



## MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

### Return to Black

#### KEY INVESTMENT HIGHLIGHTS


- **Robust sales at RM949.9m (+17.7%qoq, +40.2%yoy)**
- **Losses narrowed to -RM49.1m on the back better cost optimization**
- **Earnings: Maintained**
- **We reiterate our BUY call with a new TP RM3.43**

**Higher earnings recorded.** In 4QFY23, MSM reported a significant turnaround with a profit of RM49.9m (>100%yoy), narrowing the FY23 earnings losses to -RM49.9m, compared to the -RM178.5 recorded in the previous fiscal year. The turnaround can be attributed to its strategic focus on enhancing ASP, cost reduction measures, including hedging optimization, and the expansion of sales volume through the diversification of distribution channels.

**Quarter-on-quarter.** On quarter-on-quarter basis, a strong revenue momentum continued, thanks to the +27% higher in ASP realized and +11% higher sales volume, that attributed by +48% increase in export segment, which had lifted the topline by +17.7%qoq to RM949.9m. Overall, there was a noticeable uptick in sales volume, especially in the industry and export subsegments. We attribute this positive trend to the vibrancy of local Food and Beverage (F&B) activity, driven by increased demand from Asia-Pacific (APAC) countries.

**Outlook.** We remain sanguine on MSM's long term business prospects, given that all rectification works in the Johor Refinery have been completed. This refinery can now operate to a full throttle, increasing its capacity utilisation factor (UF) from 15-30% to 40-50%, thereby paving a better economies of scale in refining cost structures ahead.

**Recommendation.** As we change our valuation to P/E to better reflect mid-long-term outlook, our revised **TP** of **RM3.43** is based on a FY24F EPS of 28.5sen, pegged to a P/E of 11.0x, which 20% higher than international sector P/E of 10.0x. Given a more attractive +47.1% potential return at our revised TP, we maintain our **BUY** call accordingly. We opine MSM's outlook is starting to stabilize, as post-rectifications at MSM Johor refinery would lead to a better utilization rate in coming quarters.

On top of that, the quantum of increased ASP and higher sales volume from APEC countries would eventually be able to mitigate the elevated sugar costs. Potential downside risks are: (i) strengthening dollar against Malaysia ringgit; (ii) continued EL-Nino that would hamper sugar production and yield in major producer countries eg. Brazil, Thailand and India, as this will increase the raw sugar cost, NY11 (iii) spike in natural gas price. 

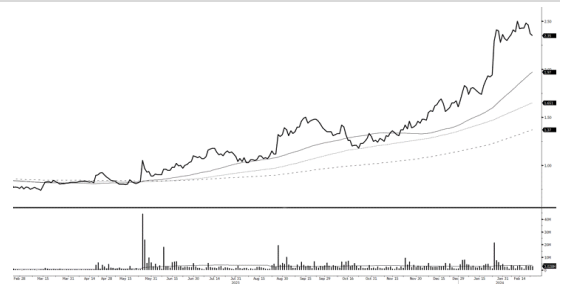
### Maintain BUY

**Revised Target Price: RM3.43**  
(Previously RM1.70)

#### RETURN STATISTICS

Price @ 22 <sup>nd</sup> Feb 2024 (RM)	2.35
Expected share price return (%)	+45.8
Expected dividend yield (%)	+1.3
<b>Expected total return (%)</b>	<b>+47.1</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	21.1	16.9
3 months	46.0	55.9
12 months	205.2	189.1

#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	3,521.6	4,090.5	4,760.6
Operating profit	244.5	315.6	402.2
Profit Before Tax	225.7	298.5	386.8
Core PATAMI	218.9	289.5	375.2
Core EPS	31.1	41.2	53.4
DPS	3.0	3.0	3.0
Dividend Yield	1.3%	1.3%	1.3%

#### KEY STATISTICS

FBM KLCI	1,533.6
Issue shares (m)	703.0
Estimated free float (%)	20.0
Market (RM'm)	1,652.0
52-wk price range	RM0.73-RM2.59
3-mth average daily volume (m)	3.72
3-mth average daily value (RM'm)	7.01
Top Shareholders (%)	
Felda Global	51.00
KPF	15.28
Skim Amanah Saham Bumiputera	9.29

