MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

Still in the Red

Maintain **NEUTRAL**

Revised **Target Price: RM0.90**

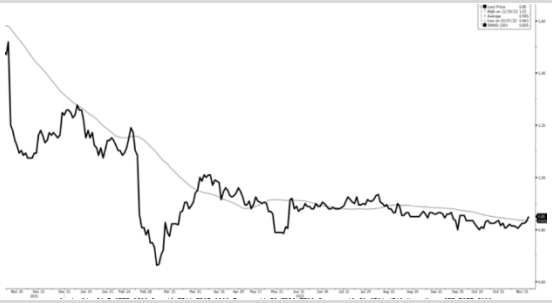
(previously RM0.83)

KEY INVESTMENT HIGHLIGHTS

- **Sales were offset by high production cost**
- **Earnings remained in the red at -RM28.4m**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with a revised TP of RM0.90**

RETURN STATISTICS	
Price @ 26th May 2023 (RM)	0.97
Expected share price return (%)	-7.08
Expected dividend yield (%)	+1.0
Expected total return (%)	**-6.08**

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

Sales were offset by high production cost. MSM's 1QFY23 topline remains flat on year-on-year basis to RM588.4m (-1.3%yoy) dragged by weaker sales volume despite increase in average selling price. Meanwhile, profitability dropped by -27.0%yoy on the same period to -RM28.4m 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 couldn't exercise pass-through mechanism pending to government decision of an increase of the gazetted ceiling price.

QOQ. On quarter-on-quarter basis, its revenue dropped by -13.0%qoq from 677.7m in 4QFY22 albeit during ahead of Raya festival. Additionally, its EBIT margin improved by +1.5ppt to -4.3% inline with the normalization of natural gas price averaging at USD16.8/mmbtu (-54.4qoq). However, earnings were lower on -RM28.4m cushioned by gain on forex forward contracts and gain on Brent crude oil option contracts amounted RM9.8m and RM1.7m.

Dividend. No dividend was declared in 1QFY23 (1Q22: 3sen).

Earnings forecast. We maintain our preliminary forecast at this juncture as we anticipate 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) later in 2HFY23.

Recommendation. We maintain our **NEUTRAL** call with revised **TP** of **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.

INVESTMENT STATISTICS

FYE Mar	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	1,402.9
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

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MSM: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q22**	**4Q22**	**1Q23**	**QoQ**	**YoY**
Revenue	595.9	677.7	588.4	-13.2	-1.3
EBIT	-18.3	-39.6	-25.4	-35.8	38.5
Finance cost	-7.6	-9.3	-9.4	1.1	23.1
PBT	-25.0	-47.0	-33.2	-29.4	32.6
Tax expense	-2.7	2.9	-2.7	-194.5	1.1
PATAMI	-27.7	-44.2	-35.9	-18.8	29.6
Core PATAMI	-22.4	-37.6	-28.4	-24.4	27.0
Operating margin (%)	-3.1%	-5.8%	-4.3%		
PBT margin (%)	-4.2%	-6.9%	-5.6%		
Core PATAMI margin (%)	-3.8%	-5.6%	-4.8%		
Effective tax rate (%)	-10.6%	6.1%	-8.1%		

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*
PATAMI	36.6	(178.7)	26.4	67.9	83.8
Core PATAMI	36.6	(178.7)	26.4	67.9	83.8
EPS (sen)	5.2	(25.4)	3.8	9.7	11.9
PER (x)	18.6	-3.8	25.9	10.0	8.1
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 *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