



**GULA**  
**PRAI**

# ANALYST BRIEFING SESSION

## THIRD QUARTER 2020

Monday, 16 November 2020

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## EXECUTIVE SUMMARY

1. Malaysian sugar industry has stabilised after experiencing certain decline in demand at the onset of pandemic period when most non-essential industries were temporarily halted.
2. The government's latest approach of allowing industries to operate despite stringent MCO has improved industrial demand, nevertheless travel restrictions are still impacting dine-in outlets, malls, hotels and catering leading to lower consumption by F&B industry.
3. In light of the above, MSM stays resilient by focusing on MSM Johor ramp-up plan, value added products development and relentless marketing efforts.
4. From export front, we are penetrating regional markets with refined and liquid sugar products at respectable volume and premium serving the niche customers at certain level of products differentiation.
5. Just-in-time raw sugar procurement, market demarcation and efficient supply chain planning would ensure the lowest operational and distribution cost are achieved.

# GROUP FINANCIAL HIGHLIGHTS

FINANCIAL		3Q 20	3Q 19	Changes %	9M 20	9M 19	Changes %
Revenue	RM 'mill	595	532	12	1,554	1,491	4
Gross Profit/(Loss)	RM 'mill	43	(33)	>100	74	(7)	>100
(LBIT)/EBIT	RM 'mill	(45)	(204)	>100	(76)	(224)	(66)
(Loss)/Profit Before Tax (LBT)/PBT	RM 'mill	(57)	(219)	>100	(112)	(287)	61
Net (Loss)/Profit (LAT)/PAT	RM 'mill	(71)	(185)	>100	(127)	(259)	51
Earning/(Loss) per Share (EPS)	sen	(10.1)	(26.3)	>100	(18.1)	(10.5)	(36.8)
Total Assets	RM 'mill				2,850	2,981	-4
Total Liabilities	RM 'mill				1,326	1,323	0
Cash and Cash Equivalents	RM 'mill				213	171	25
Net Assets per Share	RM/share				2.17	2.36	(8)
Gearing Ratio*	%				36	36	(1)

- Revenue 3Q20 improved by 12% Y-O-Y attributed by better volume in Industry and Export segments as well as higher Export premium.
- 3Q20 Gross Profit margin of 7% compared to (6%) last year contributed by better raw sugar procurement, improved production cost and yield.
- 3Q20 LBT of RM57.4 mil comprising of RM5.6 mil operational profit, RM27.3 mil write-off and RM35.7 mil net impairments in relation to MSM Perlis.
- Improved cash balance at RM213 mil due to better raw material planning and collection of receivables.

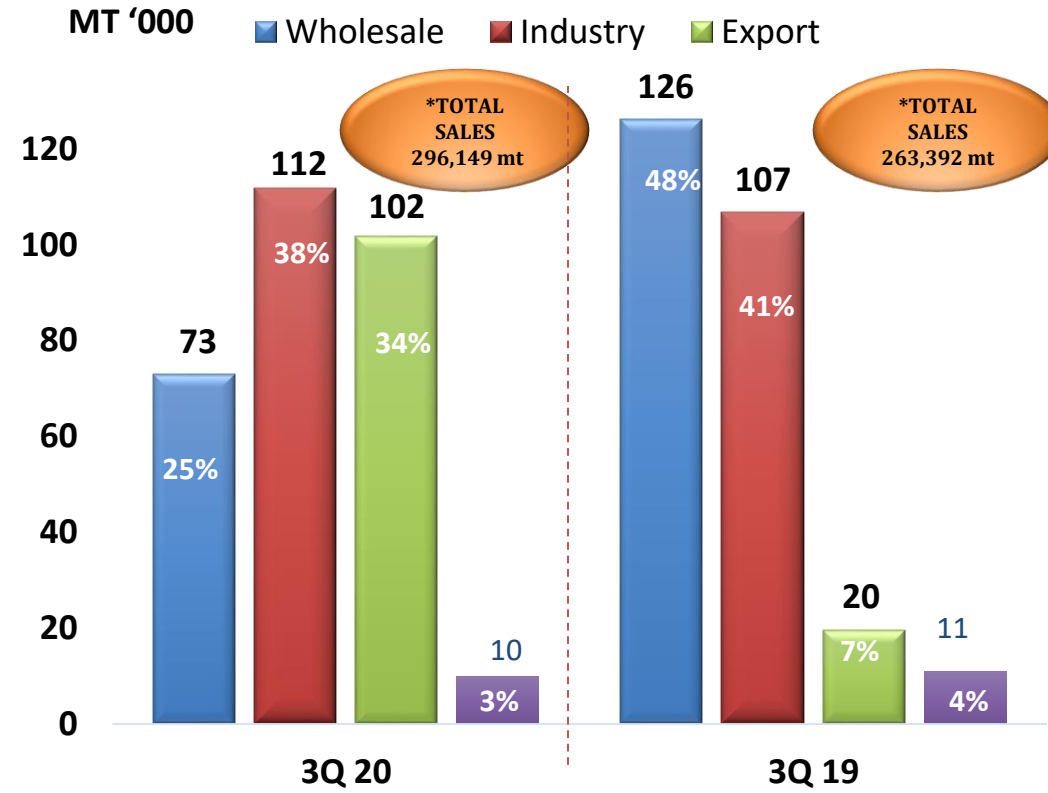
\* Gearing ratio equals to net debt divided by total capital of the Group. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position). Total capital is calculated as 'equity attributable to owners of the Group' as shown in the consolidated statement of financial position plus the net debt of the Group.

