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FGV, MSM shares jump on news of a potential stake sale

The Malaysian Reserve, Malaysia



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by NG MIN SHEN

FGV Holdings Bhd's share price and its subsidiary's, MSM Malaysia Holdings Bhd, rose last Friday following news that the planter is planning to sell part of its stake in the loss-making refined sugar producer.

FGV, which posted losses in the first three months of this year, is feeling the heat from depressed crude palm oil (CPO) prices.

News of the proposed stake sale boosted FGV's share price by 5.71% — the highest in over 18 weeks. The counter closed at RM1.11 last Friday, valuing the company at RM4.05 billion. The stock saw 11.47 million units traded.

MSM roared 17.9% to end last Friday's trading at RM1.38 — the biggest jump in about eight years, according to Bloomberg data, giving the company a market capitalisation of RM970.11 million.

The stock saw 4.14 million shares changing hands, with the trading volume at 20 times the average for the time of day. In comparison, the benchmark FTSE Bursa Malaysia KLCI (FBM KLCI) fell 0.5%, while the MSCI AC Asia Pacific Index moved less than 0.1%.

FGV said it's "exploring potential collaborations in the palm and sugar industries, both in the upstream and downstream sectors", according to *The Edge Financial Daily*, on the plantation firm's intention to sell part of its stake in MSM.

FGV told Bursa Malaysia that potential collaborations "include strategic alliances".



MSM controls about 60% of the local sugar market, while CSR holds the rest

Pic by Mohd Amin Nahrudin

"FGV has stated in previous communications that the group is working on its transformation plan, which includes reviewing all underperforming and non-performing businesses, especially the group's legacy investments.

"There are several initiatives that are ongoing and are at various stages of review and implementation," it said.

Since MSM's Johor refinery came on stream in 2019, its total refining capacity rose to 2.2 million tonnes, enabling the company to serve domestic requirements and seek new opportunities abroad.

"As such, FGV and MSM are exploring all avenues to successfully enter regional and international markets. Discussions are still at a preliminary stage," the group said.

Since the start of the year, shares of FGV have surged as much as 55.24%, while the FBM KLCI has slipped 2.52%. In contrast, MSM — despite its uptick last Friday — has plunged 46.92% year-to-date.

The Edge Financial Daily reported last week, quoting sources, that FGV was in talks to hive off part of its 51% shareholding in MSM.

Parties interested in the stake were said to include Singapore-based Wilmar International Ltd, which is controlled by Malaysian tycoon Robert Kuok, as well as an Indonesian company, a Chinese firm and JAG Capital Holdings Sdn Bhd, which is linked to the family of former Second Finance Minister Datuk Seri Johari Abdul Ghani.

MSM, along with Central Sugars Refinery Sdn Bhd (CSR), are the main players in the local sugar industry, with MSM controlling about 60% of the market with CSR holding the rest.

MSM was previously a subsidiary of

Kuok's PPB Group Bhd until the tycoon — once dubbed the "Sugar King" of Malaysia — sold his 51% stake in the group to FGV for RM1.3 billion in 2009.

PPB Group now controls 18.5% of Wilmar, a global agribusiness giant listed in Singapore whose businesses, aside from sugar milling and refining, include oil palm cultivation, edible oils refining, oilseed crushing flour and rice milling, and manufacturing of consumer products, specialty fats, oleochemicals, biodiesel and fertilisers.

Despite MSM's stronghold on the domestic sugar industry, the group recorded its second consecutive quarter in the red with a net loss of RM7.06 million for the first-quarter ended March 31, 2019 (1Q19), compared to a net profit of RM15.81 million last year due to lower average selling price and higher refining cost.

Apart from the impact of lower international raw sugar prices, the sugar company's performance was also hit by the government's decision to issue more sugar import permits, lower export volumes and a weaker ringgit.

Analysts surveyed by *Bloomberg* have a consensus one-year target price (TP) of RM1.20 on MSM, with a potential loss of 13%. The TP was lowered by 43% over the past three months.

Meanwhile, the analyst consensus one-year TP for FGV stands at RM1.24 for a potential return of 12%. Analysts have raised the TP by 6.2% over the last three months.



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SUMMARIES

FGV Holdings Bhd's share price and its subsidiary's, MSM Malaysia Holdings Bhd, rose last Friday following news that the planter is planning to sell part of its stake in the loss-making refined sugar producer. FGV, which posted losses in the first three months of this year, is feeling the heat from depressed crude palm oil (CPO) prices. News of the proposed stake sale boosted FGV's share price by 5.