


MSM upbeat about turnaround plan



PETALING JAYA: MSM Malaysia Holdings Bhd  expects gradual improvement in its financial performance driven by improved production cost, higher volume and premium.

According to MIDF Research, the country's leading sugar producer is working to improve the utilisation rate of its refinery in Johor to more than 50% this year compared with 27%-30% presently.

"We are comforted by the continuous improvement in the group's financial performance as seen in its first quarter (Q1) ended March 31,2021 results.

"Moving forward, we expect demand from the export segment to remain upbeat," said the research house in its latest report.



MSM factory in Johor

For Q1, MSM has returned to the black with a net profit of RM31.19mil from a net loss of RM34.70mil a year ago due to a gain on the sales of fixed assets during the period.

Revenue for the quarter under review rose by 1% to RM514.94mil from RM510.84mil previously.

MSM said in a filing with Bursa Malaysia that it is optimistic about its turnaround plan and the ability to achieve sustainable growth with a focus on the export market.

“The seaport segment is poised to grow further in 2021 as global trade recovery gains momentum, backed by the reopening of economies and borders.

“This is favourable for our Johor refinery and the MSM group,” it added.

MIDF Research pointed out that the recovery in MSM’s result was within its expectation and above the industry consensus, which accounted for 20% and 33.6% of the respective full year FY21 earnings estimates.

The research house has maintained its earnings forecast for FY21, FY22 and FY23 at RM170.1mil, RM183.3mil, and RM192.3mil, respectively.

MIDF Research also attributed the improvement in MSM’s Q1 financial performance to higher average selling price for industry by 14% and export at 5% refined sugar.



MSM factory in Prai

“Nonetheless, it is worth noting that lower domestic volume has been offset by higher export refined sugar volume,” it said.

The research house is maintaining its target price on MSM at RM1.96.

However, MIDF Research noted that MSM’s revenue performance could be impacted by the underperformance of its the wholesale segment.

For Q1, both MSM wholesale and industry segments reported lower revenue on the back of lower sales volume despite the higher average selling price, added the research house.

AGENCY: The Star

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