KL Trader Investment Research Articles

Author: kltrader | **Latest post:** Wed, 26 Aug 2015, 11:50 AM

This is a personal investment blog where I keep important research articles relating to KLSE companies.

MSM Malaysia - 2Q15: In line

Author: kltrader | **Publish date:** Thu, 20 Aug 2015, 01:48 PM

- 2Q15 results within expectations. Margin expansion on lower raw sugar costs was expected.
- FY15/16 will likely be supported by lower raw material costs. Savings could be higher if not for the stronger USD.
- Maintain HOLD with an unchanged TP of MYR5.50.

What's New

2Q15 core net profit of MYR75.6m (-13.6% YoY, +12.8% QoQ) brings 1H15 core net profit to MYR142.6m (+8.4% YoY). This accounted for 52% of our and consensus full year estimates, in line with the 1H typical average of 53% of full-year earnings.

1H15 revenue was flat YoY (+0.3%) on a slight increase in tonnage sold by 3%. As for the 1H15 net profit, it grew a higher 8.4% YoY mainly on lower raw sugar costs (-6% YoY), which contributed to a 2.0 ppt expansion in EBIT margin.

What's Our View

Into 4Q15, we could see MSM start construction works for its new refinery plant in Tanjung Langsat, Johor. It plans to double its annual capacity to 2 million MT from 1 million MT currently. In the medium term, the plant could support a potential expansion of another 1 million MT. Cost of the plant is estimated to be USD259m and construction is expected to be completed in 22 months. We understand that the existing refinery plants are operating at almost maximum capacity and with the expansion, this could support growth (mainly exports).

On a separate note, MSM should continue to benefit from the weakness in raw sugar costs. However, this should be partially offset by the strength in USD against MYR. We maintain our earnings forecasts for 2015 while 2016/2017 are raised by 5.7%/2.0% on (i) assuming lower raw material costs (ii) revised FX assumptions (2015 1USD/MYR3.80; 2016 1USD/MYR4.00).

Maintain HOLD and TP of MYR5.50 (14x PER) on rolling forward valuations to FY16 earnings.

Source: Maybank Research - 20 Aug 2015

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Labels: MSM

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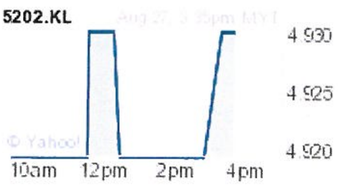
Chart	Stock Name	Last	Change	Volume
	MSM	4.92	0.00 (0.00%)	53,000