

## MIDF raises target price on MSM as outlook ‘starts stabilising’

By Luqman Amin / [theedgemaalaysia.com](https://theedgemaalaysia.com)

27 Nov 2023, 02:45 pm



**KUALA LUMPUR (Nov 27):** The rebound on MSM Malaysia Holdings Bhd’s share price seems to be gathering steam. The sugar refiner, whose share price has nearly doubled since mid-March, climbed eight sen or 5.8% to RM1.46 in the morning session on Monday.

With the current share price, MSM has now boasted a market capitalisation of RM1.03 billion. Year to date, the stock has soared 72%.

MIDF Amanah Investment Bank Bhd (MIDF) has upgraded its recommendation on MSM to “buy”, with a revised target price of RM1.70.

According to MIDF, MSM's outlook is starting to stabilise, as the rectification works at its Johor plant would lead to a higher utilisation rate in the coming quarters.

Moving forward, MSM pointed out that the group has received as special incentives, 24,000MT (metric tonnes)/month of coarse grain sugar (CGS) and fine grain sugar (FGS) retail packs for the rest of 2023, as mandated by the Ministry of Domestic Trade and Consumer Affairs, pending the final decision on the revised price implementation mechanism for 2024.

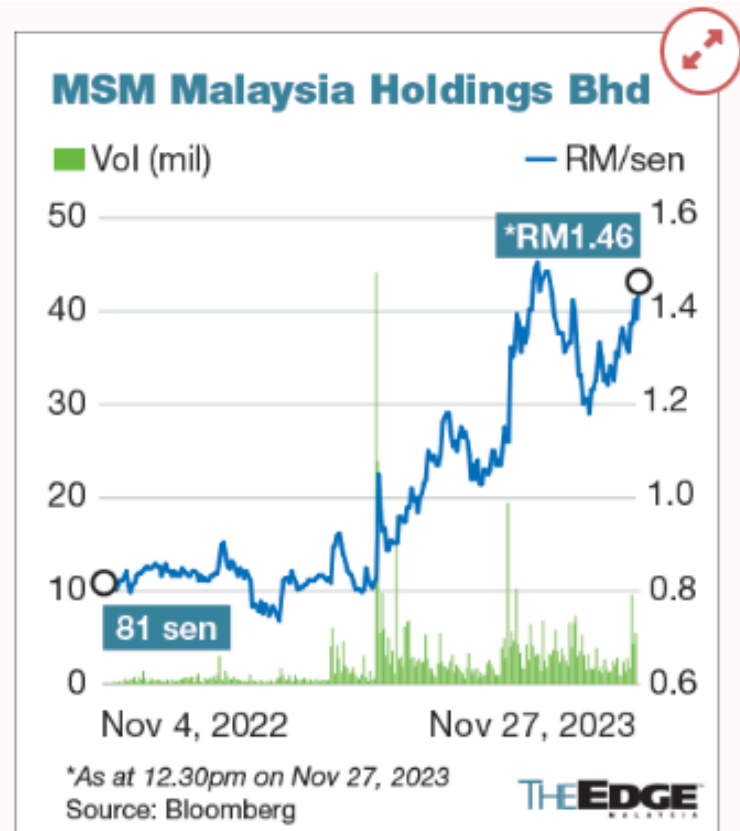
MSM has also planned to expand its export market to new regions, especially Africa, which has an estimated regional deficit of 10 million tonnes, and targets to increase its market share in the Asia Pacific (Apac) countries, where it currently exports to 17 countries.

MIDF expects MSM to benefit from the increased average selling price (ASP) and higher sales volume from the Apac countries, which would offset the elevated raw sugar costs.

In addition, MSM also said that the group will enhance its shipping options for export by using breakbulk shipping, which allows for larger and more cost-effective shipments of bulk sugar, and targets to make its first breakbulk shipment in the first quarter of 2024.

Following this, MIDF has revised its revenue estimates for MSM higher by 25% for FY2023, 39% for FY2024, and 60% for FY2025, based on the new ASP and sales volume assumptions.

The research house also tweaked its earnings forecast for MSM, projecting a loss of RM15.2 million for 2023, but a profit of RM219.3 million and RM516.3 million for 2024 and 2025 respectively.



For the third quarter ended Sept 30, 2023 (3QFY2023), the sugar refiner reported a higher revenue of RM807 million, up 21% year-on-year (y-o-y), supported by improved ASP and higher sales volume.

The revenue growth helped reduce its loss after tax (LAT) to RM36 million, a 51% improvement y-o-y, from higher margins and better capacity utilisation, despite higher production costs.

According to MSM in its financial results filing, “Gula Super 1kg”, launched at floating price in May 2023, has contributed about a 13% increase in revenue to the wholesale segment in 3QFY2023.

Edited By Kathy Fong

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HEADLINE	MIDF raises target price on MSM as outlook ‘starts stabilising’
MEDIA	The Edge Malaysia - Online
DATE	27 November 2023, 2:45pm
BY	Luqman Amin
LINK	<a href="https://theedgemalaysia.com/node/691494">https://theedgemalaysia.com/node/691494</a>