# SALES PERFORMANCE REVIEW – 3Q 2020 vs 3Q 2019

## SALES REVENUE



## SALES VOLUME








- Sales revenue improved by 12% Y-O-Y attributed by better Industry and Export volume.
- Export volume increased by fivefold comprising of refined sugar, liquid sugar and fine syrup to the regional market.
- Export premium recorded 54% increase Y-O-Y following aggressive marketing efforts to identified customers.
- Nevertheless, Domestic sales dropped by 21% due to lower retail demand following Covid-19 pandemic.

\* Note:

1) Sales figure is AFTER consolidation adjustment 2) The sales figure excludes the sales of molasses

## OPERATIONAL UPDATES 3Q 2020

	<b>Production Volume</b>	Recorded 265,738mt in 3Q20 vs 277,213mt in 3Q19, a 4% drop due to capacity consolidation and pandemic impacts.
	<b>Utilisation Factor</b>	Increased by 4% upon incorporating the reduced refining capacity.
	<b>Refining Cost</b>	Improved by 13% resulted from better export and higher utilisation factor of MSM Johor.
	<b>Yield</b>	Increased by 3% due to greater plants' efficiency, strengthened internal processes and higher utilisation.
	<b>Sales &amp; Distribution Cost</b>	Improved by 12% due to demarcation of domestic markets and enhanced supply chain planning.



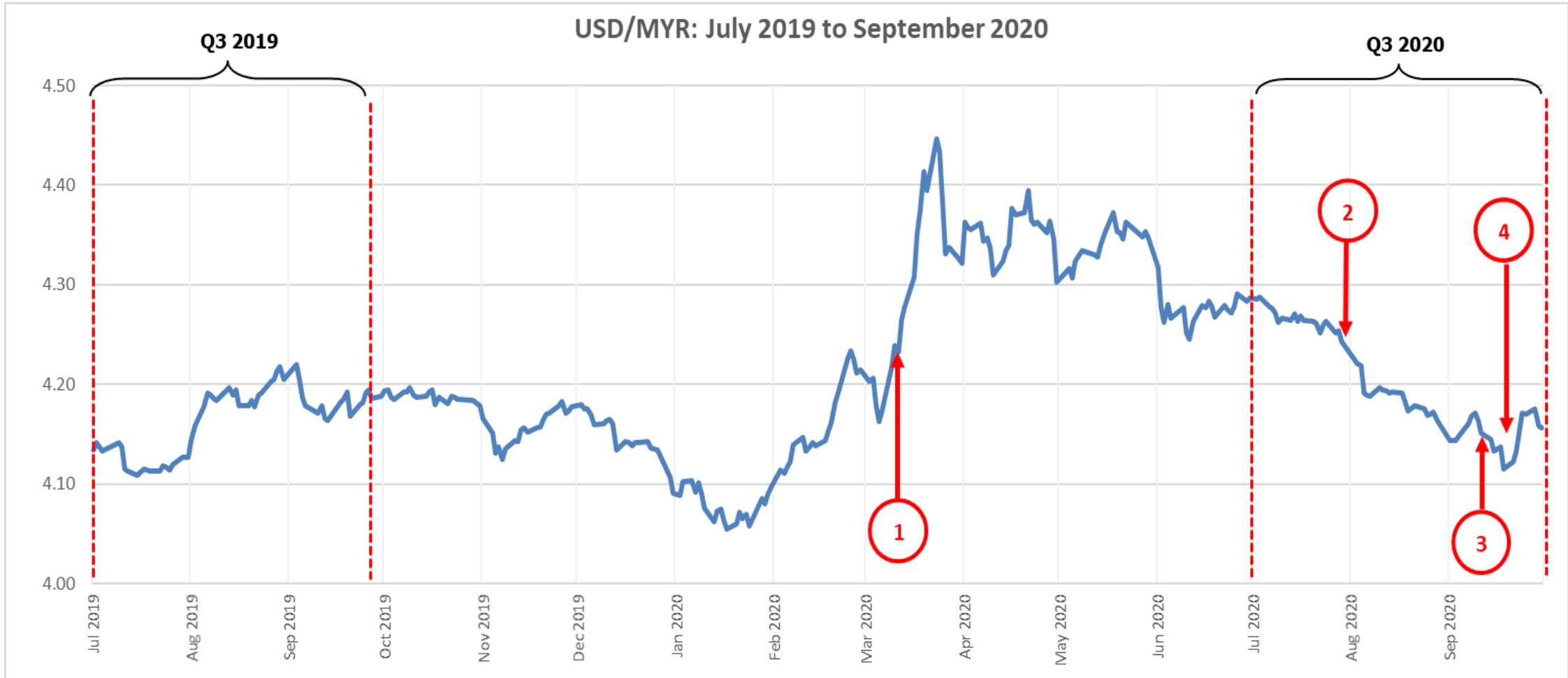
## KEY INITIATIVES IN MSM JOHOR



- ▶ Execute detailed ramp-up plan focusing on the bottleneck areas.
- ▶ Focus on yield improvement and reduced production losses.
- ▶ Increase liquid sugar and fine syrup capacity.
- ▶ Strengthen organisational structure and implement high performance culture.
- ▶ Increase SKUs capability by transferring existing packing lines from MSM Perlis.
- ▶ Enhance data recording for better inventory management.



