MSM Malaysia Holdings Berhad

(5202 | MSM MK) Consumer products and services | Food & Beverages

***Maintain* NEUTRAL**

Elevated input costs are a daunting reality

***Unchanged* Target Price: RM0.83**

KEY INVESTMENT HIGHLIGHTS

- **Top-line bolstered by higher ASP and improvement in wholesale, industry and export revenues**
- **3QFY22 normalised earnings continued red at -RM100.6m**
- **We tweak lower our FY22 earnings estimates following production cost elements outweighed the sales performance**
- **Maintain NEUTRAL with a TP of RM0.83**

Sales were offset by high production cost. MSM's 3QFY22 topline continue recorded higher on year-on-year basis to RM668.1m (+22%yoy) boosted from improved in ASP for all customer segments and Industry as well as Export ASP. Nevertheless, profitability was dragged by <100% on the same period to -RM100.6m affected by increases in production cost (+20%yoy), mainly due to higher input costs comprise NY11, natural gas, packaging materials as well as weaker ringgit translations against USD. In addition, MSM could not exercise pass-through mechanism pending to government decision of an increase of the gazetted ceiling price.

Export segment leading the way. During the quarter, the group's revenue registered +17% growth boosted by increase in ASP and improvement from wholesale (+9%yoy), industry (+27%yoy) and export (+20%yoy) segments. Whilst, sales volume across three segments were stable and marginally grew by 4%.

Earnings forecast. Due to the aforementioned reasons, 9MFY22 normalized earnings drop to -RM140.5m as opposed profit of RM92.8m in subsequent year resulted earnings came in below our and consensus forecast. Thus, we tweak lower our FY22 earnings estimates by -20%, as we reckon the production cost to remain elevated taking a toll on higher gas price as well low UF especially the MSM Johor refinery which is still operate below breakeven point c. 65%.

Recommendation. We maintain our **NEUTRAL** call with **TP** of **RM0.83** by pegging its FY23 EPS of 3.8sen to PER of 22x which is within the range of 17-25x for the consumer segment.

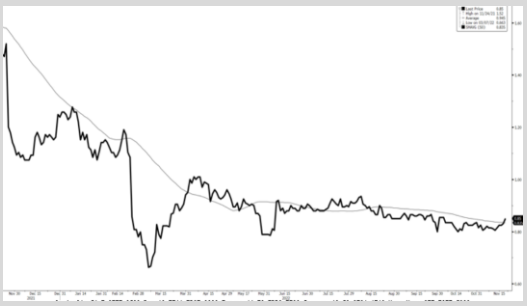
Table 1: Segmental business performance

Segments	Revenue (RM'm)			Volume ('000)		
	9M22	9M21	Chg %	9M22	9M21	Chg %
Wholesale	679	623	+9	255	245	+4
Industries	393	309	+27	162	158	+3
Export	791	659	+20	296	278	+6

Source: Company, MIDFR

RETURN STATISTICS	
Price @ 21st Nov 2022 (RM)	0.84
Expected share price return (%)	-1.64
Expected dividend yield (%)	+1.10
Expected total return (%)	**-0.54**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.8	-1.3
3 months	6.2	-0.8
12 months	-44.8	-41.7

KEY STATISTICS	
FBM KLCI	1,447.96
82Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	N/A
Issue shares (m)	702.98
Estimated free float (%)	20.62
Market Capitalisation (RM'm)	597.53
52-wk price range	RM0.67 - RM1.61
Beta vs FBM KLCI (x)	0.71
Monthly volatility (%)	32.35
3-mth average daily volume (m)	43.17
3-mth average daily value (RM'm)	0.43
Top Shareholders (%)	
Felda Global Group	51.00
Koperasi Permodalan Felda	15.28
Skim Amanah Saham Bumiputera	9.42

MIDF RESEARCH
research@midf.com.my

INVESTMENT STATISTICS

FYE 31st December (All in RM'm, unless otherwise stated)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	2184.5	2,259.7	2,400.0	2,468.9	2,571.4
(Loss) / Earnings Before Interest and Tax	67.8	125.6	-204.0	102.5	147.1
(Loss) / Profit Before Tax	35.8	81.1	-180.0	53.9	107.2
(Loss) / Profit After Tax & Non-Controlling Interest	-71.2	125.4	-168.0	26.4	67.9
Normalised (Loss) / Profit After Tax & Non-Controlling Interest	-31.6	114.1	-168.0	26.4	67.9
(Loss) / Earnings per share (sen)	-	17.8	-	3.8	9.7
Normalised (Loss) / Earnings per share (sen)	-	16.2	-	3.8	9.7
Net DPS (sen)	-	3.0	-	1.0	1.0
Net Dividend Yield (%)	-	3.6%	-	1.2%	1.2%
PER (x)	-	5.2	-	22.4	8.7

Source: Company, MIDF

MSM MALAYSIA HOLDINGS BHD: 3QFY22 RESULTS SUMMARY

(All in RM'm unless stated otherwise)	Quarterly Results					Cumulative		
FYE Dec	**3Q21**	**2Q22**	**3Q22**	**% QoQ**	**% YoY**	**9MFY22**	**9MFY21**	**% YoY**
Revenue	548.6	624.2	668.1	7.0	21.8	1,888.3	1,617.7	16.7
EBIT	42.0	-25.4	-67.2	>100	<100	-111.0	124.7	<100
Finance costs	-20.0	-9.4	-5.7	-39.5	-71.6	-22.7	-39.5	-42.5
Finance income	0.4	0.1	1.1	>100	>100	2.2	1.8	23.1
Profit/Loss before taxation	22.4	-34.7	-71.8	<100	<100	-131.5	86.9	<100
Taxation	-13.0	1.6	-1.0	<100	-92.5	-3.0	-34.2	-91.1
Profit/Loss after taxation	96.9	-33.1	-72.8	<100	<100	-134.6	141.5	<100
Normalised loss after taxation	93.6	-47.1	-100.6	<100	<100	-140.5	92.8	<100
Normalised EPS (sen)	13.3	-6.7	-14.3	<100	<100	-20.0	13.2	<100
				+/- ppts	**+/- ppts**			
EBIT margin (%)	7.7	-4.1	-10.1	-6.0	-17.7	-5.9	7.7	-13.6
Normalised PAT margin (%)	17.1	-7.5	-15.1	-7.5	-32.1	-7.4	5.7	-13.2
Effective tax rate (%)	58.0	4.6	-1.3	-6.0	-59.4	-2.3	39.3	-41.6

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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 *rise* 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 *fall* 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