

22 November 2018 | 3QFY18 Results Review

MSM Malaysia Holdings Berhad

9MFY18 earnings below expectation

INVESTMENT HIGHLIGHTS

- **9MFY18 earnings below expectation**
- **9MFY18 earnings is much better against 9MFY17 loss**
- **Stable outlook for FY18**
- **Earnings estimate reduced for FY18 and FY19**
- **Maintain NEUTRAL with lower TP of RM3.03**

9MFY18 earnings below expectation. MSM Malaysia Holdings Berhad (MSM) 9MFY18 core earnings of RM45.7m came in below expectations as it met 67%/65% of consensus/our earnings forecast respectively. The negative deviation is caused by lower than expected sales volume. As expected, no dividend is announced.

9MFY18 earnings is much better against 9MFY17 loss. 9MFY18 core earnings has improved significantly against 1HFY17 core net loss of RM54.4m. The earnings turnaround is caused by the impact of the decline in raw sugar price in which its impact is more than the revenue decline.

Stable outlook for FY18. The Company mentioned that "The Group maintains its positive outlook to remain profitable for the year".

Earnings estimate reduced for FY18 and FY19. FY18 core earnings has been cut by 21% to RM59.4m. As for FY19, we have reduced our core earnings estimate by 13% to RM101.3m. We have assumed lower sales volume for both FY18 and FY19.

Maintain NEUTRAL with lower TP of RM3.03. The lower Target Price is in line with lower earnings forecast. Valuation is based on unchanged Forward PE of 21x to FY19 EPS forecast. The 21x Forward PE is based on +1.0SD Valuation as we expect earnings to turnaround in FY18.



Maintain NEUTRAL

Adjusted Target Price (TP): RM3.03
(Previously RM3.40)

RETURN STATS	
Price (21 Nov 2018)	RM2.88
Target Price	RM3.03
Expected Share Price Return	+5.1%
Expected Dividend Yield	+2.5%
Expected Total Return	+7.6%

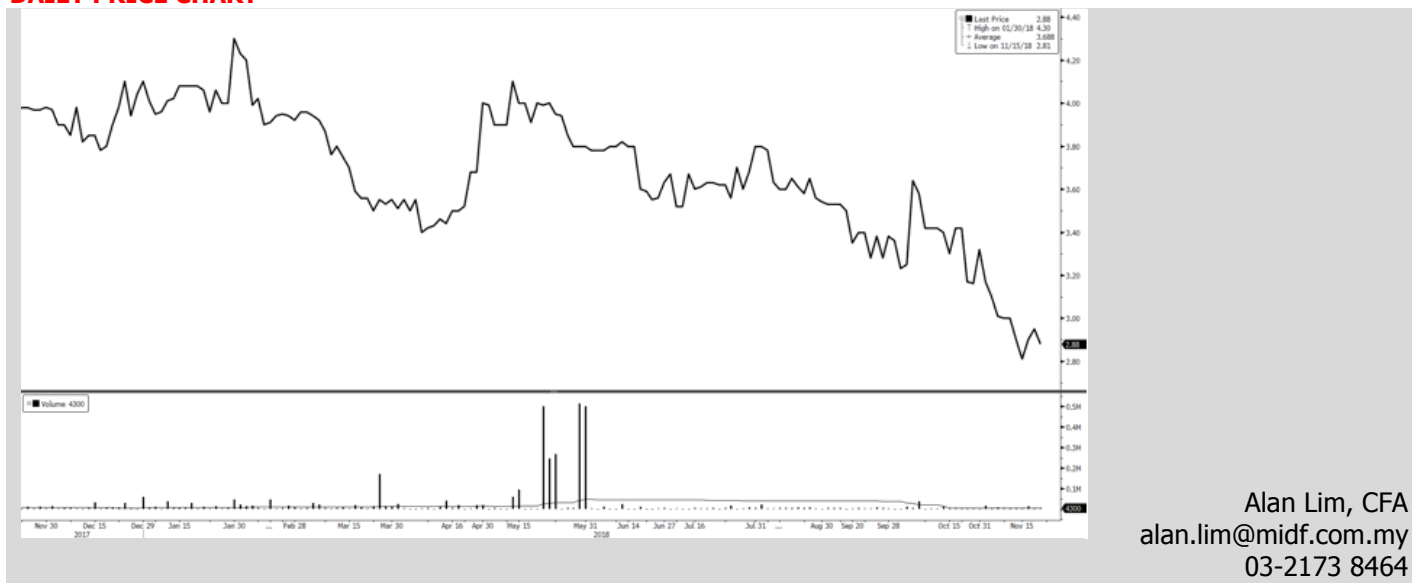
STOCK INFO	
KLCI	1,695.37
Bursa / Bloomberg	5202 / MSM MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	702.98
Market cap. (RM'm)	2,024.58
Price over NA	1.54
52-wk price Range	RM2.80 - RM4.30
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	0.00m
3-mth Avg Daily Value	RM0.01m
Major Shareholders (%)	
FGV Holdings	51.00
KPF	15.28
Skim ASB	7.49
EPF	6.78

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	2,307.0	2,658.0	2,656.0	2,493.4	2,550.1
EBIT	371.8	156.4	1.4	122.2	177.5
PBT	372.1	148.5	(15.8)	78.1	133.4
Net Income	275.3	122.7	(32.6)	59.4	101.3
Core Net Income	275.3	122.7	(32.6)	59.4	101.3
EPS (sen)	39.16	17.46	(4.63)	8.44	14.41
Core EPS (sen)	39.16	17.46	(4.63)	8.44	14.41
Net DPS (sen)	14.0	14.0	0.0	4.2	7.2
Net Dvd Yield	4.9%	4.9%	0.0%	1.5%	2.5%
PER	7.4	16.5	(62.2)	34.1	20.0
NTA/share (RM)	1.98	1.91	1.83	1.87	1.94
P/NTA	1.46	1.51	1.57	1.54	1.48
ROE	13.5%	6.2%	-1.7%	3.0%	5.0%
ROA	10.1%	3.8%	-1.0%	1.7%	2.9%

Source: Company, MIDFR

DAILY PRICE CHART



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Source: MIDFR, Company

MSM: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	562.1	-16%	-2%	1684.3	-16%	Revenue declined due to lower sales volume
PBT	19.2	-24%	-5%	60.2	NA	
Net Income	15.9	52%	11%	46.0	NA	
Core Net Income	12.4	25%	14%	45.7	NA	Earnings turnaround as the impact of decline in raw sugar price is more than the revenue decline
EPS (sen)	2.26	53%	11%	6.55	NA	
Core EPS (sen)	1.76	25%	14%	6.51	NA	Below expectation as it met 67%/65% of consensus/our earnings forecast respectively. The negative deviation is caused by lower than expected sales volume in the export segment.
Net DPS (sen)	0.0	NA	NA	0.0	NA	
PBT Margin	3.4%	NA	NA	3.6%	NA	

Source: Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.