



## CGSCIMB Research upgrades MSM, raises target price to RM1.50

[theedgemarkets.com](http://theedgemarkets.com) / [theedgemarkets.com](http://theedgemarkets.com)

July 31, 2019 08:01 am +08



KUALA LUMPUR (July 31): CGSCIMB Research has upgraded MSM Malaysia Holdings Bhd to “Hold” at RM1.38 with a higher target price of RM1.50 (from RM1.39) after *The Edge Financial Daily* reported that FGV Holdings Bhd is in talks to dispose of part of its 51% strategic stake in MSM Malaysia.

In a note July 29, the research house said MSM's share price has declined 47% year-to-date after it reported a surprise 1Q19 net loss of RM9 million due to stiff competition in domestic refined sugar market and losses at its Johor refinery.

The research house said MSM Malaysia also posted a net operating cash outflow of RM700,000 in 1Q19.

Advertisement



“This raised concerns that it may not be able to meet its debt repayment obligations. Our recent check with the company found that it has been able to meet its loan obligation and it is working on improving its cash flows through operational efficiency and sale of non-core assets.

“The potential sale of a strategic stake is likely to keep share price supported even though near-term earnings are likely to stay weak. In view of this, we revise our TP to RM1.50 (or 0.8x P/NTA of RM1.87) from RM1.37 previously (based on 0.5x P/BV).

“This is to reflect the potential valuations that suitors may pay for the stake. In view of this potential, we upgrade the stock to Hold. Upside risks: the sale of a strategic stake and higher refining margin. Downside risks: not being able to find strategic partner and lower margins,” it said.

**AGENCY:** The Edge Markets

**LINK:** <https://www.theedgemarkets.com/article/cgscimb-research-upgrades-msm-raises-target-price-rm150>