

Affin Hwang upgrades MSM to 'hold', keeps target price at RM1.05



Affin Hwang said MSM's downstream foray and partnerships were likely to solidify its long-term outlook.

By **NST Business** - October 24, 2019 @ 2:42pm

KUALA LUMPUR: MSM Holdings Bhd, the country's largest sugar manufacturer, is likely to post a weak set of results quarter-on-quarter in the third quarter of 2019.

Its losses, however, were expected to narrow progressively from the fourth quarter, Affin Hwang Capital said.

This will be fuelled by an uptick in global sugar prices favouring export sales prospects, a local price revision due to abating competition and maiden volume orders for MSM's high margin liquid sugar and sugar premix from this month.

Affin Hwang said MSM's downstream foray and partnerships were likely to solidify its long-term outlook.

"Nevertheless, MSM continues to face business uncertainties in its long-term outlook, such as potential liberalisation of the local sugar industry and public campaigns against sugar consumption due to rising obesity rates in Southeast Asia," Affin Hwang said after hosting a site visit to MSM's Johor refinery and obtained an update on its operational outlook.

The firm said MSM had secured a foreign customer for its liquid sugar products, with maiden orders of 10,000 tonnes coming in during the fourth quarter.

"We believe that the new value-added products including pre-mixes would begin to contribute materially to MSM's earnings starting in 2020, and partially address the Johor refinery's low utilisation rate of about 20 per cent. A recovery in sugar prices could also begin to catalyse an earnings recovery next year," it added.

Affin Hwang upgraded the stock to a "hold" from "sell" after the recent share price decline, with an unchanged 12-month target price of RM1.05.

It also revised its 2019-2021 earnings forecasts by -23 per cent, 17 per cent and 50 per cent to incorporate the factors mentioned above as well as cost-cutting measures and likely weakness in the ringgit.

AGENCY: New Straits Times (Online)

LINK: <https://www.nst.com.my/business/2019/10/532835/affin-hwang-upgrades-msm-hold-keeps-target-price-rm105>