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Page 1 of 2

MSM MALAYSIA HOLDINGS BHD

WE like MSM (Fundamental: 2.8/3, Valuation: 2.0/3), primarily, for its higher-than market average yields. The stock is included in InsiderAsia's Income portfolio. Additionally, the company has strong market positioning, as the leader in Malaysia's oligopolistic sugar market, and relatively stable earnings.

The company has a dividend policy to pay at least 50% of its annual net profit. Currently, it is in a net cash position of RM147.8 million. The stock just went ex-entitlement for a final dividend of 14 sen per share, bringing total dividends for 2014 to 24 sen per share or about 66% of net profit. That translates into net yield of over 4.5%.

MSM is Malaysia's largest refined sugar supplier - it commands 64% of the domestic market share. The company operates two refineries in Prai (Penang) and Perlis with a combined annual production capacity of 1.25 million tonnes of refined sugar prod-

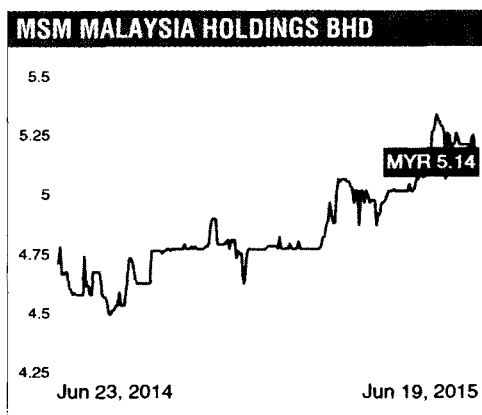
ucts. Just over half its production caters to domestic consumption and about a third is for industrial use. The balance is exported.

Earnings have been fairly steady, if not exciting. Net profit margins are stable, hovering around 11%. For 1Q2015, sales grew 2.1% y-o-y to RM508.49 million while net profit rose 26.1% to RM71.03 million on higher industrial demand and better raw material pricing.

MSM is now able to source raw sugar at prevailing international prices, after the expiration of the Long Term Contract (LTC) last December. Cheap current raw sugar prices benefits MSM, as underscored by its 1Q2015 results — gross profit margin expanded to 23.2%, from 17.2% in 1Q2014.

Going forward, MSM plans to build a new refinery in Johor, which will add 2 million tonnes to its existing production capacity. The refinery, costing about RM1 billion, is targeted for completion by 3Q2017. The company is also looking for opportunities for upstream and downstream expansion.

The company is trading at a price to book of 1.80 and a trailing 12 months P/E ratio of 13.33.



Insider Asia will feature a new stock pick on every alternate day.



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Page 2 of 2

MSM MALAYSIA HOLDINGS BHD (ALL FIGURES IN MYR MIL)	FY12 31/12/2012	FY13 31/12/2013	FY14 31/12/2014	FY2015Q1 31/3/2015
Income Statement				
Turnover	2,301.3	2,202.5	2,281.5	508.5
EBITDA	323.8	391.0	383.0	98.6
Depreciation	42.9	42.3	47.9	10.1
EBIT	280.8	348.8	335.1	88.5
Associates	-	-	-	-
Interest income	15.4	15.0	12.9	2.7
Interest expense	11.0	4.9	3.7	0.8
Extraordinary gain/(loss)	-	-	-	-
Pre-tax profit	285.2	358.9	344.3	90.3
Net profit - owners of company	202.0	254.7	257.0	71.0
Balance sheet				
Fixed assets - PPE	399.2	445.7	474.8	492.4
Biological assets	11.7	23.4	33.6	35.6
Intangibles & goodwill	652.6	651.7	649.6	649.3
Cash and equivalents	594.6	267.2	470.0	319.1
Total current assets	1,269.3	1,042.9	1,353.7	1,175.4
ST borrowings	461.0	29.0	248.4	171.3
Total current liabilities	512.1	235.2	497.0	269.2
Total assets	1,830.9	1,935.9	2,021.2	2,090.7
Shareholders' fund	1,749.1	1,856.2	1,944.5	2,015.5
Long term borrowings	-	-	-	-
MSM MALAYSIA HOLDINGS BHD RATIOS				
	FY12 31/12/2012	FY13 31/12/2013	FY14 31/12/2014	ROLLING 12-MTH
DPS (\$)	0.19	0.24	0.24	0.38
Net asset per share (\$)	2.49	2.64	2.77	2.87
ROE (%)	11.78	14.13	13.52	14.33
Turnover growth (%)	0.08	(4.29)	3.59	4.85
Net profit growth (%)	(23.30)	26.06	0.92	9.48
Net margin (%)	8.78	11.56	11.27	11.90
ROA (%)	11.21	13.52	12.99	13.77
Current ratio (x)	2.48	4.43	2.72	4.37
Gearing (%)	-	-	-	-
Interest cover (x)	29.30	79.89	103.00	113.18