HLIB Research
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Press Metal Aluminium

On track for a record FY26

Current LME aluminium prices have surged above the USD2,800/MT level (the highest since 2022). On the other hand, alumina prices remain soft, keeping the aluminium-alumina cost ratio at a favourable range, compared to a normalised 14-17% level. Operational momentum remains intact, with PMETAL on track to lift VAP contribution to c.50–60% by FY26f, and progress at PT Bintan and PT Kan supporting rising alumina self-sufficiency over the next two years. Against this backdrop, we believe PMETAL is on track to deliver record earnings in FY26f. We revise our FY25f-27f earnings forecast by 8.5%/15.7%/2.2% to reflect a higher LME aluminium price assumption of USD2,625–2,750/MT (from USD2,550-2,650/MT previously) and lower alumina cost. Maintain BUY call with a higher TP of RM7.64 (from RM7.11) based on 25x FY26f PE.

BUY (Maintain)

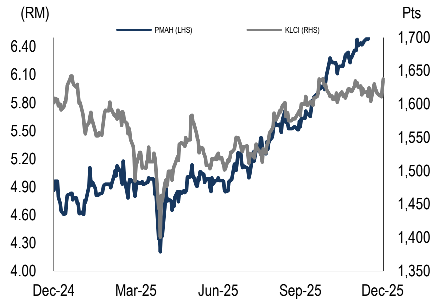
Target Price:	**RM7.64**
Previously:	**RM7.11**
Current Price:	**RM6.87**

Capital upside	11.2%
Dividend yield	1.2%
Expected total return	12.4%

Sector coverage: Base Metals

Company description: Press Metal Aluminium provides aluminium ingots, billets, fluorocarbon, and other products.

Share price



Historical return (%)	1M	3M	12M
Absolute	-27.0	-17.5	-5.9
Relative	7.3	18.8	35.8

Stock information

Bloomberg ticker	PMAH MK
Bursa code	8869
Issued shares (m)	8,240
Market capitalisation (RM m)	56,606
3-mth average volume ('000)	11,547
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Alpha Milestone Sdn Bhd	33.7%
EPF	6.2%
Koon Poh Ming	5.9%

Earnings summary

FYE (Dec)	FY24	FY25f	FY26f
PATMI - core (RM m)	1,793.7	2,206.3	2,516.9
EPS - core (sen)	21.8	26.8	30.5
P/E (x)	31.6	25.7	22.5

We recently hosted a meeting with PMETAL's founder/Group CEO, Tan Sri Dato Koon Poh Keong and Deputy CEO, Ooi Beng Guan, and felt upbeat with PMETAL's outlook going forward. Below are the key takeaways from the meeting.

Aluminium deficit likely to persist in FY26f. LME aluminium prices have strengthened to USD2,800/MT level, the highest level since 2022, driven by a tightening supply backdrop which is expected to remain through 2026. By Sept 2025, China's aluminium production capacity had risen to around 45.84m MT, with 44.06m MT in active operation (link). This led Chinese players to expand new capacity in Indonesia. However, we gather that Indonesia's smelting expansion continues to face structural constraints, due to limited power availability which has delayed commissioning timelines (link). With this, we believe aluminium prices will be supported at USD2,800-2,900/MT throughout FY26f.

Alumina cost remains low. Alumina price declined by -9% QoQ to USD320/MT, with aluminium-alumina cost ratio currently trending low at 11%-12%, compared to a normalised 14-17% level. In China, total alumina inventories have risen sharply to c.5m MT (link), the highest level since Jan 2022, reflecting a growing supply overhang. We view the current low-price environment as favourable for PMETAL, providing a meaningful cost tailwind heading into FY26f.

Current expansions remain on track. PT Bintan (total planned capacity 4m MT/annum) now has its third 1m MT/annum line fully operational, while the fourth 1m MT/annum is expected to be commissioned by FY26f. Once fully ramped up, PT Bintan is expected to supply roughly c.50% of PMETAL's alumina requirements in FY26f. Meanwhile, PT Kan's Phase 1 refinery (c.1m MT/annum), targeted for completion by FY27f, will further increase self-sufficiency, enabling PMETAL to meet >90% of its alumina needs by FY27f.

Awaiting clarity on Baleh Dam, Sarawak. The Baleh Dam in Sarawak, with a planned capacity of 1.2GW, is scheduled for completion by 2029. PMETAL's existing PPAs have an average remaining tenure of 11 years. PMETAL is not worried about competition among aluminium players, but will be more wary of other large power consumers, particularly data centres, regarding long-term PPA allocations. We expect to see greater visibility into Baleh Dam's allocation framework within the next 2 years.

