

MSM Malaysia shares down to 10-month low as quarterly loss drags

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KUALA LUMPUR (Aug 23): The share price of MSM Malaysia Holdings Bhd (KL:**MSM** **ASK** **EDGE**) fell to its lowest in ten months as the sugar refiner sank into the red again after just two quarters of profit.

MSM Malaysia declined by as much as 26 sen or 18% to RM1.22, its lowest since October 2023. The stock paused at RM1.23 for midday trading break, giving the company a market capitalisation of RM865 million. Trading volume totalled 14.13 million shares so far.

MIDF Research in a note on Friday downgraded its call on MSM to neutral (from buy) with a revised target price of RM1.39 after cutting its earnings forecast on the group.

"Since the earnings came in below our and the consensus estimate, accounting for only about 5% of the full-year forecast.

"We revised our earnings lower for FY24-26F by -79% y-o-y/-61% y-o-y/-51% y-o-y, respectively. Collectively, higher UF and yield naturally translate into better economies of scale in refining cost structures," it added.

MIDF said although it believes its turnaround will continue, the potential for a comfortable profit margin of 6%-9% remains unforeseeable in the near term, due to a competitive price war between the AP players, volatility in forex movement.

Other factors include continued EL Nino effect that would hamper sugar production and yield in major producer countries like Brazil, Thailand and India as this will increase the raw sugar cost, and a spike in natural gas price.

"The competitive advantage of AP players is that they likely have much more bargain price (lower than MSM refinery price) due to direct import permit and the absence of refining costs on top of the no import duty tax on them. This is affecting MSM ASP's premium."

Hence, the house said the reduction in earnings estimates took into account the reduced average selling price (ASP) premium for the wholesale CGS 50-kg, industry and export subsegment which have been averaged down by -5% to -6%/- 31% to -36%/-18% to -27% respectively, over FY24-26.

Notably, MSM's 1HFY24 topline jumped to RM833.1 million (+11.6%y-o-y) bringing the 1H24 revenue to RM1.74 billion (+30.4% YTD) riding on the increase of ASP and better sales of new mixed products.

In contrast, earnings to date have been reduced to RM9.3 million following higher loss of -RM32.4 million, during the quarter, due to high input costs mainly raw sugar, freight and weakened ringgit despite better capacity utilization registered. Net realizable value (NRV) provision was also a factor.

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