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MIDF cuts MSM's 2025 earnings forecast by half after poor 1Q, oversupply of Thai sugar

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KUALA LUMPUR (May 23): MIDF Research cut MSM Malaysia Holdings Bhd (KL:MSM ) earnings forecast for 2025 by more than half after a weak first quarter and on increased competition.

It said the main issue was an oversupply of about one million tonnes of Thai sugar, caused by a ban on exports to China. This oversupply has lowered prices and sales, hurting profits.

The group's net profit for the quarter ended March 31, 2025 dropped 91% to RM3.7 million compared to last year. This is only 6% of the consensus full-year profit of RM62.5 million for financial year 2025 (FY2025).

MSM's management said challenges faced included uncontrolled dumping of imported sugar, which hurt sales and prices. This was made worse by a slowdown in the local food and beverage sector, even during usually busy festive months.

In a research note on Friday, MIDF Research revised its earnings forecasts for MSM down by 52% for FY2025, 35% for FY2026, and 32% for FY2027. It also downgraded MSM's shares to a "neutral" rating, with a revised target price of RM1.20.

"We believe our valuation is justified, as MSM recovery is expected to register slower earnings recovery amid the influx of Thailand sugar, compounded by narrowing average selling price premium for industry and exports subsegments," it said in the note.

It expects the group's plant use, which dropped to 47% in 1Q because of planned shutdowns, to improve to about 55%-58% in the next two years.

MIDF Research also flagged potential price wars among approved permit (AP) holders, many of whom may still be carrying forward cheaper inventory into the next two years.

MSM's share price continued its downtrend on Friday, closing 0.83% lower at RM1.19, giving it a market capitalisation of RM836.5 million. The stock is up 0.85% this year.

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