

Malakoff 'buy', Malaysia Airports 'sell', MSM 'neutral'

ANALYST REPORTS

Friday, 23 Feb 2018

MSM MALAYSIA HOLDINGS BHD 

By MIDF Research

Neutral

Target price: RM4.09

MSM Malaysia Holdings Bhd posted its first losses since its initial public offering (IPO) in 2011.

For FY17, the group recorded a loss of RM32.6mil compared with profits of RM120.7mil in FY16 mainly due to higher raw material cost. MSM's 4QFY17 earnings dropped by 9.1% year-on-year (y-o-y) to RM13.1mil.

MSM's FY17 revenue grew marginally by 0.3% y-o-y to RM2.67bil, mainly supported by higher selling prices of refined sugar.

MIDF said the total average selling prices (ASP) increased by 1.2% y-o-y to RM2,600 per tonne. However, the increase in ASP was partially mitigated by the drop in sales volume to 997,000 tonne.

Revenue from the industries and export segments grew strongly by 11.8% y-o-y and 20% y-o-y, respectively.

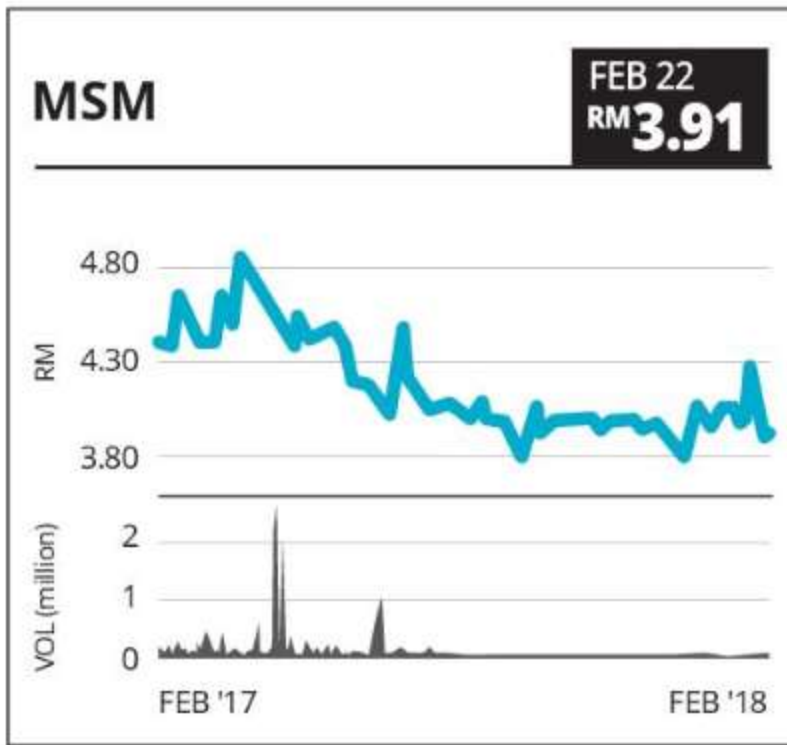
Meanwhile, the domestic segment posted lower revenue growth of 3% y-o-y due to the drop in sales volume.

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The research house said the average cost of raw sugar for MSM has dropped by a lower quantum due to the higher carry forward balance of cost raw sugar inventory from FY16. As such, MSM's gross profit margin for FY17 declined to 5.6% from 12.4% in FY16. MIDF pointed out that in during the year, there was an increase in deferred tax liabilities which lead to recognition of additional income tax expense. This compounded the loss recorded in FY17 to RM32.6mil. It has maintained its earnings estimates on MSM pending an analyst briefing.

Moving forward, it expected MSM's earnings to improve in FY18 driven by the recovery in sales volume to the domestic and industries segment.



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