MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

SHARIAH Compliant | FTSE4Good | ESG 2 Stars

Downgrade to NEUTRAL

(Previously TRADING BUY)

Revised Target Price to **RM1.20** (previously RM1.55)

Corporate Update

1QFY25 Results Review
Narrowed Black Numbers

Downgrade to NEUTRAL from Trading BUY**.** Given the renewed outlook for MSM, we are downgrading our call to **NEUTRAL** call with a revised target price of **RM1.20** (previously RM1.55). This is based on rolling over our valuation to FY26 EPS of 9.6 sen, applying to a PER of 12.5x, which is slightly below the historical 2yrs average PE mean of 13.6x. We believe our valuation is justified, as MSM recovery is expected to register slower earnings recovery amid the influx of Thailand sugars, compounded by narrowing ASP premium either industry or exports subsegment.

Narrowed black numbers. On a year-on-year basis, earnings declined sharply, with PBT falling to RM8.0m (-88.0%yoy) mainly due slipped in ASP (-11%yoy) and sales volume (-8%yoy), outweighing the gains derived from lower production costs. Management attributes the headwinds were caused by dumping practices of imported sugar into the country without any control, affecting the sales volume and prices, compounded by stagnation of local F&B sector, despite the presence of seasonally stronger festive months. Overall, the PAT of RM3.7m (-91.1%yoy) accounted for 5% and 6% of our and consensus' full-year FY25 forecasts, respectively.

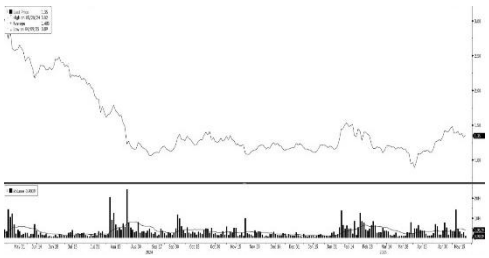
Operational Stats. During the quarter, the group's UF softened to about 47% (Vs 1Q24: 53%), no thanks to the planned shutdowns at the MSM Prai (3 days) and Johor refineries (10 days). As a result, the group's yield fell to 95% but could still be considered as a high standard of sugar refining activity. With Boiler 3 expected to commence in 1Q26 at the Johor refinery, UF is anticipated to improve to a range of 35%-40% over FY25-26. This, coupled with uninterrupted operational days, is expected to support the group's overall UF to reach approximately 55%-58% (based on revised earnings estimates).

Earnings Forecast. Following earnings that came in below both our expectations and consensus estimates, we are revising downward our earnings forecasts for FY25E–FY27F downward by -52%yoy, -35%yoy, and -32%yoy, respectively. The key headwind remains the oversupply of Thai sugar, estimated at approximately 1m tonnes, that has been flooding regional markets. This glut follows a ban on Thai sugar exports to China due to regulatory compliance issues.

The surplus has exerted downward pressure on ASPs, particularly through the erosion of premiums previously captured in three key subsegments. As a result, ASPs have compressed across the board, materially impacting margins. Our reduced earnings projections also reflect subdued sales volume in the wake of the refined sugar influx. We now estimate the group UF to range between 55% and 58% during the forecast period. We are taking more conservative stance against competitive price war between the AP players that probably still has inventory to carry forward over the next 2 years.

RETURN STATISTICS	
Price @ 22nd May 2025 (RM)	1.20
Expected share price return (%)	+0.0
Expected dividend yield (%)	+2.5
Expected total return (%)	+2.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	+19.3	+15.4
3months	+18.3	+3.3
12 months	-55.0	-52.7

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025E	2026F	2027F
Revenue	3,635.3	4,031.9	3,909.3
Operating Profit	80.3	125.2	146.1
PBT	43.1	87.9	108.9
PAT	32.6	67.6	83.9
EPS (sen)	4.6	9.6	11.9
DPS (sen)	1.0	3.0	4.0
Dividend Yield (%)	0.8%	2.5%	3.3%

KEY STATISTICS	
FBM KLCI	1,527.02
Issue shares (m)	702.98
Estimated free float (%)	23.20
Market Capitalisation (RM'm)	843.47
52-wk price range	RM0.85 – RM3.08
3-mth average daily volume (m)	3.94
3-mth average daily value (RM'm)	4.95
Top Shareholders (%)	
Felda Global Group	51.00
Koperasi Permodalan Felda Bhd	15.28
Amanah Saham Nasional Bhd	7.11

