MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

2 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

2QFY25 Results Review: Fell into the Red

Downgrade to SELL

Revised Target Price **RM0.71**
(from RM1.20)

Downgrade to **SELL** from NEUTRAL call**.** Given the renewed outlook for MSM, we are downgrading our call to **SELL** with a revised target price of **RM0.71** (previously RM1.20). This is based on roll over our valuation to newly FY26 EPS of 5.1 sen, applying to a PER of 14.0x, which is nearly the historical 2yrs average PE mean of 13.6x. We believe our valuation is justified, as MSM recovery is expected to start by next year instead of FY25, as demand weaken, dragged by the influx of Thailand sugars, compounded by narrowing ASP premium in industry or export subsegment.

Earnings reversed to the red. On a year-on-year basis, 2Q25's earnings maintain its red, while PBT losses reduced to RM22.7m dragged by the lower ASP (-8.7%%yoy), despite higher sales volume of 270,000 Mt (+6.3%yoy) recorded. Management attributes the headwinds were caused by dumping practices of imported sugar into the country without control, slowing the sales volume and reduced prices competitiveness, compounded by dull local F&B activity, in absence of festive months.

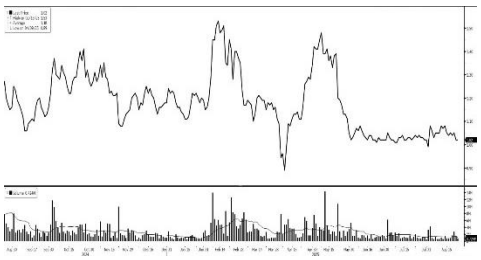
Operational Stats. During the quarter, the group's UF strengthened to about 49% (Vs 1Q25: 47.4%), thanks to the no planned shutdowns in the quarter. As a result, the group's overall yield maintained at 96.1% - which is still consider as a high standard of sugar refining activity. With Boiler 3 expected to commence in 1Q26 at the Johor refinery, MSMJ's UF is anticipated to be within a range of 30%-35% over FY25-26. This, coupled with uninterrupted operational days, is expected to continue support the group's overall UF to reach approximately 53%-56% (based on revised earnings estimates).

Earnings Forecast. Taking cue from the lates results, we are tuning FY25E–FY27F earnings forecasts to -RM10.3m/RM35.7m/RM64.8m, 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 that were previously captured in industry and export 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 53% and 56%. 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 @ 25 Aug 2025 (RM)	1.00
Expected share price return (%)	-28.56
Expected dividend yield (%)	+3.02
Expected total return (%)	-25.54

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-6.1
3months	0.0	-17.8
12 months	-17.1	-15.3

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	3,450.3	3,855.2	3,762.1
Operating Profit	25.4	84.3	121.5
PBT	-11.9	47.0	84.3
PATAMI	-10.3	35.7	64.8
EPS (sen)	-1.5	5.1	9.2
DPS (sen)	0.0	3.0	3.0
Dividend Yield (%)	0.0%	3.0%	3.0%

KEY STATISTICS

FBM KLCI	1,602.45
Issue shares (m)	702.98
Estimated free float (%)	23.20
Market Capitalisation (RM'm)	717.04
52-wk price range	RM0.85 – RM1.58
3-mth average daily volume (m)	1.76
3-mth average daily value (RM'm)	1.88
Top Shareholders (%)	
Felda Global Group	51.00
Koperasi Permodalan Felda	15.28
ASNB	7.11

MSM: 2QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY24	2QFY25	2QFY25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	**833.1**	**749.7**	**812.8**	**8.4**	**-2.4**	**1,739.7**	**1,562.4**	**-10.2**
Operating profit	-21.5	17.8	-12.6	NM	NM	52.8	5.1	-90.3
Finance cost	-11.9	-10.6	-11.2	NM	NM	-23.3	-21.9	NM
PBT	-31.6	8.1	-22.7	NM	NM	34.1	-14.6	NM
Tax Expense	0.2	-4.4	-7.0	NM	NM	-23.8	-11.4	NM
NP	**-32.4**	**3.7**	**-29.7**	**NM**	**NM**	**9.3**	**-26.0**	**NM**
Core EPS (sen)	-4.6	0.5	-4.2	NM	NM	1.3	-3.7	NM
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	-2.6	2.4	-1.6	-3.9	1.0	3.0	0.3	-2.7
PBT margin (%)	-3.8	1.1	-2.8	-3.9	1.0	2.0	-0.9	-2.9
NP margin (%)	-3.9	0.5	-3.7	-4.2	0.2	0.5	-1.7	-2.2

Source: Company, MBSBR

MSM: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue (RM'm):	**834.0**	**746.0**	**809.0**	**8.4**	**-3.0**	**1,737.0**	**1,555.0**	**-10.5**
Wholesale	367.0	366.0	346.0	-5.5	-5.7	753.0	712.0	-5.4
Industry	312.0	307.0	297.0	-3.3	-4.8	656.0	604.0	-7.9
Export	141.0	73.0	166.0	>100	17.7	302.0	239.0	-20.9
Sales Volume ('000)	**254.0**	**233.0**	**270.0**	**15.9**	**6.3**	**507.0**	**503.0**	**-0.8**
Average Selling Price (RM/tonne)	**3,283**	**3,202**	**2,996**	**-6.4**	**-8.7**	**3,426**	**3,091**	**-9.8**

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	3,091.2	3,544.7	3,450.3	3,855.2	3,762.1	PAT	(49.9)	31.3	(10.3)	35.7	64.8
Operating Profit	11.8	112.2	25.4	84.3	121.5	Operating cash flow	(111.0)	225.8	90.6	70.4	149.9
PBT	(28.0)	75.0	(11.9)	47.0	84.3	Investing cash flow	(33.6)	(39.2)	(72.2)	(72.2)	(72.2)
PAT	(49.9)	31.3	(10.3)	35.7	64.8	Financing cash flow	202.5	(291.3)	0.0	(21.1)	(21.1)
EPS (sen)	(8.0)	4.1	(1.5)	5.1	9.2	Net cash flow	57.9	(104.6)	18.4	(22.9)	56.7
PER (x)	-	24.0x	-	19.6x	10.8x	Beginning cash flow	221.0	278.3	173.6	192.0	169.1
DPS (sen)	-	-	-	3.0	3.0	Ending cash flow	278.3	173.6	192.0	169.1	225.8
Dividend yield (%)	-	-	-	3.0	3.0						

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Margins	2023A	2024A	2025E	2026F	2027F
PPE	1,189.7	1,180.2	1,169.6	1,156.8	1,141.7	OP margin	0.4%	3.2%	0.7%	2.2%	3.2%
ROU assets	95.1	135.9	132.6	128.7	124.3	PBT margin	-0.9%	2.1%	-0.3%	1.2%	2.2%
Non-current assets	1,901.5	1,930.3	1,913.9	1,894.6	1,872.5	PATAMI margin	-1.6%	0.9%	-0.3%	0.9%	1.7%
Inventories	311.9	762.8	742.5	829.6	809.5						
Receivables	393.1	318.0	309.5	345.8	337.5						
Current assets	989.3	1,256.2	1,245.8	1,346.4	1,374.6						
Total Assets	2,890.8	3,186.5	3,159.7	3,240.9	3,247.1						
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	1,432.2	1,498.9	1,461.4						
Share capital	718.3	718.3	718.3	718.3	718.3						
Retained earnings	52.5	83.8	73.5	88.1	131.8						
Equity	1,465.1	1,496.4	1,486.1	1,500.7	1,544.4						

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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