# USD/MYR HISTORICAL MOVEMENT JULY 2019 – SEPT 2020

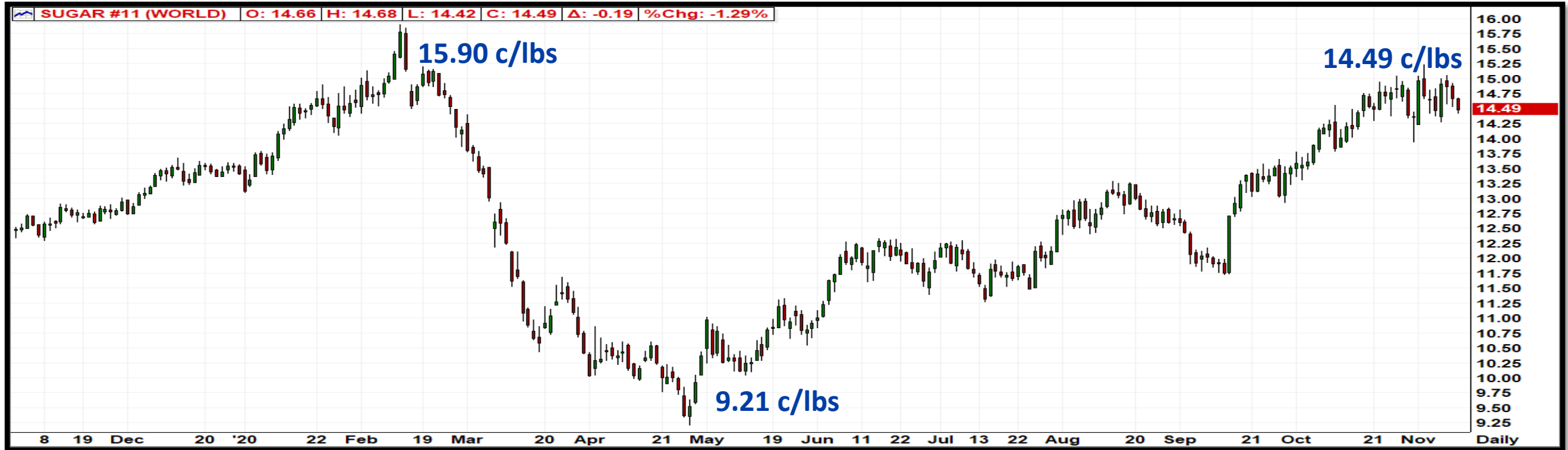


Source : Bloomberg

Average rate	3Q 2019	3Q 2020
<b>USD/MYR</b>	4.1592	4.2163

- For 4Q 2020, MSM has hedged about **78%** of the requirement at average FX rate of **4.1469**.

# RAW SUGAR (NY11) PRICES (AS AT 11/11/2020)



- NY11 prices have been moving steadily in an uptrend due to the absence of announcement on **Indian export subsidy program** involving 5 million MT raw sugar. **(Bullish)**
- Demand from **China** has increased in October with deliveries of about 1.2million MT from Brazil. **(Bullish)**
- **Thailand** is expected to produce around 7 mil MT this season, half of its normal production **(Bullish)**
- **Net specs** is currently at 262K lots Long. If the Fund liquidates position, market shall move to lower level. **(Bearish)**
- **Brazil** production is currently at 10 mil MT higher compared to last year **(Bearish)**
- **CIS region** is expected to have a deficit around 5 million MT **(Bullish)**

# KEY HIGHLIGHTS IN 3Q 2020 / 4Q 2020



## PERFORMANCE AND PROSPECTS

- MSM recorded highest quarterly sales volume in 3Q20
- Post MCO, overall sugar demand has stabilized in 3Q20 with average sales volume of above 90K MT/month.
- This encouraging volume will be sustained in line with market recovery and our continued market demarcation strategy.



## CAPACITY EXPANSION AND CAPABILITY

- Capacity upgrade for value added products e.g. liquid sugar, fine syrup in Johor shall be completed in 4Q20
- At annual capacity of 140K MT, these products will mainly cater the export markets with approximate revenue contribution of RM260m/ annum.
- These lines will significantly enhance the utilisation factor and reduce operating cost of MSM Johor.



## OPERATIONAL EXCELLENCE

- Continuation of just-in-time raw sugar procurement method for 2021
- This scheme has contributed positively towards cost saving, working capital structure and cash flow balances as we position the company for future growth.

# THANK YOU

