


Wilmar better suited as MSM's strategic partner, says BIMB

By Isabelle Francis / theedgemalaysia.com

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Photo by Suhaimi Yusuf/The Edge

KUALA LUMPUR (Aug 12): BIMB Securities maintained its view that Wilmar International Ltd is better suited as MSM Malaysia's Holdings Bhd (KL:MSM ) strategic partner, given its strong brand reputation and extensive expertise in sugar refining.

BIMB referred to a report by *The Edge* indicating a two-horse race between Wilmar International Ltd and Threadstone Capital Sdn Bhd for a stake in MSM Johor (MSMJ).

"Wilmar's involvement would benefit MSM, as MSM could tap on Wilmar's existing large customer base to boost export sales. We also think that no polemics should arise from the disposal of a stake in MSMJ to a foreign company," said BIMB in a note on Monday.

It also noted that Wilmar boasts a robust presence in sugar refinery mills across India, Australia, Morocco, New Zealand, and Indonesia.

BIMB said while the incentives provided by the government primarily aim to secure domestic supply, which is mainly concentrated at MSM Prai, MSMJ's production is largely export-oriented.

It also commended MSM for seeking a buyer for MSMJ through an open tender process, which maximises the asset's valuation.

BIMB said the proceeds from this sale could be utilised for MSM Prai's rejuvenation plan, aimed at ensuring operational reliability and extending the plant's useful life by another 30 years, with an anticipated cost of RM100 million.

With both boilers rectified and available for operation, along with plans to install a third boiler, BIMB believes that MSMJ's operational efficiency issues had been addressed.

However, the utilisation factor of MSMJ remains sluggish due to challenges in securing market share in a competitive export market.

Should Wilmar be chosen as the strategic partner of MSMJ, BIMB believes it could easily ramp up production to meet export demand.

MSM has already increased its export target to 300,000 metric tonnes in the financial year ending Dec 31, 2024 (FY2024) from 240,000 metric tonnes in FY2023.

BIMB maintained its "buy" call on MSM, with a target price of RM3.18, based on its forecast of FY2024 earnings per share of 30 sen, pegged at a global average price-earnings ratio of 10.6 times.

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