VAPs to contribute 50-60% of sales volume in FY26f. Value-added products (VAPs) contributed 46.8% of sales volume in 9MFY25, and PMETAL aims to lift this to c.50-60% by FY26f. Blended upcharges remained stable QoQ while VAPs sales in Europe benefited from higher aluminium premiums.

India remains the bright spot for solar extrusion products. India remains one of PMETAL's core export markets for solar extrusion products, supported by strong structural demand and the country's continued reliance on imported solar frames. Despite this, PMETAL has no intention of establishing manufacturing operations in India, citing a significant gap in efficiency and product quality relative to its existing operations. Imported products, particularly from China, remain more cost-competitive than domestic production in India, reducing the commercial viability of local expansion at this stage.

USD/MYR Impact. PMETAL hedges up to 30% of its USD exposure, primarily relating to electricity costs. While alumina (typically accounts for c.30% of total cost) is also denominated in USD, this provides a natural hedge against currency fluctuations. Based on our model sensitivity analysis, every 10 sen movement in USD/MYR is estimated to impact group earnings by approx. 5%.

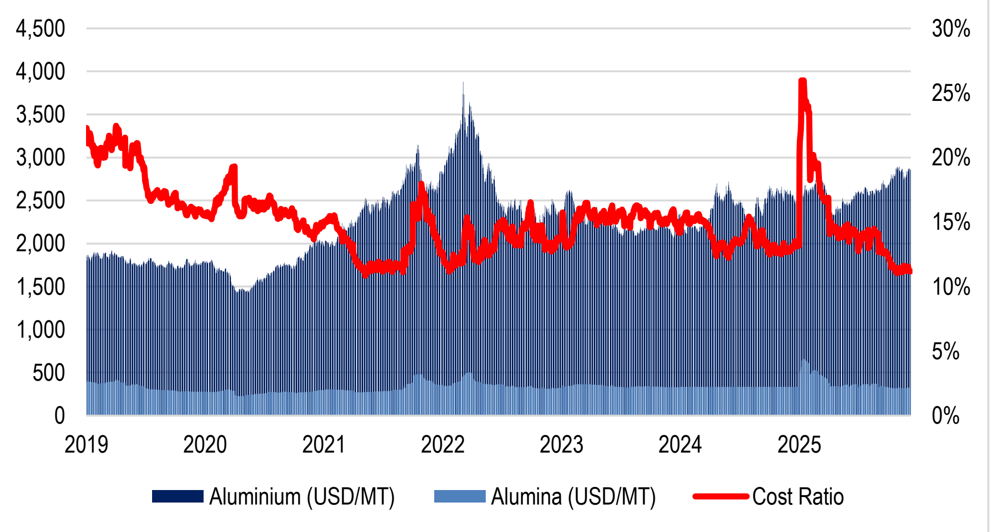
Forecast. We revised our FY25f-27f earnings forecast by +8.5%/+15.7%/+2.2% as we raised our LME aluminium price forecasts to USD2,625–2,750/MT (from USD2,550-2,650/MT previously), reflecting sustained supply tightness. Alumina cost assumptions have been revised downward to USD400-410/MT (from USD450/MT previously) to account for a widening global surplus. We have also updated our USD/MYR assumption to mirror our in-house view.

Figure #1 Changes in key assumptions

Key assumptions	Old Assumptions			New Assumptions		
	FY25f	FY26f	FY27f	FY25f	FY26f	FY27f
LME aluminium price (USD/MT)	2,550	2,650	2,700	2,625	2,750	2,700
Alumina costs (USD/MT)	450	450	450	410	400	400
Carbon anode price (CNY/MT)	5,000	5,000	5,000	5,000	5,000	5,000
MYR/USD	4.30	4.30	4.30	4.20	4.10	4.10
Core Earnings (RM m)	2,033.3	2,175.7	2,220.3	2,191.8	2,516.8	2,288.9

Maintain BUY, TP: RM7.64. We maintain our BUY call on PMETAL with a higher TP of RM7.64 (from RM7.11), based on its 5-year historical mean PE multiple of 25x on FY26f EPS. We expect aluminium prices to remain resilient, underpinned by persistent supply tightness, while easing alumina input costs provide an incremental tailwind to margin expansion. Overall, we like PMETAL due to (i) its favourable cost structure as the bulk of its energy costs are locked in via long-term PPA; (ii) solid track record as an investible aluminium proxy in Malaysia; and (iii) favourable ESG profile as its smelters are hydro-powered.

