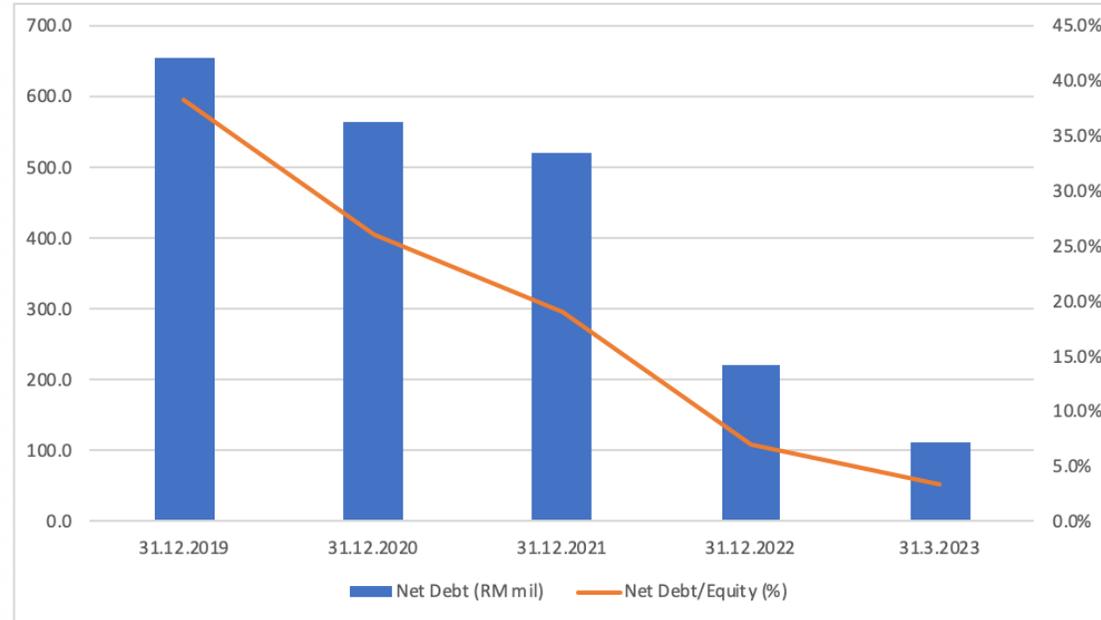
# CASH FLOW REVIEW

	3-Month Period Ended	
	2023 (RM mil)	2022 (RM mil)
After tax cash from operating activities	149.7	161.8
Net cash inflow from non-operating investment activities	11.5	3.3
New capital from minority of subsidiary	-	1.4
<b>Total Cash Made Available to the Group</b>	<b>161.2</b>	<b>166.5</b>
<b>Investing Activities</b>		
Investment in joint ventures and associates	(2.7)	(3.0)
Short-term investment	(5.0)	-
Capex	(11.4)	(23.6)
Don Sahong Hydropower Project + expansion	(21.9)	(9.9)
<b>Total Investment</b>	<b>(41.0)</b>	<b>(36.5)</b>
<b>Financing Activities</b>		
Finance costs paid	(11.0)	(7.1)
Purchase of treasury shares	-	(0.4)
<b>Total Distribution</b>	<b>(11.0)</b>	<b>(7.5)</b>
<b>Net cash flow retained by the Group</b>	<b>109.2</b>	<b>122.5</b>
Effects of forex and others	-	(3.0)
<b>Change in Net Cash/(Debt) of the Group</b>	<b>109.2</b>	<b>119.5</b>
<b>Net Cash/(Debt):</b>		
- At beginning of period	(220.6)	(520.2)
- At end of period	(111.4)	(400.7)
<b>- Change</b>	<b>109.2</b>	<b>119.5</b>

