




MSM's pivot towards value-added products is crucial, says Affin Hwang

ANALYST REPORTS

Wednesday, 23 Oct 2019

9:06 AM MYT



KUALA LUMPUR: [MSM Malaysia Holdings Bhd](#)  could see an earnings boost from 2020 on contribution from new value-added products and a recovery in sugar prices, says Affin Hwang Capital research.

It added that MSM is likely to post a weak set of results quarter-on-quarter for 3Q19 with the new Johor refinery running at 18-20% of its production capacity due to due to the weakness in raw sugar prices.

This represents a dip from the 20-30% utilisation rate in 2Q19.

However, losses are expected to narrow progressively from 4Q19 onwards owing to an increase in global sugar prices, a local average selling price revision and maiden volume orders for MSM's high margin liquid sugar and sugar premix starting October 2019, said Affin Hwang.

The research house believes the move towards value-added products as crucial given uncertainties such as a potential liberalisation of the local sugar industry and public campaigns against sugar consumption due to rising obesity rates in Southeast Asia.

"Amid the choppy industry landscape, MSM is still considering various corporate exercise proposals and strategic collaborations," it said.

Affin Hwang upgraded MSM to a hold rating with an unchanged target price of RM1.05.

AGENCY: The Star (Online)

LINK: <https://www.thestar.com.my/business/business-news/2019/10/23/msm039s-pivot-towards-value-added-products-is-crucial-says-affin-hwang>