



MSM Malaysia Holdings Bhd

Current Price: **RM5.43 (as of May 21)**

Target Price: **RM5.13 HOLD**

MIDF Research

MSM Malaysia Holdings is expected to announce its Q1FY15 earnings at the end of the month. We anticipate earnings to increase slightly compared to the same quarter last year, because margin has declined due to higher costs, especially transportation.

However, we note that the government has abolished long-term contracts for the supply of raw sugar with effect from this year.

This would be beneficial to MSM during the low-price environment, which was the case in Q1, and help offset the higher operating costs. All considered, we are expecting Q1 earnings to meet our forecast of between RM65-75 mil.

As a result of the lower price of free market raw sugar, MSM's products would be able to be more competitively-priced which, in turn, is expected to boost sales volume.

We are revising our FY15 earnings forecasts upwards by 12.8% in anticipation of the (i) low price of free market sugar and; (ii) increased revenue on higher demand as MSM's sugar is more competitively-priced globally.

Our current recommendation is hold on a target price (TP) of RM5.13. Subsequent to release of the results, we are likely to revise upwards our TP to around RM6.