# EXPANSIONARY INVESTMENT CAPITAL DEPLOYED



# GEARING POSITION



	At 31.12.2019 (RM mil)	At 31.12.2020 (RM mil)	At 31.12.2021 (RM mil)	At 31.12.2022 (RM mil)	At 31.3.2023 (RM mil)
Total Cash	91.0	93.6	257.7	492.3	563.5
Total Debt	-746.1	-657.9	-777.9	-712.9	-674.9
<b>Net Debt</b>	<b>-655.1</b>	<b>-564.3</b>	<b>-520.2</b>	<b>-220.6</b>	<b>-111.4</b>
Equity	1,711.9	2,165.6	2,739.6	3,191.0	3,242.4
<b>Net Debt/Equity Ratio</b>	<b>38.3%</b>	<b>26.1%</b>	<b>19.0%</b>	<b>6.9%</b>	<b>3.4%</b>

# JV EDENOR TECHNOLOGY

Summarised Profit and Loss						
	2022					2023
	1Q (RM mil)	2Q (RM mil)	3Q (RM mil)	4Q (RM mil)	Total (RM mil)	1Q (RM mil)
Revenue	305.0	375.3	360.6	224.0	1,264.9	265.0
EBITDA	19.5	18.8	7.2	2.4	47.9	4.4
Depreciation and amortisation	8.7	8.6	8.5	8.7	34.5	9.2
PAT	8.7	9.9	(8.7)	(7.7)	2.2	(7.3)
PAT after MI	7.9	8.9	(9.7)	(9.5)	(2.4)	(7.7)
Gain on Accretion of 20% Interest in Subsidiary	-	-	-	-	-	13.1
Total JV Results	7.9	8.9	(9.7)	(9.5)	(2.4)	5.4
MFCB's Share of Results	4.0	4.5	(4.9)	(4.8)	(1.2)	2.7
Sales Volume	('000 MT) 34.5	('000 MT) 36.6	('000 MT) 39.3	('000 MT) 30.0	('000 MT) 140.4	('000 MT) 42.0

Summarised Balance Sheet		
	At 31.12.2022 (RM mil)	At 31.3.2023 (RM mil)
Total Assets	834	795
Total Liabilities	454	438
NCI	65	36
Total Equity	315	321

# OTHER UPDATES

## ➤ Serudong Power operations

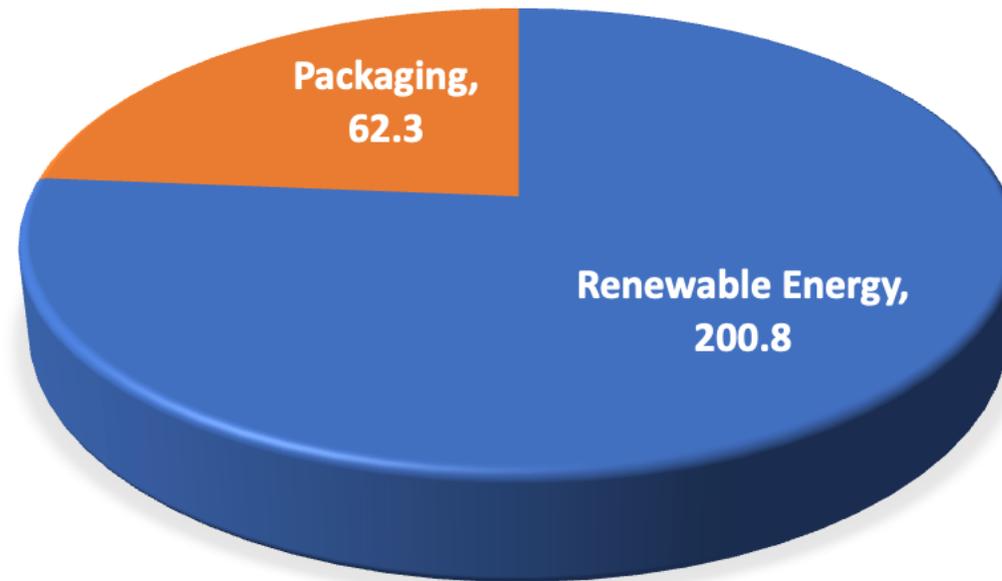
- Recommenced operations in May 2022 to facilitate future sale of the subsidiary.
- Earnings presented under “Investment Holding & Others”.
- Minimal Profit and Loss contribution to Group.
- Operational economic benefit/loss to accrue to 3rd party Preference Share holders.
- **Estimate to complete sale of Serudong Power by end May 2023.**

# PROSPECTS FOR REMAINING QUARTERS OF 2023

- Strong headwinds from:
  - High interest rates;
  - Elevated cost environment; and
  - Tightening credit conditions.
  
