

MSM to continue face weaker sugar price and competition headwinds



KUALA LUMPUR: MSM Malaysia Holdings Bhd has reported a poor set of interim results which fell short of Affin Hwang Capital and street expectations.

Affin Hwang said MSM's net losses had widened substantially in the second quarter ended June 30 2019, while its six-month revenue dropped 14 per cent due to weaker sugar prices and volumes as competition intensified amid an oversupply in the local market.

MSM was also affected by capitalised costs from the new Johor refinery, which continued to drag on group earnings, while its utilisation rate remained low due to subdued export demand.

MSM yesterday announced a net loss of RM67.33 million in the second-quarter from a net profit of RM14.33 million recorded a year ago.

Affin Hwang expects the company to continue facing headwinds in the second half of the year.

“Although we believe that domestic ASPs (average selling prices) would gradually pick up from the easing sugar oversupply locally, margins are nevertheless expected to remain pressured by the weakened ringgit alongside high operating leverage from its new refinery.

“As MSM has locked-in close to 90 per cent of its full-year raw sugar requirements, it will therefore not be able to benefit from the downtrend in raw sugar prices. Hence, MSM’s prospects in the interim remain lacklustre, as we do not foresee any near-term catalysts.”

The firm kept its “sell” call on MSM with a revised target price of RM1.05 from RM1.10.

AGENCY: News Straits Times

LINK: <https://www.nst.com.my/business/2019/08/515004/msm-continue-face-weaker-sugar-price-and-competition-headwinds>