

28 August 2018 | Corporate Update

MSM Malaysia Holdings Berhad

Sugar price reduced by 10 sen to RM2.85

INVESTMENT HIGHLIGHTS

- **10 sen reduction in sugar price to RM2.85**
- **Aimed at lowering cost of living**
- **2.9% earnings reduction for FY19**
- **Maintain NEUTRAL with lower TP of RM3.40**

10 sen reduction in sugar price to RM2.85. According to Bernama, "price of sugar will be lower by 10 sen per kg effective Sept 1 in line with the fall in sugar prices in the world market". Bernama has quoted Domestic Trade and Consumer Affairs Minister Datuk Saifuddin Nasution Ismail for the news. Effectively, the new price will be RM2.85.

Aimed at lowering cost of living. We gather that the move is due to Government concern about the cost of living. Datuk Saifuddin Nasution was quoted saying that "it was hoped that the drop in the price of sugar would have a multiplier effect on the prices of food and drinks in the market". Recall that the last sugar price increase was on 1-March-2017 in which sugar price was increased by 11 sen to RM2.95.

2.9% earnings reduction for FY19. Following the news, we have reduced our FY19 earnings forecast for MSM Malaysia Holdings Berhad (MSM) by 2.9% to RM113.8m. Besides the 3.4% sugar price reduction, we have also lowered our raw sugar price assumption by 2.6% to US 13.23 cents per pound. This is caused by the global production outlook for sugar which is still expected to surpass global consumption by at least 6.5m tonnes in 2018/2019 season. For FY18, MSM earnings forecast has been cut by 6.2% to RM70.5m.

Maintain NEUTRAL with lower TP of RM3.40. The lower Target Price is in line with lower earnings forecast. Our valuation is based on an unchanged Forward PE of 21x to FY19 EPS forecast. Furthermore, the 21x Forward PE equates to +1.0SD as we expect earnings to turnaround in FY18. Although the reduction in sugar price will affect revenue from the domestic segment, we expect the new contribution from its Johor Sugar Refinery to boost "industries" and "export" segment sales volume.



Maintain NEUTRAL

Adjusted Target Price (TP): RM3.40
(Previously RM3.50)

RETURN STATS

Price (27 Aug 2018)	RM3.65
Target Price	RM3.40
Expected Share Price Return	-6.8%
Expected Dividend Yield	+2.3%
Expected Total Return	-4.5%

STOCK INFO

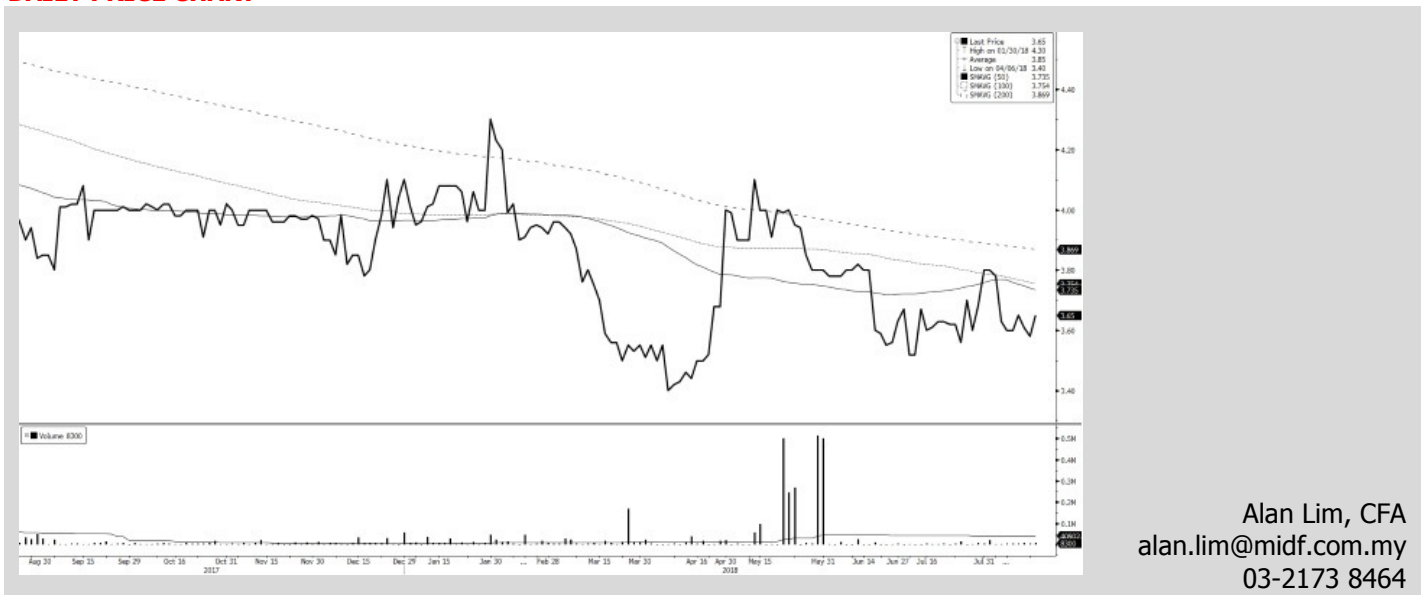
KLCI	1811.60
Bursa / Bloomberg	5202 / MSM MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	702.98
Market cap. (RM'm)	2,565.88
Price over NA	1.31
52-wk price Range	RM3.36 - RM4.30
Beta (against KLCI)	0.51
3-mth Avg Daily Vol	0.01m
3-mth Avg Daily Value	RM0.07m
Major Shareholders (%)	
FGV Holdings	51.00
KPF	15.28
Skim ASB	7.49
EPF	6.77

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	2,307.0	2,658.0	2,656.0	2,533.3	2,622.9
EBIT	371.8	156.4	1.4	142.6	198.3
PBT	372.1	148.5	(15.8)	98.6	154.2
Net Income	275.3	122.7	(32.6)	75.1	117.1
Core Net Income	275.3	122.7	(32.6)	75.1	117.1
EPS (sen)	39.16	17.46	(4.63)	10.68	16.66
Core EPS (sen)	39.16	17.46	(4.63)	10.68	16.66
Net DPS (sen)	14.0	14.0	0.0	5.3	8.3
Net Dvd Yield	3.8%	3.8%	0.0%	1.5%	2.3%
PER	9.3	20.9	(78.8)	34.2	21.9
NTA/share (RM)	1.98	1.91	1.83	1.88	1.96
P/NTA	1.85	1.91	2.00	1.94	1.86
ROE	13.5%	6.2%	-1.7%	3.8%	5.8%
ROA	10.1%	3.8%	-1.0%	2.2%	3.4%

Source: Company, MIDFR

DAILY PRICE CHART



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Source: MIDFR, 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.