

MSM turnaround on the cards?

By Farah Adilla - April 4, 2022 @ 11:22am



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KUALA LUMPUR: MSM Malaysia Holdings Bhd's core earnings is expected to return to the black in the financial year ending December 31, 2022 (FY22) and continues its recovery momentum into FY23-FY24, Affin Hwang Capital said.

The firm expects MSM's revenue to grow at a three-year compounded annual growth rate (CAGR) of 13.2 per cent for FY22-FY24 on the back of increasing sales volume and higher average selling prices (ASPs) across its business segments.

"MSM aims to reach an average production utilisation rate of 65 per cent in 2022 (2021: 49 per cent) from its MSM Johor and MSM Prai refineries, which have a total annual capacity of 2.0 million tonnes.

"However, with the increasing prices of raw sugar, the group is mitigating the impact through hedging the raw sugar requirement for 2022 and 2023 as well as hedging its foreign exchange (forex) requirement for US dollar.

"Even then, we expect gross margin to contract to 6.7 per cent (-0.4 percentage points year-on-year) in FY22E as MSM partially passes on the rise in costs to its customers," Affin Hwang said.

Affin Hwang said MSM's share price hit a trough after plunging 48 per cent since December 2021 till early-March this year.

Since then, the stock recovered around 41 per cent over the past few weeks.

At current levels, the stock is deemed as undervalued.

Affin Hwang has upgraded MSM to a "Buy" from "Sell", with a higher target price of RM1.23 from RM1.

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