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MIXED OUTLOOK ON MSM'S PERFORMANCE

New Straits Times, Malaysia



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EARNINGS FORECASTS

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Affin Hwang sees better results ahead despite firm's steep quarterly loss

KUALA LUMPUR

MSM Holdings Bhd has posted its steepest quarterly loss but some analysts said Malaysia's largest sugar producer can expect better quarters ahead.

The company recorded a net loss of RM185.1 million in the third quarter ended Sept 30.

Nevertheless, Affin Hwang Capital has raised MSM's earnings forecasts for financial years 2020 and 2021 by 11 to 17 per cent. It also expects further sequential earnings improvement for the company in the coming quarters.

This will be on the back of an increase in the average selling price and sales, with a moderating supply glut situation, a reduction in raw material costs from the first quarter of next year due to the cessation of an extended procurement contract at higher-than-market raw sugar prices and earnings contribution from the ramp-up of liquid sugar production starting in the fourth quarter of this year.

Affin Hwang has maintained a "hold" call on MSM, with a lower target price of 98 sen from RM1.05 previously, on lower depreciation costs post the fixed asset impairment and write-off.

Meanwhile, MIDF Research has lowered its forecasts on MSM's core loss to RM160 million in the 2019 financial year and RM133 million in the 2020 financial year. This is in view of the heightened



Affin Hwang Capital has maintained a 'hold' call on MSM Holdings Bhd with a target price of 98 sen, while MIDF Research has kept a 'sell' call on the company with a target price of 70 sen.

domestic sugar price war and dwindling demand as well as higher refining and finance cost.

"The outlook of the group's fundamentals remains bleak as it continues to suffer from lower average selling price of refined sugars and higher operating costs.

"This negative repercussion of the liberalisation of the sugar industry has been reverberating across MSM's domestic market where it derives 90 per cent of its revenue."

MIDF Research expects the

oversupply of cheaper foreign refined sugar to continue presenting a problem for MSM.

"In addition, we view that the Johor refinery will continue to negatively impact the group as it contributes to higher refining and finance costs."

The firm has kept a "sell" call on MSM, with a lower target price of 70 sen from 88 sen previously.

Year-to-date, MSM's share price had decreased 69.79 per cent. The stock closed 3.87 per cent lower yesterday at 87 sen.



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SUMMARIES

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