

# Malayan Cement (3794)

## Best Proxy to Construction Boom



### Stock Highlights

**Vibrant construction activities.** MRT Corp's recent public display for the MRT 3 Circle Line signals a potential revival of the RM45bn mega project, adding to other existing large-scale infrastructure projects like the Penang LRT, Penang Airport expansion, and the speculated KL-Singapore High-Speed Rail. These developments are expected to further boost the construction sector, which has also seen strong job flows related to data centres and semiconductor industry from the private sector.

**Cement players to benefit.** MCement likely to benefit the most as it is the largest cement producer in Peninsular Malaysia, holding a 60% market share. The current situation is quite reminiscent of the 2011-2013 period when large-scale infrastructure projects (such as KLIA2, LRT extension, and MRT1) drove significant re-ratings of cement players. Although the sector subsequently underperformed due to price wars resulting from massive capacity expansion, we argue that current industry dynamics are more favourable now following the merger between Malayan Cement and YTL Cement since 2019. The recent strengthening of the Ringgit would also help a lot to lower USD-denominated key input costs for cement production, such as coal.

**Still has leg to run.** Based on consensus forecast (which we think has room for upward revisions), MCement is currently trading at 18.4x fully-diluted CY25 P/E (dilution from ICPS). We believe this has yet to fully reflect the sector's upturn and premium for being Malaysia's largest cement producer. Historically, MCement's valuation has traded up to 20-22x forward P/E (+1 SD) during previous upcycles. With positive newsflows from the construction sector and strong earnings delivery, we believe it is just a matter of time before the stock re-rates further.

**Classic Wyckoff accumulation pattern.** The stock is in the final stages of Phase D, with resistance breached and increased volume, indicating a potential move to Phase E for a stronger uptrend. The current support level is RM4.71, a critical zone where the stock has bounced back multiple times. Additionally, a bull flag has formed, suggesting further bullish momentum. The first resistance at RM5.47 coincides with the bull flag's resistance, and a breakout here could lead to a sharp rally. On the downside, a break below RM4.54 could trigger a correction to RM3.67, where high volume has previously locked in in this zone.

#### Technical

Resistance 1 (RM)	5.47
Resistance 2 (RM)	7.08
Support 1 (RM)	4.54
Support 2 (RM)	3.60
MACD	Positive
RSI	Positive

#### Stock Information

Last Close (RM)	5.28
Market cap (RM m)	7,057.2
52-week Range (RM)	3.48-5.95

#### Financial Highlights

FYE Jun	FY21	FY22	FY23	FY24
Revenue (RM m)	1,369.5	2,705.2	3,757.0	4,446.4
Core PAT (RM m)	7.3	83.5	159.0	428.7
Core EPS (sen)	0.9	6.8	12.1	32.6
DPS (sen)	-	-	6.0	10.0
BV/share (RM)	2.71	4.41	4.54	4.73
P/E (x)	n.m.	77.6	43.6	16.2
P/B (x)	1.9	1.2	1.2	1.1

Source: Bloomberg, Mercury Securities

#### Company Profile

Malayan Cement Berhad is engaged in producing, manufacturing and trading of cement, clinker, ready-mixed concrete, aggregates, and other building materials.

## Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none"><li>- current high less the current low;</li><li>- the absolute value of the current high less the previous close;</li><li>- the absolute value of the current low less the previous close;</li></ul>
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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