Figure #2 Aluminium and Alumina Prices (USD/MT) and Cost Ratio



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Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
PPE	7,215.8	7,029.5	7,102.3	7,314.6	7,816.0
Investment in associates and	1,836.4	2,001.0	2,300.4	2,485.6	2,650.3
Inventories	2,566.4	2,621.2	3,430.6	3,920.9	4,179.7
Receivables	1,557.4	2,041.8	2,672.2	3,054.2	3,255.8
Cash	1,228.0	1,508.7	3,242.5	4,073.2	4,657.3
Others	962.4	1,431.9	1,431.9	1,431.9	1,431.9
Total Assets	**15,366.5**	**16,634.2**	**20,179.8**	**22,280.4**	**23,991.0**
Borrowings	4,398.8	3,870.5	4,920.5	4,300.5	3,800.5
Payables	1,248.9	1,342.1	1,756.5	2,007.6	2,140.1
Others	1,322.5	1,116.4	1,116.4	1,116.4	1,116.4
Total Liabilities	**6,970.2**	**6,329.1**	**7,793.5**	**7,424.5**	**7,057.0**
Shareholders' equity	6,933.0	8,476.2	10,023.3	11,881.1	13,409.2
Minority interest	1,463.2	1,829.0	2,363.0	2,974.8	3,524.7
Equity	**8,396.3**	**10,305.1**	**12,386.3**	**14,855.8**	**16,933.9**
Total Liab & Equity	**15,366.5**	**16,634.2**	**20,179.8**	**22,280.4**	**23,991.0**

Income Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Revenue	13,804.7	14,909.5	15,344.7	15,374.5	15,019.1
EBITDA	2,344.0	2,663.8	3,486.9	4,019.3	3,689.3
EBIT	1,657.2	1,898.9	2,959.7	3,486.6	3,140.7
Finance costs	-242.5	-217.9	-231.3	-215.0	-190.0
Associates & JV	207.4	559.3	299.3	185.2	164.7
Profit before tax	1,645.8	2,303.4	3,027.8	3,456.8	3,115.4
Tax	-127.9	-178.7	-287.4	-328.2	-295.7
Profit after tax	1,518.0	2,124.7	2,740.4	3,128.6	2,819.7
Minority interest	302.7	359.0	534.1	611.7	549.9
Reported PATAMI	1,215.3	1,765.7	2,206.3	2,516.9	2,269.7
Exceptionals	27.6	28.0	0.0	0.0	0.0
Core PATAMI	**1,242.9**	**1,793.7**	**2,206.3**	**2,516.9**	**2,269.7**
Consensus			**2,114.9**	**2,364.1**	**2,559.7**
HLIB/ Consensus			104%	106%	89%

Cash Flow Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	1,645.8	2,303.4	3,027.8	3,456.8	3,115.4
Depreciation & Amortisation	686.8	764.9	527.2	532.7	548.6
Working capital	618.9	-169.6	-1,025.4	-621.3	-327.9
Tax refunded/(paid)	-122.8	-39.7	-287.4	-328.2	-295.7
Others	37.2	-309.2	-68.1	29.8	25.3
CFO	**2,866.0**	**2,549.8**	**2,174.2**	**3,069.9**	**3,065.7**
Disposal / (purchase)	-701.6	-767.0	-600.0	-745.0	-1,050.0
Others	63.6	-77.8	0.0	0.0	0.0
CFI	**-638.0**	**-844.8**	**-600.0**	**-745.0**	**-1,050.0**
Debts raised/(repaid)	-396.2	-486.3	-450.0	-620.0	-500.0
Dividends paid	-576.8	-721.8	-659.2	-659.2	-741.6
Others	-563.8	-182.9	1,268.7	-215.0	-190.0
CFF	**-1,536.7**	**-1,391.0**	**159.6**	**-1,494.2**	**-1,431.6**
Net CF	**691.3**	**314.0**	**1,733.7**	**830.7**	**584.1**
Forex	-0.5	-24.9	0.0	0.0	0.0
Others	87.3	79.0	79.0	79.0	79.0
Beginning cash	**449.9**	**1,140.7**	**1,429.8**	**3,163.5**	**3,994.2**
End Cash	**1,228.0**	**1,508.7**	**3,242.5**	**4,073.2**	**4,657.3**

