MSM Malaysia Holdings Berhad

(5202 | MSM MK) Main | F&B

Corporate Update

Maintain **NEUTRAL**

Revised Target Price **RM0.80**
(from RM1.01)

4QFY25 Results Review: Not Out of the Wood Yet

Maintain NEUTRAL. Given the limited earnings visibility, we lower our TP to **RM0.80** (previously RM1.01). The revised TP is derived from 0.50x P/BV, broadly in line with its 5y average historical mean, applied to FY26BV/share of RM1.58. We deem an asset-based valuation framework more appropriate at this juncture, given the volatility in ASPs and sales volumes, which continues to cloud earnings visibility. Our cautious stance is further anchored by structural sector policies that may constrain margin expansion and pose downside risks to earnings growth.

Below expectations. MSM reported a 4QFY25 LAT of -RM366.6m largely attributable to a sizeable impairment of financial asset c. RM360.0m. Excluding the one off-item, core earnings were still in the red, albeit smaller c. -RM2.5m as opposed record profit in prior year. We view that the squeezed in earnings was also exacerbated by elevated cost of production, FX translation losses, and sustained pricing pressure amid intensified competition from AP players, which collectively supply an estimated 60,000–70,000 Mt annually into the domestic retail market. Overall, FY25 results fell short of both our and consensus expectations.

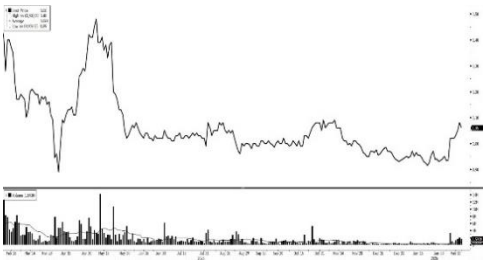
On commercial front, weaker sales volume were recorded at 270,000 Mt (-10.3%yoy), weighed down by softer offtake across key channels, amid unfavourable pricing and operations disruptions at the customer level. Additionally, revenue fell to RM772.0m (-17.8%yoy), primarily impacted by softer ASP resulted in sugar input costs exceeding prevailing market prices, thereby compressing margins. That said, value added products registered positively in 4QFY25, however, the uplift was insufficient to offset the higher export-driven volumes recorded in 4QFY24.

Operational Stats. During the quarter, the group's UF moderated to about 55% (vs. 4Q24: 64%), despite the absence of planned shutdowns at both MSMJ nor in MSMP, ahead of festive season. The lower UF reflected a deliberate revision in monthly melt strategy to better align with prevailing demand, alongside a recalibration of the customer mix to support breakeven operating efficiencies. Overall, refinery's yield remained modest at 96.5% (Vs 4Q24: 97.1%), which, still consider within industry benchmarks for sugar refining activity. With Boiler 3 expected to commence in 2Q26 (initial estimate 1Q26), MSMJ's UF is anticipated to normalize within the 32%-34% orange over FY26-27.

Earnings Forecast. In light of the latest results, we revise our FY26E-FY28F earnings forecasts to RM11.3m, RM16.5m and RM18.0m, respectively. The adjustments reflect a more conservative set of assumptions, incorporating lower ASPs, continued premium compression across product segments, moderated sales volumes and a recalibration of government incentive support.

RETURN STATISTICS	
Price @ 26 Feb 2025 (RM)	0.88
Expected share price return (%)	-9.35
Expected dividend yield (%)	+0.00
Expected total return (%)	-9.35

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.0	2.2
3 months	1.0	-4.7
12 months	-15.7	-16.7

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	2,628.4	2,684.2	2,765.4
Operating Profit	53.0	59.7	61.5
PBT	15.8	22.5	24.3
PAT	11.3	16.5	18.0
EPS (sen)	1.6	2.4	2.6
DPS (sen)	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%

KEY STATISTICS

FBM KLCI	1,740.94
Issue shares (m)	702.98
Estimated free float (%)	23.20
Market Capitalisation (RM'm)	699.38
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