**MIDF Research Team**  
research@midf.com.my

**MSM: 4Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly							
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd%
<b>Income Statement</b>								
Revenue	677.7	806.7	949.9	17.7	40.2	2,566.0	3,091.2	20.5
Operating loss / profit	-39.6	-22.8	65.8	>100	>100	-150.6	11.8	>100
Finance costs	-9.3	-13.2	-14.7	NM	NM	-32.0	-47.8	NM
LBT / PBT	-47.0	-33.8	53.2	>100	>100	-178.5	-28.0	NM
Taxation	2.9	-2.2	-9.3	NM	NM	0.8	-20.9	NM
NP	-44.2	-36.1	42.9	>100	>100	-178.7	-49.9	NM
EPS (sen)	-6.3	-5.1	6.1	>100	>100	-25.4	-7.1	NM
OP margin (%)	-5.8	-2.8	6.9	9.7	12.8	-5.9	0.4	6.3
PBT margin (%)	-6.9	-4.2	5.6	9.8	12.5	-7.0	-0.9	6.1
Core PAT margin (%)	-6.5	-4.5	4.5	9.0	11.0	-7.0	-1.6	5.4
Effective tax rate (%)	-6.1	6.6	-17.5	-24.1	-11.5	-0.5	74.5	75.0

\*Not meaningful (NM)

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,566.0	3,091.2	3,521.6	4,090.5	4,760.6
Operating Profit	-150.6	11.8	244.5	315.6	402.2
PBT	-178.5	-28.0	225.7	298.5	386.8
PAT	-178.7	-49.9	218.9	289.5	375.2
Core earnings / loss	-183.2	-49.9	218.9	289.5	375.2
Core EPS (sen)	-25.4	-7.1	31.1	41.2	53.4
PER (x)			7.5x	5.7x	4.4x
DPS (sen)	0.0	0.0	3.0	3.0	3.0
Dividend yield (%)	0.0%	0.0%	1.3%	1.3%	1.3%

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	-5.9%	0.4%	6.9%	7.7%	8.4%
PBT margin	-7.0%	-0.9%	6.4%	7.3%	8.1%
PAT margin	-7.0%	-1.6%	6.2%	7.1%	7.9%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	1,205.5	1,189.7	1,285.5	1,325.2	1,364.6
ROU assets	98.7	95.1	128.7	143.7	158.7
Non-current assets	1,923.8	1,901.5	2,033.9	2,088.5	2,142.9
Inventories	360.5	311.9	441.7	510.4	591.0
Receivables	282.6	393.1	387.9	450.5	524.3
Current assets	880.3	989.3	885.9	1,111.0	1,432.6
Total Assets	2,811.8	2,890.8	2,919.7	3,199.5	3,575.6
Long-term debt	299.2	230.0	199.2	149.2	99.2
Non-current liabilities	355.9	281.6	255.9	205.9	155.9
Borrowings	580.3	903.2	580.3	580.3	580.3
Current liabilities	941.1	1,144.1	1,001.1	1,062.4	1,134.4
Share capital	718.3	718.3	718.3	718.3	718.3
Retained earnings	102.4	52.5	842.0	1,110.5	1,464.6
Equity	1,514.7	1,465.1	1,662.7	1,931.1	2,285.3

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	-178.7	-49.9	225.7	298.5	386.8
Cash flow from operations	29.0	-116.7	473.7	683.2	782.9
Cash flow from investing	-32.8	-27.8	-55.0	-55.0	-55.0
Cash flow from financing	27.2	202.5	-71.1	-71.1	-71.1
Net cash flow	23.4	57.9	347.7	557.1	656.8
Net cash/(debt) b/f	178.1	221.0	278.3	626.0	1,183.1
Net cash/(debt) c/f	200.9	278.3	626.0	1,183.1	1,839.8

Source: Company, 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