- In turn will dampen economic and investment activities, and consumer demand.
  
- Nonetheless, we do not expect Group earnings to be materially impacted.
  
- Earnings to remain highly resilient given the Group's:
  - Strong business foundation;
  - Low leverage;
  - High cash generation capacity; and
  - Prudent capital deployment strategy.

# PROSPECTS FOR REMAINING QUARTERS OF 2023 CAPITAL COMMITMENT AS AT 31 MARCH 2023

RM263.1 MIL



# PROSPECTS FOR REMAINING QUARTERS OF 2023

## Renewable Energy Division

- Estimated EAF for 2023 about 3.6% lower to 91% (2022: 94.6%).
- EAF typically high in 2022 due to: 1) near historical-high water level during last year's dry season; 2) the deferment of 2022 annual turbine maintenance to February/March 2023.
- Assume a stable exchange rate at RM4.40/USD (2022 level), PBT is expected to be marginally lower on expected lower EAF and higher interest expense (due to rate hike), offset by 1% tariff adjustment and lower expected credit loss (ECL).
- Energy tariff +1% to 6.34 US cents on 1 October 2023.
- Outstanding loan at end-May 2023: US\$87 mil. Current interest rate: 5.21%.
- Construction of 5th turbine progressing on schedule. Target completion unchanged in 3Q2024.
- Solar energy earnings to benefit from progressive energisation of secured and new C&I solar projects.
- Recently announced new RE initiatives by NRECC will open up new investment opportunities in the RE space for Malaysia.

# PROSPECTS FOR REMAINING QUARTERS OF 2023 PORTFOLIO SUMMARY AS AT 31 MARCH 2023

Completed Capacity		Capacity Secured/Under Construction		Total Capacity	
Hydro:	260 MW	Hydro:	65 MW	Hydro:	325 MW
Solar:	20.5 MW	Solar:	19.9 MW	Solar:	40.4 MW
<b>Total:</b>	<b>280.5 MW</b>	<b>Total:</b>	<b>84.9 MW</b>	<b>Total:</b>	<b>365.4 MW</b>

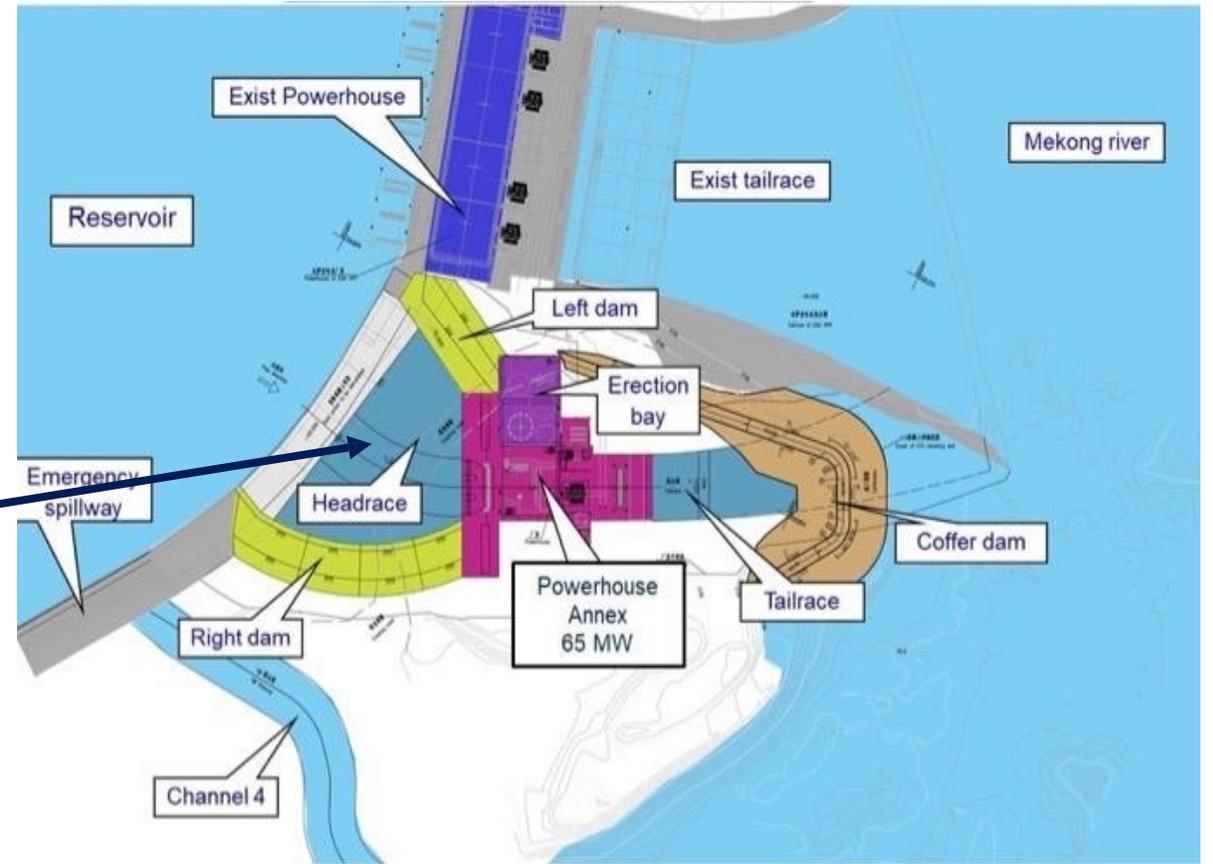
# RENEWABLE ENERGY DIVISION - EXPANSION

## Renewable Energy Projects on Hand

- 65 MW 5th turbine expansion of Don Sahong costing approx. US\$70-75 million or approx. US\$1.1-1.2mil/MW (vs US\$1.4 mil/MW for the first 4 turbines). Construction commenced in December 2021. Expected completion in 3Q2024. Expected EAF 41%.
- C&I solar projects secured:
  - 2.7 MW energised in the last 3 months.
  - 19.9 MW to be progressively completed over the next 15 months.
- Plan to add 15-20 MW C&I projects a year.

# RENEWABLE ENERGY DIVISION

## 5<sup>th</sup> TURBINE CONSTRUCTION PROGRESS



# RENEWABLE ENERGY DIVISION 5<sup>th</sup> TURBINE CONSTRUCTION PROGRESS



# RENEWABLE ENERGY DIVISION

## 5<sup>th</sup> TURBINE CONSTRUCTION PROGRESS



# PROSPECTS FOR REMAINING QUARTERS OF 2023

## Resources Division

- Despite the global recession risk and ongoing geopolitical conflict, the underlying regional demand for lime products is expected to remain robust.
- Fuel cost has stabilised, but overall production cost is expected to remain elevated due to higher electricity surcharge and rising labour costs.
- Management will continue to monitor production cost closely and make progressive adjustments to selling price where necessary to defend its margin.
- Expect earnings to be better than 2022.

# PROSPECTS FOR REMAINING QUARTERS OF 2023

## Packaging Division

- Expected to face strong headwinds from high supply chain inventory, slowing consumer demand and intensifying price competition.
- Management will strive to expand its customer base, raise production efficiency and reduce wastage.
- Barring unforeseen circumstances, we expect the results of Packaging Division to be satisfactory in 2023.
- Construction of the two new factory buildings in Melaka (Hexachase) and Bangi (Stenta) remains on track for completion by the end of 2023. Following which production capacity will be progressively added according to prevailing demand and market condition.

## Edenor Technology

- Expected the global industry demand for oleochemical products to remain soft under the challenging macro environment.