

20 July 2018 | Corporate Update

MSM Malaysia Holdings Berhad

Visit to sugar refinery in Tanjung Langsat Johor


INVESTMENT HIGHLIGHTS

- Visited sugar refinery in Tanjung Langsat Johor
- Production capacity to be boosted by 80%
- Earnings estimate maintained for FY18 and FY19
- Maintain NEUTRAL with TP of RM3.86

Visited sugar refinery in Tanjung Langsat Johor. We have visited MSM Malaysia Holdings Berhad (MSM) sugar refinery which is located in Tanjung Langsat Industrial Complex, Pasir Gudang Johor. During the visit, we gather that the new refinery is almost completed. Operationally, it has received its first batch of raw sugar exceeding 40,000 tonnes and the Company has started to process the raw sugar.

Production capacity to be boosted by 80%. Upon completion, MSM's annual production capacity of refined sugar will be boosted by 1.0m tonnes to 2.25m tonnes (from 1.25m tonnes currently). With the completion of the refinery, MSM will be the largest sugar refiner in Asia. Note that MSM has invested USD259m for the refinery.

Earnings estimate maintained for FY18 and FY19. Overall, we expect MSM earnings to turnaround in FY18 with Profit After Tax estimated at RM97.1m (against FY17 Loss After Tax of RM32.6m). Key driver will be the significant decline in cost due to lower raw sugar price. For FY19, we maintain our earnings estimate of RM129.1m.

Maintain NEUTRAL with TP of RM3.86. Our Target Price is based on 21x Forward PE on FY19 EPS of 18.37 sen. The 21x Forward PE is based on +1.0SD Valuation as we expect earnings to turnaround in FY18. Despite the earnings turnaround, the issue of smuggled Thai sugar may limit MSM near term share price upside. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM3.86

RETURN STATS

Price (19 July 2018)	RM3.63
Target Price	RM3.86
Expected Share Price Return	+6.3%
Expected Dividend Yield	+1.9%
Expected Total Return	+8.2%

STOCK INFO

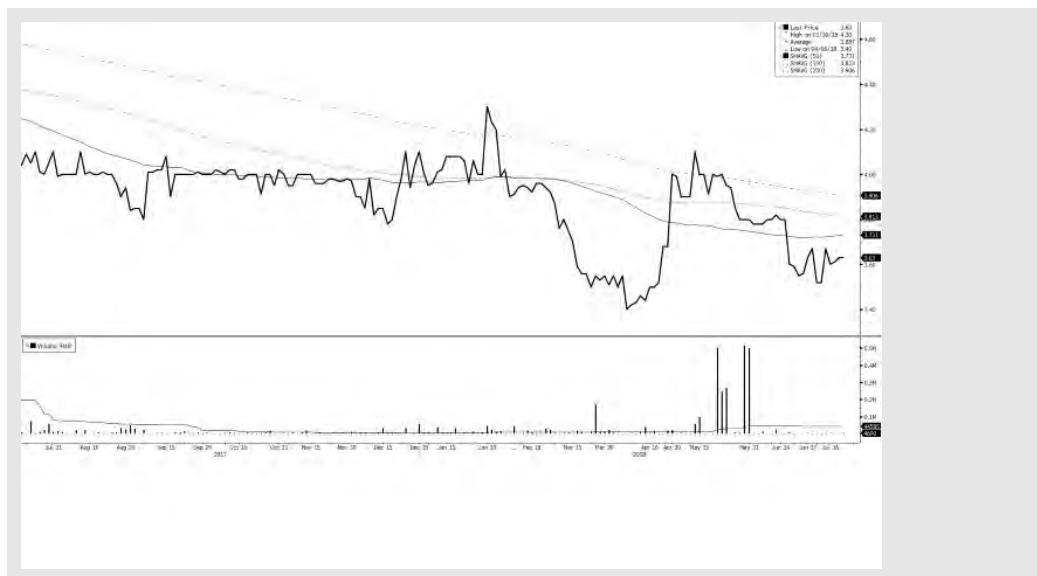
KLCI	1759.24
Bursa / Bloomberg	5202 / MSM MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	702.98
Market cap. (RM'm)	2,551.82
Price over NA	1.31
52-wk price Range	RM3.36 - RM4.3
Beta (against KLCI)	0.51
3-mth Avg Daily Vol	0.03m
3-mth Avg Daily Value	RM0.15m
Major Shareholders (%)	
FGV Holdings	51.00
KPF	15.28
Skim ASB	7.49
EPF	6.77

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	2,307.0	2,658.0	2,656.0	2,626.7	2,669.9
EBIT	371.8	156.4	1.4	171.5	214.1
PBT	372.1	148.5	(15.8)	127.4	170.0
Net Income	275.3	122.7	(32.6)	97.1	129.1
EPS (sen)	39.16	17.46	(4.63)	13.81	18.37
Net DPS (sen)	14.0	14.0	0.0	6.9	9.2
Net Dvd Yield	3.9%	3.9%	0.0%	1.9%	2.5%
PER	9.3	20.8	(78.3)	26.3	19.8
NTA/share (RM)	1.98	1.91	1.83	1.90	1.99
P/NTA	1.84	1.90	1.98	1.92	1.83
ROE	13.5%	6.2%	-1.7%	4.9%	6.3%
ROA	10.1%	3.8%	-1.0%	2.8%	3.7%

Source: Company, MIDFR

DAILY PRICE CHART



Pictures from MSM Site Visit



Source: MIDF Research



Source: MIDF Research



Source: MIDF Research

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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 <i>rise</i> 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 <i>fall</i> 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.