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MSM: 4QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FYM25	YoY (%)
Revenue	943.6	748.9	783.1	4.6	-17.0	3,544.7	3,094.4	-12.7
Operating profit	105.6	12.1	-355.2	NM	NM	112.2	-337.9	NM
Finance cost	-10.3	-10.1	-8.7	NM	NM	-44.3	-40.7	NM
PBT	96.5	2.8	-363.1	NM	NM	75.0	-374.9	NM
Tax Expense	-24.8	-7.4	-2.6	NM	NM	-42.7	-21.4	NM
PAT	71.7	-4.6	-366.6	NM	NM	31.3	-397.3	NM
Core LAT / PAT	91.1	16.0	-2.5	NM	NM	29.1	-22.9	NM
EPS (sen)	10.2	-0.7	-52.2	NM	NM	4.4	-56.5	NM
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	11.2	1.6	-45.4	-47.0	-56.6	3.2	-10.9	-14.1
PBT margin (%)	10.2	0.4	-46.4	-46.7	-56.6	2.1	-12.1	-14.2
NP margin (%)	7.6	-0.6	-46.8	-46.2	-54.4	0.9	-12.8	-13.7

Source: Company, MIDFR

MSM: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FYM25	YoY (%)
Revenue (RM'm)	931.0	745.0	783.0	5.1	-15.9	3,545.0	3,094.0	-12.7
Sales Volume ('000)	300.0	255.0	301.0	18.0	0.3	1,058.0	1,028.0	-2.8
Average Selling Price (RM/tonne)	3,103	2,922	2,601	-11.0	-16.2	3,351	3,010	-10.2

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	3,544.7	3,094.4	2,628.4	2,684.2	2,765.4	PAT	31.3	-397.3	11.3	16.5	18.0
Operating Profit	112.2	-337.9	53.0	59.7	61.5	Operating cash flow	225.8	147.3	146.6	98.6	99.6
PBT	75.0	-374.9	15.8	22.5	24.3	Investing cash flow	-39.2	-42.8	-72.2	-72.2	-72.2
PAT	31.3	-397.3	11.3	16.5	18.0	Financing cash flow	-291.3	-84.4	-84.4	-9.4	0.6
Core PAT / LAT	29.1	-22.9	11.3	16.5	18.0	Net cash flow	-104.6	20.0	-10.0	17.0	28.0
EPS (sen)	4.1	-3.3	1.6	2.4	2.6	Beginning cash flow	278.3	173.6	193.7	183.6	200.6
PER (x)	21.3x	-27.0x	54.8x	37.4x	34.5x	Ending cash flow	173.6	193.7	183.6	200.6	228.6
DPS (sen)	0.0	0.0	0.0	0.0	0.0						
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%						

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F	Margins	2024A	2025A	2026E	2027F	2028F
PPE	1,180.2	783.6	1,156.8	1,141.7	1,124.3	OP margin	3.2%	-10.9%	2.0%	2.2%	2.2%
ROU assets	135.9	141.3	128.7	124.3	119.3	PBT margin	2.1%	-12.1%	0.6%	0.8%	0.9%
Non-current assets	1,930.3	1,535.9	1,894.6	1,872.5	1,847.5	PAT margin	0.9%	-12.8%	0.4%	0.6%	0.6%
Inventories	762.8	475.1	565.6	577.6	595.1						
Receivables	318.0	239.4	235.8	240.8	248.0						
Current assets	1,256.2	908.2	1,069.5	1,112.9	1,165.1						
Total Assets	3,186.5	2,444.1	2,590.4	2,617.7	2,651.3						
Long-term debt	151.9	52.1	52.1	52.1	52.1						
Non-current liabilities	241.4	144.3	144.3	144.3	144.3						
Borrowings	742.1	803.3	803.3	803.3	803.3						
Current liabilities	1,448.8	1,200.7	1,335.8	1,346.5	1,362.1						
Share capital	718.3	718.3	718.3	718.3	718.3						
Equity	1,496.4	1,099.1	1,110.4	1,126.9	1,144.9						

Source: Bloomberg, MIDFR

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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