MSM: 1QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue	**906.6**	**943.6**	**749.7**	**-20.6**	**-17.3**	**906.6**	**749.7**	**-17.3**
Operating loss / profit	74.3	105.6	17.8	-83.2	-76.1	74.3	17.8	-76.1
Finance costs	-11.4	-10.3	-10.6	NM	NM	-11.4	-10.6	NM
LBT / PBT	65.7	96.5	8.1	-91.6	-87.7	65.7	8.1	-87.7
Taxation	-24.0	-24.8	-4.4	NM	NM	-24.0	-4.4	NM
LAT / PAT	**41.7**	**71.7**	**3.7**	**-94.8**	**-91.1**	**41.7**	**3.7**	**-91.1**
EPS (sen)	5.9	10.2	0.5	-94.8	-91.1	5.9	0.5	-91.1
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	8.2	11.2	2.4	-8.8	-5.8	8.2	2.4	-5.8
PBT margin (%)	7.3	10.2	1.1	-9.1	-6.2	7.3	1.1	-6.2
PAT margin (%)	4.6	7.6	0.5	-7.1	-4.1	4.6	0.5	-4.1
Effective tax rate (%)	-36.5	-25.7	-54.1	-28.4	-17.5	-36.5	-54.1	-17.5

Source: Company, MIDFR

MSM: Segmental Breakdown

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue (RM'm):	**903.0**	**939.0**	**746.0**	**-20.6**	**-17.4**	**903.0**	**746.0**	**-17.4**
Wholesale	386.0	383.0	366.0	-4.4	-5.2	386.0	366.0	-5.2
Industry	344.0	351.0	307.0	-12.5	-10.8	344.0	307.0	-10.8
Export	161.0	197.0	73.0	-62.9	-54.7	161.0	73.0	-54.7
Export Value-Added	12.0	8.0	0.0	-100.0	-100.0	12.0	0.0	-100.0
Sales Volume ('000):	**253.0**	**300.0**	**233.0**	**-22.3**	**-7.9**	**253.0**	**233.0**	**-7.9**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	3,091.2	3,544.7	3,635.3	4,031.9	3,909.3	PAT	(49.9)	31.3	32.6	67.6	83.9
Operating Profit	11.8	112.2	80.3	125.2	146.1	D&A	82.7	83.3	88.6	91.5	94.3
PBT	(28.0)	75.0	43.1	87.9	108.9	Operating cash flow	(111.0)	225.8	100.6	94.2	167.0
PAT/LAT	(49.9)	31.3	32.6	67.6	83.9	Capex	(56.4)	(45.1)	(63.1)	(63.1)	(63.1)
Core PAT/LAT	(56.4)	29.1	32.6	67.6	83.9	Investing cash flow	(33.6)	(39.2)	(72.2)	(72.2)	(72.2)
EPS (sen)	(8.0)	4.1	4.6	9.6	11.9	Financing cash flow	202.5	(291.3)	(7.0)	(21.1)	(28.1)
PER (x)	-	29.0x	25.9x	12.5x	10.1x	Net cash flow	57.9	(104.6)	21.4	0.9	66.7
DPS (sen)	0.0	0.0	1.0	3.0	4.0	Beginning cash flow	221.0	278.3	173.6	195.0	196.0
Dividend yield (%)	0.0%	0.0%	0.8%	2.5%	3.3%	Ending cash flow	278.3	173.6	195.0	196.0	262.7

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F	Margins	2023A	2024A	2025F	2026F	2027F
PPE	1,189.7	1,180.2	1,169.6	1,156.8	1,141.7	OP margin	0.4%	3.2%	2.2%	3.1%	3.7%
ROU assets	95.1	135.9	132.6	128.7	124.3	PBT margin	-0.9%	2.1%	1.2%	2.2%	2.8%
Non-current assets	1,901.5	1,930.3	1,913.9	1,894.6	1,872.5	PAT margin	-1.6%	0.9%	0.9%	1.7%	2.1%
Inventories	311.9	762.8	782.3	867.6	841.2	Core PAT margin	-1.8%	0.8%	0.9%	1.7%	2.1%
Receivables	393.1	318.0	326.1	361.6	350.7						
Current assets	989.3	1,256.2	1,305.2	1,427.0	1,456.4						
Total Assets	2,890.8	3,186.5	3,219.1	3,321.6	3,328.8						
Long-term debt	230.0	151.9	151.9	151.9	151.9						
Non-current liabilities	281.6	241.4	241.4	241.4	241.4						
Borrowings	903.2	742.1	742.1	742.1	742.1						
Current liabilities	1,144.1	1,448.8	1,455.7	1,511.8	1,463.3						
Share capital	718.3	718.3	718.3	718.3	718.3						
Retained earnings	52.5	83.8	109.4	155.8	211.6						
Equity	1,465.1	1,496.4	1,521.9	1,568.4	1,624.2						
Total Equity & Liabilities	2,890.8	3,186.5	3,219.1	3,321.6	3,328.8						

Source: Bloomberg, MIDFR

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197501002077 (24878-X).

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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