Valuation & Ratios

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
EPS (sen)	14.7	21.4	26.8	30.5	27.5
Core EPS (sen)	15.1	21.8	26.8	30.5	27.5
P/E (x) (core)	45.5	31.6	25.7	22.5	24.9
EV/EBITDA (x)	22.8	20.4	15.8	14.0	15.6
DPS (sen)	7.0	7.0	8.0	8.0	9.0
Dividend yield	1.0%	1.0%	1.2%	1.2%	1.3%
BVPS (RM)	1.0	1.3	1.5	1.8	2.1
P/B (x)	6.7	5.5	4.6	3.8	3.3
EBITDA margin	17.0%	17.9%	22.7%	26.1%	24.6%
EBIT margin	12.0%	12.7%	19.3%	22.7%	20.9%
PBT margin	11.9%	15.4%	19.7%	22.5%	20.7%
Net margin (core)	9.0%	12.0%	14.4%	16.4%	15.1%
ROE	17.9%	21.2%	22.0%	21.2%	16.9%
ROA	8.1%	10.8%	10.9%	11.3%	9.5%
Gearing	63.4%	45.7%	49.1%	36.2%	28.3%
Net gearing	37.8%	22.9%	13.5%	1.5%	CASH

Press Metal's ESG Snapshot

F4GBM Index member	:	Yes
FTSE Russell ESG rating	:	★★★★
MSCI ESG rating	:	AA

The goal of this section is to provide an overview of Press Metal's ESG trends and developments. The information presented here is from the financial year FY24 and will be updated as new data becomes available. Overall, we find the group has no glaring ESG issues.

Environmental (E) indicators

- Introduced low-carbon aluminium brand, GEMTM, which is produced with a carbon footprint of less than 4.0 MT of CO2 e per MT of aluminium for Scope 1 (direct) and Scope 2 (indirect) GHG emissions.
- Reduced 16.3% in direct and indirect GHG emissions (Scope 1, 2, and 3) in FY24 as compared to baseline 2020.
- Aiming to achieve a 15% reduction in GHG emissions by 2025; a 30% reduction in GHG emissions by 2030; and carbon neutrality by 2050 (based on FY20 baseline).
- Expanded renewable energy capacity by acquiring an additional 1.2 MW of solar power capacity at PMBA Nilai 2, bringing total solar energy capacity to 14.7 MW.
- GHG emission intensity stood at 8.6 tCO2 e/tonne, 1.2% less than FY23.
- Intensity of energy consumption was at 52.8m GJ/tonne of aluminium (vs FY23: 55.6 GJ/tonne of aluminium).
- Reported water consumption intensity per revenue of 2.5 m^3/tonne of aluminium (vs FY23: 2.3 m^3/tonne of aluminium).
- Aiming to achieve a 95% waste recycling by 2026; zero waste sent to landfill by 2030.
- Achieved 20.2% water withdrawal reduction in FY24 and aiming for 10% reduction by 2030 (based on FY16 baseline).
- 6,100 tonnes of GHG emissions were avoided through solar energy use in FY24.
- Recovered 15,682 tonnes of post-consumer aluminium scrap, thus potentially avoiding 203,141 tonnes of GHG emissions in FY21.
- E-waste recycling programme successfully diverted 460 kg of discarded electrical items from disposal in FY24.

Comments: Based on our observation, all indicators appeared to be reasonable.

Social (S) indicators

- Employee turnover rate remains unchanged from 14.2% vs FY23.
- Composition of female Board of Directors stood at 33.6% (vs FY20: 30.5%).
- The average training hours per employee was at 50.5 hours (vs FY23: 46.8 hours).

Comments: Press Metal improved its average training hours per employee and successfully maintained a low turnover rate. From our observation, the group's gender equality focus has also improved with more females in the managerial positions.

Governance (G) indicators

- Board size of 10 directors (vs FY23: 10 directors) where 50% were independent (vs FY23: 50%). Meeting attendance was 100% (vs FY23: 100%).
- Independent directors form 100% / 100% / 100% of audit / risk / nomination & remuneration committee (vs FY23: 100% / 100% / 100%).
- The percentage of executive & non-executive directors' pay to total core net income stood at 0.75% (vs FY23:1.0%).

Comments: Given the size of Press Metal, it is only natural to see a larger number of directors serving its Board. Separately, we deem that there were no issues with the directors' independence. Also, the compensation package for executive & non-executive directors appeared to be somewhat reasonable.

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Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +10% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next -12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next -12 months.
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