



MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

Remains in the Red

KEY INVESTMENT HIGHLIGHTS


- Sales continued its momentum reaching RM2.60m (+21.5%yoy)
- Earnings was eroded by higher production cost
- Earnings forecasts; maintained
- We maintain our **NEUTRAL** call with a revised TP of **RM1.24**

Mixed results. MSM's 3QFY24 topline jumped to RM806.7m (+6.8%yoy) bringing the 9MFY24 revenue to RM2.60b (+21.5%ytd) riding on the increased of average selling price (+14%yoy), sales volume and incentive received for certain packed sugar sold in Malaysia market. In contrast, earnings continued in the red following higher losses during the quarter, due to high input costs, mainly raw sugar, freight rate and volatility of ringgit despite better capacity utilization registered.

Quarterly. On a quarter-on-quarter basis, a strong revenue momentum continued, supported by the decent sales volume and incentive received for certain packed sugar sold in the domestic market despite the lower average selling price. However, earnings turned to the red, c. -RM49.8m due to continue net realizable value (NRV) provision, where the inventory value was higher than the market price, following the influx of sugar imports from AP players which has made MSM's sugar products uncompetitive compared to the cheaper sugars from AP, during this harvesting period.

Operational stats. During the quarter, the group utilisation factor (UF) remained decent, standing at around 50%, due to no planned shutdowns in scheduled at Prai and Johor refineries. This brought the yield to stay above 96% - demonstrating a good standard of sugar refining activity carried away.

Earnings estimate. We maintain our earnings estimates at this juncture, expecting steady demand in 4QFY24 driven by the upcoming festive season (Christmas and Chinese New Year). MSM is likely to benefit from higher average selling prices, particularly in the mass market segment, while applying more premium pricing to the industry subsegment following the end of the harvesting season. Additionally, AP players may scale back direct sugar imports from producer countries due to normalizing sugar prices.

Recommendation. We maintain our **NEUTRAL** call with a revised TP of **RM1.24** (previously RM1.39) pegged to PER of 10.5x (slightly discount to the average historical FY14-15 PE of 11.7x) based on FY25 EPS of 11.8 sen. 

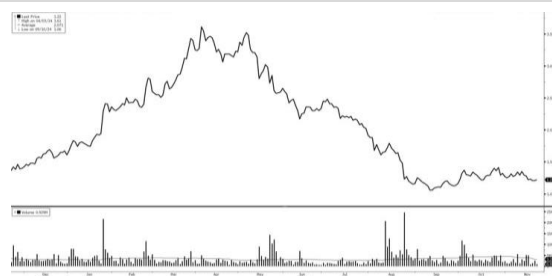
Maintain NEUTRAL

Revised Target Price: RM1.24
(Previously RM1.39)

RETURN STATISTICS

Price @ 21 st Nov 2024 (RM)	1.48
Expected share price return (%)	-6.38
Expected dividend yield (%)	+2.03
Expected total return (%)	-4.36

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.4	-2.0
3 months	5.2	-17.9
12 months	-10.9	-18.0

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	3,675.4	3,761.0	3,813.9
Operating profit	76.5	118.9	163.6
Profit Before Tax	41.5	85.8	132.5
Core PATAMI	40.3	83.2	128.6
Core EPS	5.7	11.8	18.3
DPS	3.0	3.0	3.0
Dividend Yield	2.5%	2.5%	2.5%

KEY STATISTICS

FBM KLCI	1,588.68
Issue shares (m)	702.98
Estimated free float (%)	23.06
Market (RM'm)	857.64
52-wk price range	RM1.03-RM3.70
3-mth average daily volume (m)	3.81
3-mth average daily value (RM'm)	4.87
Top Shareholders (%)	
Felda Global	51.00
KPF	15.28
Skim Amanah Saham Bumiputera	7.25

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MSM: 3Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	3QFY23	2QFY24	3QFY24	QoQ%	YoY%	9MFY23	9MFY24	YoY%
Revenue	806.7	833.1	861.4	3.4	6.8	2,141.3	2,601.1	21.5
Operating loss / profit	-22.8	-21.5	-46.3	NM	NM	-54.0	6.6	>100
Finance costs	-13.2	-11.9	-10.7	NM	NM	-33.0	-34.0	NM
LBT / PBT	-33.8	-31.6	-55.6	NM	NM	-81.2	-21.5	NM
Taxation	-2.2	0.2	5.8	>100	>100	-11.5	-18.0	NM
PAT/LAT	-36.1	-32.4	-49.8	NM	NM	-92.8	-40.4	NM
EPS (sen)	-5.1	-4.6	-7.1	NM	NM	-13.2	-5.8	NM
OP margin (%)	-2.8	-2.6	-5.4	-2.8	-2.5	-2.5	0.3	2.8
PBT margin (%)	-4.2	-3.8	-6.5	-2.7	-2.3	-3.8	-0.8	3.0
Core PAT margin (%)	-4.5	-3.9	-5.8	-1.9	-1.3	-4.3	-1.6	2.8

*Not meaningful (NM)

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,566.0	3,091.2	3,675.4	3,761.0	3,813.9
Operating Profit	-150.6	11.8	76.5	118.9	163.6
PBT	-178.5	-28.0	41.5	85.8	132.5
PAT	-178.7	-49.9	40.3	83.2	128.6
Core earnings / loss	-183.2	-56.4	40.3	83.2	128.6
Core EPS (sen)	-25.4	-7.1	5.7	11.8	18.3
PER (x)			21.3x	10.3x	6.7x
DPS (sen)			3.0	3.0	3.0
Dividend yield (%)			2.5%	2.5%	2.5%

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	-5.9%	0.4%	2.1%	3.2%	4.3%
PBT margin	-7.0%	-0.9%	1.1%	2.3%	3.5%
PAT margin	-7.0%	-1.6%	1.1%	2.2%	3.4%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	1,205.5	1,189.7	1,229.6	1,269.3	1,308.7
ROU assets	98.7	95.1	110.1	125.1	140.1
Non-current assets	1,923.8	1,901.5	1,956.4	2,011.0	2,065.4
Inventories	360.5	311.9	362.3	366.8	367.6
Receivables	282.6	393.1	467.4	478.3	485.0
Current assets	880.3	989.3	1,051.9	1,014.7	1,018.8
Total Assets	2,811.8	2,890.8	3,008.2	3,025.7	3,084.2
Long-term debt	299.2	230.0	180.0	130.0	80.0
Non-current liabilities	355.9	281.6	231.6	181.6	131.6
Borrowings	580.3	903.2	903.2	903.2	903.2
Current liabilities	941.1	1,144.1	1,342.5	1,347.8	1,348.8
Share capital	718.3	718.3	718.3	718.3	718.3
Retained earnings	102.4	52.5	663.4	725.5	833.0
Equity	1,514.7	1,465.1	1,434.2	1,496.3	1,603.8

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	-178.7	-49.9	41.5	85.8	132.5
Cash flow from operations	29.0	-111.0	438.9	181.8	215.6
Cash flow from investing	-32.8	-33.6	-55.0	-55.0	-55.0
Cash flow from financing	30.6	202.5	-71.1	-71.1	-71.1
Net cash flow	26.8	57.9	312.8	55.7	89.6
Net cash/(debt) b/f	194.8	221.0	278.3	591.1	646.9
Net cash/(debt) c/f	221.0	278.3	591.1	646.9	736.4

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