



MSM posts surprising 'sweet' H1 results

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MSM posts 'sweeter' H1 results

OUTSTANDING: RM136m net profit is 62pc and 59pc above Maybank IB and consensus full-year forecasts, respectively

MSM Malaysia Holdings Bhd has turned in "outstanding" and "sweet" first-half results, analysts said.

Describing it as "surprisingly sweet", Maybank Investment Bank Bhd said MSM's core net profit of RM136 million was 62 and 59 per cent above the bank's and consensus full-year forecasts, respectively.

This is despite stripping out a foreign exchange gain of RM22 million for the period.

"We see potential earnings upside as MSM managed to register lower raw material costs for the third consecutive quarter."

Maybank IB kept its forecasts unchanged with a "hold" call and a target price of RM5.07, pending MSM's briefing for analysts yesterday.

MIDF Research said MSM's net profit of RM154.5 million during the

first six months accounted for 55.6 per cent of its financial year 2013 estimate but exceeded consensus' expectation at 66.7 per cent of full-year estimate.

MSM's 75 per cent year-on-year growth in operating and net profit during the second quarter alone was "outstanding", the firm noted.

This was due to higher exports and reduction in MSM's contractual obligations under its various Long Term Contracts (LTCs) to purchase higher priced sugar, while the free market sugar (FMS) prices dropped.

MIDF Research, nevertheless, maintains "neutral" tag on MSM at an unchanged target price of RM5.28.

"The group has yet to declare any dividends in respect of FY13. However, in light of MSM's excellent turnaround this second quarter, we

expect a dividend to be declared in the next quarter," it said.

Maybank IB said MSM still has room for earnings upgrades.

The firm pointed out that raw sugar prices have been on a downtrend since January last year, falling by a hefty 33 per cent from US\$0.24 per pound in March 2012 to US\$0.16 per pound currently.

"With the 9-12 month lag, MSM is beginning to enjoy the benefits of lower raw material costs as we had previously anticipated.

"While we continue to expect MSM to enjoy lower raw material costs in the near term, the recent weakening in the ringgit against the US dollar may partially offset MSM's cost savings in the future."

Maybank IB noted that 20 to 30 per cent of MSM's sugar requirement is exposed to open market rates and transacted in US dollar.

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