

20 May 2015 | 1QFY15 Result Preview

## MSM Malaysia Holdings Berhad

*Benefitting from low free-market sugar prices*

**Maintain NEUTRAL**  
**Target Price (TP): RM5.13**  
*(to be revised after result announcement)*

### INVESTMENT HIGHLIGHTS

- **MSM is expected to announce its 1QFY15 financial results next week. We expect earnings of RM65-75m in 1QFY15, on 24%yoy revenue growth.**
- **Free-market raw sugar price is expected to remain suppressed until end-2015 before picking up in 2016**
- **Sales volume growth expected to maintain its steady upward trajectory**

**1QFY15 earnings expectation.** MSM Malaysia Holdings Berhad is expected to announce its 1QFY15 earnings next week. We anticipate earnings to increase slightly compared to the same quarter last year, because margin has declined due to higher costs, especially transportation. However, we note that the Government has abolished long-term contracts (LTC) for the supply of raw sugar with effect from 2015. This would be beneficial to MSM during low price environment, which was the case in 1QFY15, and help offset the higher operating costs. All considered, we are expecting 1Q15 earnings to meet our forecast of between RM65-75m.

**Liberalisation of the local sugar market.** In the past, the LTCs were entered into to ensure price and supply stability (for raw sugar). Free-market raw sugar price has been trending downwards since July 2011. MSM will benefit from the low prices and we believe that raw sugar price will remain at current level at least for FY15 into FY16 before any significant uptrend is visible.

**Sales volume growth to remain at a steady pace.** As a result of the lower price of free-market raw sugar, MSM's products would be able to be more competitively priced which, in turn is expected to boost sales volume. We are expecting the bulk of the sales growth to stem from the industrial segment.

**Upward earnings revision.** We are revising our FY15 earnings forecasts upwards by +12.8% in anticipation of (i) low price of free-market sugar and; (ii) increased revenue on higher demand as MSM's sugar is more competitively priced globally.

**Recommendation and target price:** Our current recommendation is NEUTRAL on target price of RM5.13. Subsequent to the results next week, we are likely to revise upwards our target price to around RM6.00. We will also be rolling forward our valuation base year to FY16, and use maintain the multiple for PER16 at 14.4x.



RETURN STATS	
Price (19 May 2015)	RM5.46
Target Price	RM5.13 (to be revised)
Expected Share Price Return	n.m
Expected Dividend Yield	+4.6%
<b>Expected Total Return</b>	<b>n.m</b>

STOCK INFO	
KLCI	1,809.72
Bursa / Bloomberg	5202 / MSM MK
Board / Sector	Main / Consumer
Syariah Compliant	Yes
Issued shares (mil)	703.0
Par Value (RM)	0.50
Market cap. (RM'm)	3,838.3
Price over NA	2.96x
52-wk price Range	RM4.71-RM5.50
Beta (against KLCI)	0.26
3-mth Avg Daily Vol	0.13m
3-mth Avg Daily Value	RM0.67m
Major Shareholders (%)	
Felda Group	51.0
KPF	20.0
EPF	5.8



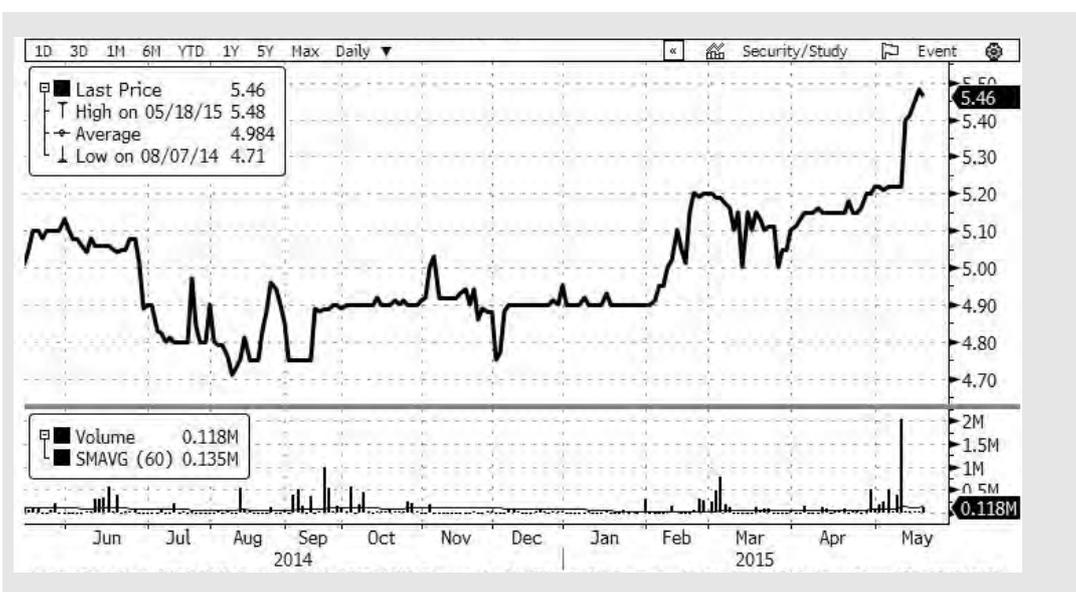
Source: Bloomberg, MIDFR

## INVESTMENT STATISTICS

FYE 31 Dec	FY2012	FY2013	FY2014	FY2015F	FY2016F
Revenue	2,301.3	2,202.4	2,281.4	2,489.3	2,661.8
Operating Profit	280.8	348.8	335.1	376.1	392.0
Operating Profit Margin (%)	12.2%	15.8%	14.7%	15.1%	14.7%
Pretax profit	285.2	358.9	344.3	373.3	391.8
Net profit	202.0	254.7	257.0	281.9	293.9
Basic EPS (sen)	28.74	36.23	36.56	40.10	41.80
Basic EPS growth (%)	(23.4)	(3.5)	(2.6)	6.8	11.4
PE (x)	0.03	0.02	0.02	0.02	0.02
Net DPS (sen)	19.0	21.0	24.0	24.0	25.0
Dividend yield (%)	3.5	3.8	4.4	4.4	4.6

Source: Company, Forecasts by MIDFR

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.