

**HLIB Retail Research**

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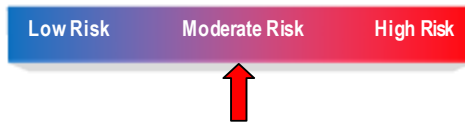
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**Profile:** Listed in July 1968, Malayan Flour Mill (MFM) has flour milling operations (contributed ~75% to FY20 revenue) in Malaysia and Vietnam, with total milling capacity of ~4600MT of wheat per day. Besides, MFM has a 30% stake in PT Bungasari Flour Mills in Indonesia, which has milling capacity of 1500MT of wheat per day. Flour milling operations aside, MFM has a procurement and trading arm (through 51%-owned Premier Grain Sdn Bhd, a JV between MFM and Toyota Yusho Corporation), which sources grain commodity ranging from corn, soybean to soybean meal (the major ingredients of animal feed production).

Its integrated poultry division (contributed ~25% to FY20 revenue) consists of feed milling, breeder and broiler farming, and poultry processing. It produces 60m chicks a year. MFM's new poultry processing plant, which commenced operations in Feb 2020, has a capacity of 280,000 birds per day (100m a year, indicating a threefold expansion) and services customers like McDonald's, Texas Chicken and KFC, amongst others. The group's has strict biosecurity measures at its poultry facilities in Perak and international certifications such as HACCP (Hazard Analysis and Critical Control Points) and VHM (Veterinary Health Mark).

**Synergistic partnership with Tyson.** Recent strategic disposal of its 49% stake (for RM420m) in its poultry business to US-based Tyson Foods would benefit MFM, reaping the synergies from producing more value-added Tyson-branded products, offtake agreements with Tyson Foods' entities like Mac Food (supplier of McDonald's Malaysia) and opportunities for new export markets given its plant's halal status.

**Technical Risk Profile**



**Financials and technical snapshots**

|                          |               |
|--------------------------|---------------|
| Stock code               | MFLOUR/3662   |
| Last price /Volume       | RM0.925/1.5m  |
| 52Wk High/ Low (RM)      | 1.06/0.495    |
| Outlook (2-4 weeks)      | Flag breakout |
| S1/S2                    | 0.90/0.85     |
| R1/R2                    | 0.95/1.06     |
| LT Technical target (RM) | 1.16          |
| Upside reward (%)        | 25.4          |
| Stop Loss                | 0.845         |
| Downside risk (%)        | -8.6          |
| HLIB Research TP (RM)    | Not-rated     |
| Bloomberg TP (RM)        | 1.28          |

Source: HLIB, Bloomberg

# Malayan Flour Mills

## A full-fledged regional consumer play; Pending a bullish flag breakout

We see further rerating in MFM as the group is benefitting from the eventual recovery in consumption due to its dominant position in the flour market in Malaysia, as well as riding on its expansions over the last few years in Vietnam (at 16kg per capita consumption) and Indonesia (at 21kg) to ride on the huge growth potential in terms of consumption of flour per capita against Malaysia's 35kg. The recent strategic disposal of its 49% stake in its poultry unit to Tyson Foods (NYSE:TSN, one of the world's largest food companies) is a boon for earnings as MFM is reaping the synergies from producing more value-added Tyson-branded products, offtake agreements with Tyson Foods' entities and expand its geographical reach via the latter's global distribution capabilities. Valuation is undemanding at 9.5x FY22EP/E (vs peers 23x), supported by a 36% EPS CAGR from FY19-23.

### MFM daily: Pending a bullish flag breakout



HLeBroking

### MFM weekly: LT bullish rounding bottom formation



HLeBroking

### Earnings summary

|                 | FYE 31 Dec | FY18  | FY19  | FY20  | FY21E | FY22E | FY23E |
|-----------------|------------|-------|-------|-------|-------|-------|-------|
| Revenue (RM'm)  |            | 2,424 | 2,682 | 2,681 | 3,534 | 4,178 | 4,385 |
| PATAMI (RM'm)   |            | 17    | 43    | 5     | 66    | 99    | 148   |
| Issued shrs (m) |            | 1,019 | 1,019 | 1,019 | 1,019 | 1,019 | 1,019 |
| EPS (sen)       |            | 1.7   | 4.2   | 0.5   | 6.5   | 9.7   | 14.5  |
| Dividend (sen)  |            | 2.2   | 3.0   | 1.0   | 2.0   | 2.5   | 3.0   |
| P/ E (x)        |            | 55.4  | 21.9  | 174.6 | 14.3  | 9.5   | 6.4   |
| Yield (%)       |            | 2.4   | 3.2   | 1.1   | 2.2   | 2.7   | 3.2   |

**Peers comparison**

| Stocks          | 6-May        | EPS22<br>(sen) | P/E<br>(x)  | BVPS<br>(RM) | FY18<br>P/E |
|-----------------|--------------|----------------|-------------|--------------|-------------|
| <b>MFLOUR</b>   | <b>0.925</b> | <b>9.7</b>     | <b>9.5</b>  | <b>1.06</b>  | <b>0.9</b>  |
| PPB             | 18.640       | 104.0          | 17.9        | 16.04        | <b>1.2</b>  |
| QL              | 6.040        | 12.0           | 50.3        | 0.90         | <b>6.7</b>  |
| LHI             | 0.720        | 5.3            | 13.6        | 1.06         | <b>0.7</b>  |
| CCK             | 0.665        | 5.5            | 12.1        | 0.48         | <b>1.4</b>  |
| <b>Average</b>  |              |                | <b>23.5</b> |              | <b>2.5</b>  |
| MFLOUR vs peers |              |                | -59.5%      |              | -64.9%      |

Bloomberg

**Potential flag breakout.** After building a base near RM0.90 in the last one month, MFM is ripe for a bullish flag breakout as the technical indicators are on the mend. Taking out the RM0.95 upper channel will spur prices towards RM1.06 before reaching our LT target at RM1.16 (38.2% FR) levels, underpinned by the bullish weekly rounding bottom pattern. Supports are pegged at RM0.85-0.90. Cut loss at RM0.845.

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|                     |   |
|---------------------|---|
| <b>BUY</b>          | Expected absolute return of +10% or more over the next 12 months.   |
| <b>HOLD</b>         | Expected absolute return of -10% to +10% over the next 12 months.   |
| <b>SELL</b>         | Expected absolute return of -10% or less over the next 12 months.   |
| <b>UNDER REVIEW</b> | Rating on the stock is temporarily under review which may or may not result in a change from the previous rating. |
| <b>NOT RATED</b>    | Stock is not or no longer within regular coverage.  |

## Sector rating guide

|                    |   |
|--------------------|---|
| <b>OVERWEIGHT</b>  |   |
| <b>NEUTRAL</b>     | Sector expected to perform in-line with the market over the next 12 months. |
| <b>UNDERWEIGHT</b> | Sector expected to underperform the market over the next 12 months.         |

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