



SNIPPETS

MSM 9m 2018 PBT rises to RM60.22 million

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MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad), recorded another continued profitable turnaround performance by posting a profit before tax of RM60.22 million for the nine months ended 30 September 2018 as compared to the loss in the same period of RM43.0 million in 2017.

Net profit recorded RM15.88 million for 3Q 2018 as compared to the corresponding quarter last year of RM10.42 million in 2017. The positive performance is backed by 22.5 % lower raw sugar cost as compared to 3Q 2017 and an 8.0 % improvement of the Ringgit (9M 2018: RM3.99 \ 9M 2017: RM4.35) and further attributed via prudent cost management, continuous review on all consumables and reprioritising outsourcing contracts across the Group.

In 3Q 2018, MSM posted a revenue of RM562.05 million which is 16.0 % lower compared to the same quarter last year of RM667.11 million. This is due to 4.0 % reduction in the overall tonnage sold and a 16.0 % decrease in the average selling price. Challenging revenue contribution further is the RM0.10 sen per kg ceiling price reduction for coarse granulated sugar and refined granulated sugar effective 1 September 2018.

Earnings per share (EPS) for the quarter under review stood well at 2.26 sen against 1.48 sen per share in 3Q 2017. These positive financial influx corresponds well for MSM as it continues a disciplined growth strategy, underpinned stronger with a sustainable and profitable business ahead.

Despite the overall Ringgit weakness in the quarter, based on the average market rate the local currency strengthened by about 4.2 % as compared to 3Q 2017. Moving in tandem, the total weighted average USD buying rate for MSM in 3Q 2018 is lower at 4.0738 as compared to 4.2783 in 3Q 2017.

“We were disciplined in our operational pace and maintained our commitment to focus on execution. Building on our turnaround momentum from 1Q, 2Q and the current quarter, we continue to manage our raw sugar and forex cost effectively, focus on a performing and winning culture which consequently led to our solid results. With full support from our board, management and employees, we remain confident in our ability to achieve the full year target,” said MSM’s Executive Director, Dato’ Khairil Anuar Aziz.

Highlighting the operational segments, refined sugar production increased by 0.8 % as compared to the corresponding period last year of 257,788 tonnes due to productivity driven initiatives and improved operational efficiency. Year-to-date profit from operations increased by 347.8 % as compared to 9M 2017 and this signifies a clear sign of steady recovery and improvement for MSM.

He added, “We are thankful to the government for the abolishment of AP for sugar imports. However, as the AP holders still maintain carry-over stocks of imported sugar during the first half of 2018, the total effect would only be accounted for in FY 2019. Generating revenue next year will be a challenge due to the reduction in the retail selling price of refined sugar and the imposing of an excise duty (soda tax) for sugar beverages of RM0.40 sen/litre beginning 1 April 2019.”

Although too early to draw on conclusion, the impact will reflect MSM’s bottom-line. Nonetheless, MSM remain optimistic on its performance in the sugar business to increase shareholders value and provide a stable income stream with better returns.

MSM Johor's prospect is marked with several successful milestones. The sugar refinery has successfully produced ICUMSA 45 refined sugar and is supplying in small quantities to major industries and wholesalers in its initial stage. Additionally, the sugar refinery has successfully conformed to certifications such as HALAL, MS (Malaysian Standard), QMS ISO 9001:2015 and KOSHER ensuring the safety and quality of the sugar products.

Since touching a low of USD0.10/pound towards the end of September, the price of raw sugar has risen by 19.0 % to USD0.13/pound. The rise in raw sugar price was due to shortage of sugar production in Brazil for upcoming crop season 2018/19 - projected at 26.0 million tonnes from 36.0 million tonnes in 2017/18. On the other hand, India will expect surplus production for the same period by 2.0 million tonnes, however, the figure is still uncertain due to the current weather factor.

For the remaining 2018, market forecasts USD/MYR to close at RM4.16 in 4Q 2018 whereas estimated raw sugar price to trade at a range of USD0.13 – USD0.14/pound – unless a major fundamental or macro changes take place, sugar market fundamentals remains unchanged.

Moving forward, year-on-year, MSM will continue to capitalize on the lower average cost per tonne due to favorable market and currency fundamentals which has reduced our cost in terms of MYR per tonne by 31.2 % in comparison to an increase of 18.65 % in 2017.

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