MSM Malaysia Holdings Berhad

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

***Maintain* NEUTRAL**

Still in the red

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

KEY INVESTMENT HIGHLIGHTS

- **Top-line bolstered by higher ASP and improvement in wholesale, industry and export revenues**
- **Export segment leading the way**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with a TP of RM0.83**

Sales were offset by high production cost. MSM's FY22 topline registered higher on year-on-year basis to RM2.6b (+13%yoy) bolstered 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 -RM178.3m affected by higher in production cost, mainly due to increase in input costs comprise NY11, natural gas, packaging materials as well as weaker ringgit translations against USD during the period. In addition, MSM could not exercise pass-through mechanism pending due to government decision of an increase of the gazetted ceiling price.

Export segment leading the way. During the quarter, the group revenue grew +14% boosted by increase in ASP and improvement from wholesale (+14%yoy), industry (+19%yoy) and export (+6%yoy) segments. Whilst, sales volume across three segments were stable and marginally grew by 2%, in-line with improved consumer demands.

Earnings forecast. Due to the aforementioned reasons, FY22 normalized earnings drop to -RM178.3m as opposed profit of RM169.4m in subsequent year. Overall, normalized earnings came in within our expectation at 95% and we maintain our forecast at this juncture. We anticipate the production cost to remain elevated going into CY23 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)		
	FY22	FY21	Chg %	FY22	FY21	Chg %
Wholesale	957	842	+14	353	328	+8
Industries	1062	894	+19	393	368	+7
Export	510	482	+6	209	236	+11

Source: Company, MIDFR

RETURN STATISTICS	
Price @ 22nd Feb 2023 (RM)	0.83
Expected share price return (%)	+0.0
Expected dividend yield (%)	+1.2
Expected total return (%)	**+1.2**

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	1,464.00
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

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INVESTMENT STATISTICS

FYE 31st December (All in RM'm, unless otherwise stated)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	2,259.7	2,566.0	2,468.9	2,571.4	2,648.2
(Loss) / Earnings Before Interest and Tax	125.6	-150.6	102.5	147.1	163.8
(Loss) / Profit Before Tax	81.1	-178.5	53.9	107.2	124.9
(Loss) / Profit After Tax & Non-Controlling Interest	125.4	-168.0	26.4	67.9	83.8
Normalised (Loss) / Profit After Tax & Non-Controlling Interest	114.1	-178.3	26.4	67.9	83.8
(Loss) / Earnings per share (sen)	17.8	-	3.8	9.7	11.9
Normalised (Loss) / Earnings per share (sen)	16.2	-	3.8	9.7	11.9
Net DPS (sen)	3.0	-	1.0	1.0	1.0
Net Dividend Yield (%)	3.6%	-	1.2%	1.2%	1.2
PER (x)	5.2	-	22.0	8.5	6.9

Source: Company, MIDF

MSM MALAYSIA HOLDINGS BHD: 4QFY22 RESULTS SUMMARY

(All in RM'm unless stated otherwise)	Quarterly Results					Cumulative		
FYE Dec	**4Q21**	**3Q22**	**4Q22**	**% QoQ**	**% YoY**	**FY22**	**FY21**	**% YoY**
Revenue	642.0	668.1	677.7	1.4	5.6	2,566.0	2,259.7	13.6
EBIT	0.9	-67.2	-39.6	-41.1	<100	-150.6	125.6	<100
Finance costs	-7.5	-5.7	-9.3	62.9	22.8	-32.0	-47.0	-32.0
Finance income	0.8	1.1	1.8	63.2	>100	4.0	2.6	55.5
Profit/Loss before taxation	-5.8	-71.8	-47.0	-34.5	706.5	-178.5	81.1	<100
Taxation	-10.3	-1.0	2.9	<100	<100	-1.8	-44.5	-95.9
Profit/Loss after taxation	-16.2	-72.8	-44.2	-39.3	>100	-178.7	125.4	<100
Normalised loss after taxation	-22.4	-55.6	-37.6	-32.3	67.7	-178.3	169.4	<100
Normalised EPS (sen)	297.3	-7.9	-5.4	-32.3	<100	-25.4	24.1	<100
				+/- ppts	**+/- ppts**			
EBIT margin (%)	0.1	-10.1	-5.8	4.2	-6.0	-5.9	5.6	-11.4
Normalised PAT margin (%)	-3.5	-8.3	-5.6	2.8	-2.1	-6.9	7.5	-14.4
Effective tax rate (%)	-177.3	-1.3	6.1	7.4	>100	-1.0	54.9	-55.9

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 *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