

MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

Red Numbers Continued Register

KEY INVESTMENT HIGHLIGHTS

- Sales were offset by high production cost
- Earnings remained in the red at -RM23.5m
- Earnings forecast maintained pending more input from the briefing
- We maintain **NEUTRAL** as TP Under Review

Higher sales recorded. MSM's 1QFY23 topline jumped to RM746.2m (+19.5%yoy) bringing the 1H23 revenue to RM1.33b (+9.4%ytd) riding on the increased of average selling price and better sales of new mixed products. Conversely, loss from operation (LBT) has now been reduced to -RM47.4m as opposed to -RM59.7m in prior year due to better control of its input cost following better procurement has been executed amid improved hedging activities carried away.

QOQ. On quarter-on-quarter basis, a strong revenue growth ever recorded, following Raya festival celebration, which had lifted the topline by +26.8%qoq to RM746.2m. While its loss before interest tax (LBIT) margin showed some improvement to -0.8% (+3.5ppt), which was inline with the normalization of natural gas price averaging at USD11.3/mmbtu (-32.8qoq) and better capacity utilization in the quarter. LAT narrowed to only -RM35.0m no thanks to the high taxation charged. The effective tax rate is at positive 20%, higher than the Malaysian income tax rate of minus -24% due to deferred tax assets not recognised in a subsidiary.

Earnings forecast. We maintain our forecast at this juncture pending more input from the briefing. Our preliminary forecast anticipates the cost of production to normalized following fell in NY11 and natural gas price and shipping rates as well better UF especially the MSM Johor refinery (on better output coming from fine white sugar volume) later in 2HFY23.

While our concerns remained in the movement of Ringgit as approximately 75%-80% of input cost exposed to currency volatility. In addition, MSM couldn't exercise pass-through mechanism pending to government decision of an increase of the gazette ceiling price.

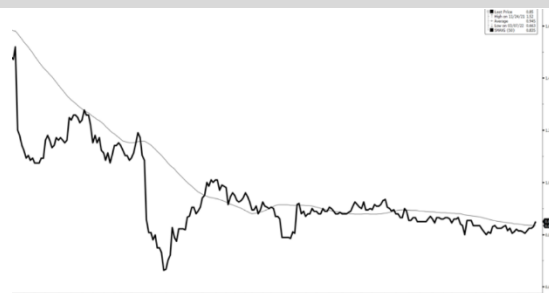
Recommendation. We maintain our **NEUTRAL** call with **TP of Under Review** (previously RM0.90 by pegging its FY23 EPS of 3.8sen to PER of 24x which is within the range of 17-25x for the consumer segment) pending more input from the analyst briefing.

Maintain NEUTRAL
Target Price: Under Review
 (previously RM0.90)

RETURN STATISTICS

Price @ 24 th Aug 2023 (RM)	1.12
Expected share price return (%)	
Expected dividend yield (%)	+1.0
Expected total return (%)	U/R

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.1	2.6
3 months	-4.7	-1.5
12 months	-14.7	-8.1

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,468.9	2,571.3	2,648.1
EBIT	102.5	147.1	163.8
Profit Before Tax	53.9	107.2	124.9
Core PATAMI	26.4	67.9	83.8
Core EPS	3.8	9.7	11.9
DPS	1.0	1.0	1.0
Dividend Yield	1%	1%	1%

KEY STATISTICS

FBM KLCI	1,444.67
Issue shares (m)	702.9
Estimated free float (%)	20.6
Market (RM'm)	681.9
52-wk price range	RM0.67-RM1.61
3-mth average daily volume (m)	43.2
3-mth average daily value (RM'm)	0.4
Top Shareholders (%)	
Felda Global	51.0
KPF	15.3
Skim Amanah Saham Bumiputera	9.4

MSM: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	2Q22	1Q23	2Q23	QoQ	YoY	1H23	1H22	Ytd
Income Statement								
Revenue	624.2	588.4	746.2	26.8	19.5	1,334.6	1,220.1	9.4
LBIT	-25.4	-25.4	-5.8	-77.1	-77.1	-31.2	-43.7	-28.6
Finance cost	-9.4	-9.4	-10.5	11.7	11.2	-19.8	-17.0	16.5
Finance income	0.1	1.6	2.1	30.5	>100	3.7	1.1	>100
LBT	-34.7	-33.2	-14.2	-57.2	-59.0	-47.4	-59.7	-20.6
Tax expense	-2.6	-2.7	-20.8	NM	NM	-9.3	-1.1	NM
LAT	-37.3	-35.9	-35.0	-2.4	-6.1	-56.7	-60.7	-6.7
Core earnings / loss	-33.2	-28.3	-9.4	-66.9	-71.7	-23.5	-45.0	-47.8
LBIT margin (%)	-4.1	-4.3	-0.8	3.5	3.3	-2.3	-3.6	1.2
LBT margin (%)	-5.6	-5.6	-1.9	3.7	3.7	-3.6	-4.9	
Core PATAMI margin (%)	-5.3	-4.8	-1.3	3.6	4.1	-1.8	-3.7	1.9

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,259.7	2,566.0	2,468.9	2,571.3	2,648.1
EBIT	125.6	(150.6)	102.5	147.1	163.8
PBT	81.1	(178.5)	53.9	107.2	124.9
PAT	36.6	(178.7)	26.4	67.9	83.8
Core earnings / loss	36.6	(178.7)	26.4	67.9	83.8
Core EPS (sen)	5.2	(25.4)	3.8	9.7	11.9
PER (x)	18.6		29.5	11.5	9.4
DPS (sen)	3.0		1.0	1.0	1.0
Dividend yield (%)	3.1%		1%	1%	1%
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	1,220.5	1,205.5	1,160.8	1,118.1	1,068.7
Right-of-use assets	83.0	98.7	100.1	101.4	102.5
Non-current assets	1,925.7	1,923.8	1,880.5	1,839.1	1,790.9
Inventories	421.1	360.5	357.0	332.5	340.7
Trade receivables	307.2	282.6	270.6	281.8	290.2
Cash & Bank Balances	194.8	221.0	239.9	262.0	333.7
Current assets	926.1	880.3	291.5	383.3	498.2
Total Assets	2,870.8	2,811.8	2,172.0	2,222.4	2,289.1
Trade & other payables	301.2	334.5	389.5	399.0	408.9
Loans & borrowings	429.2	580.3	585.3	590.3	595.3
Current liabilities	747.4	941.1	1,001.1	1,015.6	1,030.4
Borrowings	363.9	299.2	274.2	249.2	224.2
Non-current liabilities	410.9	355.9	330.9	305.9	280.9
Equity	1,712.6	1,514.7	840.0	900.9	977.7
Liabilities & equity	2,870.8	2,811.8	2,172.0	2,222.4	2,289.1
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Profit	36.6	(178.7)	26.4	67.9	83.8
Cash flow from operations	63.6	29.0	120.6	109.3	156.1
Cash flow from investing	142.9	-32.8	-54.5	-60.2	-57.4
Cash flow from financing	-211.0	27.2	-27.0	-27.0	-27.0
Net cash flow	-4.5	23.4	39.0	22.1	71.7
Net cash/(debt) b/f	179.9	178.1	200.9	239.9	262.0
Net cash/(debt) c/f	178.1	200.9	239.9	262.0	333.7

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	5.6%	-5.9%	4.2%	5.7%	6.2%
PBT margin	3.6%	-7.0%	2.2%	4.2%	4.7%
Core PATAMI margin	1.6%	-7.0%	1.1%	2.6%	3.2%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology