

ANALYST BRIEFING

FIRST QUARTER 2020

27 MAY 2020



A Member of **FGV**

MSM MALAYSIA HOLDINGS BERHAD

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GROUP FINANCIAL HIGHLIGHTS

| FINANCIAL | | Q1 20 | Q1 19 | Changes % | Q4 19 | Changes % |
|--|----------|-------|-------|-----------|-------|-----------|
| Revenue | RM 'mill | 511 | 485 | 5 | 516 | (1) |
| Gross Profit/(Loss) | RM 'mill | 14 | 31 | (53) | 14 | 0 |
| EBIT | RM 'mill | (15) | 4 | <100 | (16) | (6) |
| (Loss)/Profit Before Tax (LBT)/PBT | RM 'mill | (27) | (1) | >100 | (31) | (13) |
| Net (Loss)/Profit (LAT)/PAT from continuing operations | RM 'mill | (34) | (5) | >100 | (37) | (8) |
| Net (Loss)/Profit (LAT)/PAT discontinuing operations* | RM 'mill | - | (2) | - | (3) | - |
| Net (Loss)/Profit (LAT)/PAT | | (34) | (7) | >100 | (40) | (15) |
| Earning/(Loss) per Share (EPS) | sen | (4.8) | (1) | >100 | (5.7) | (16) |

* Rubber, palm oil and mango

Recorded higher LAT for Q1 20 compared to Q1 19 due to:

- a) In Q1 19, Johor was in its testing and commissioning stage, therefore depreciation and finance cost were capitalised instead of being charged to Income Statements:
 - Increase in depreciation charged to Income Statement of RM8.6m in Q1 20 as compared to same quarter last year;
 - Higher finance cost charged to Income Statement of RM7.54m in Q1 20 as compared to same quarter last year.
- b) Increase in operational cost in MSM Johor due to lower plant utilisation of RM7.48m.
- c) Provision for one-off operational rationalisation exercise of RM5.38m.

GROUP FINANCIAL HIGHLIGHTS (cont)

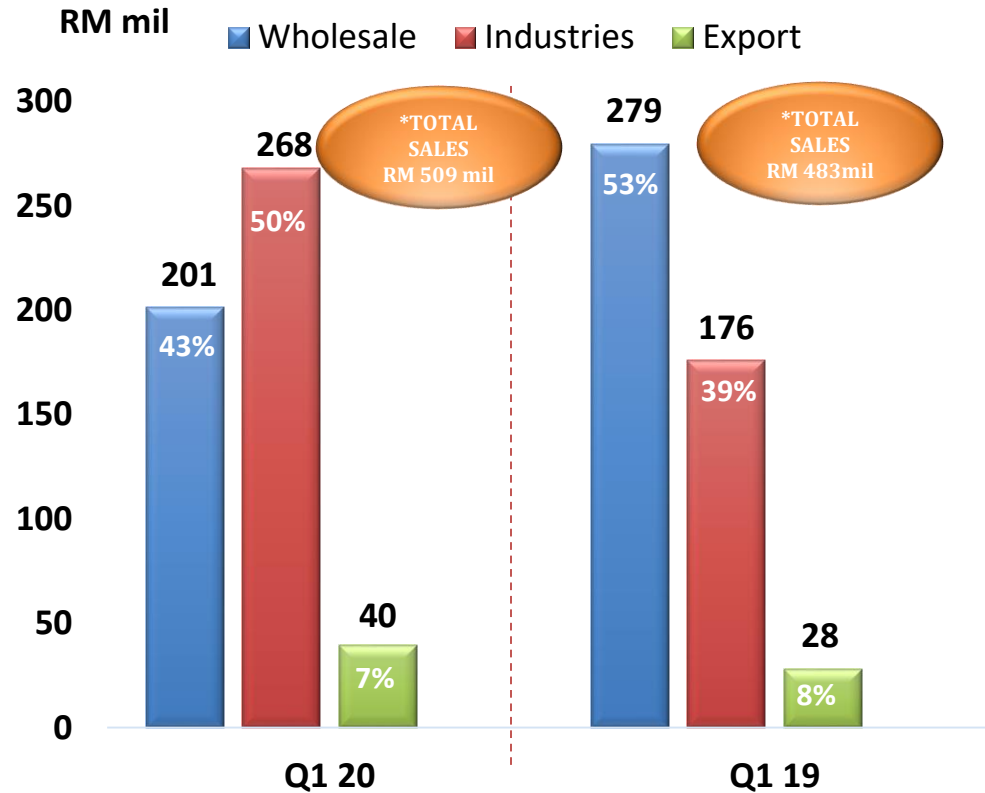
| FINANCIAL | | Q1 20 | Q1 19 | Changes % |
|---------------------------|----------|---------|---------|-----------|
| Total Assets | RM 'mill | 2,977 | 2,981 | 0 |
| Total Liabilities | RM 'mill | 1,361 | 1,323 | 3 |
| Cash and Cash Equivalents | RM 'mill | 139 | 171 | (19) |
| Net Assets per Share | RM/share | 2.30 | 2.36 | (2) |
| Gearing Ratio* | % | 34 | 36 | (6) |
| OPERATIONAL | | | | |
| Sales volume** | MT | 235,928 | 224,233 | 5 |

* 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.

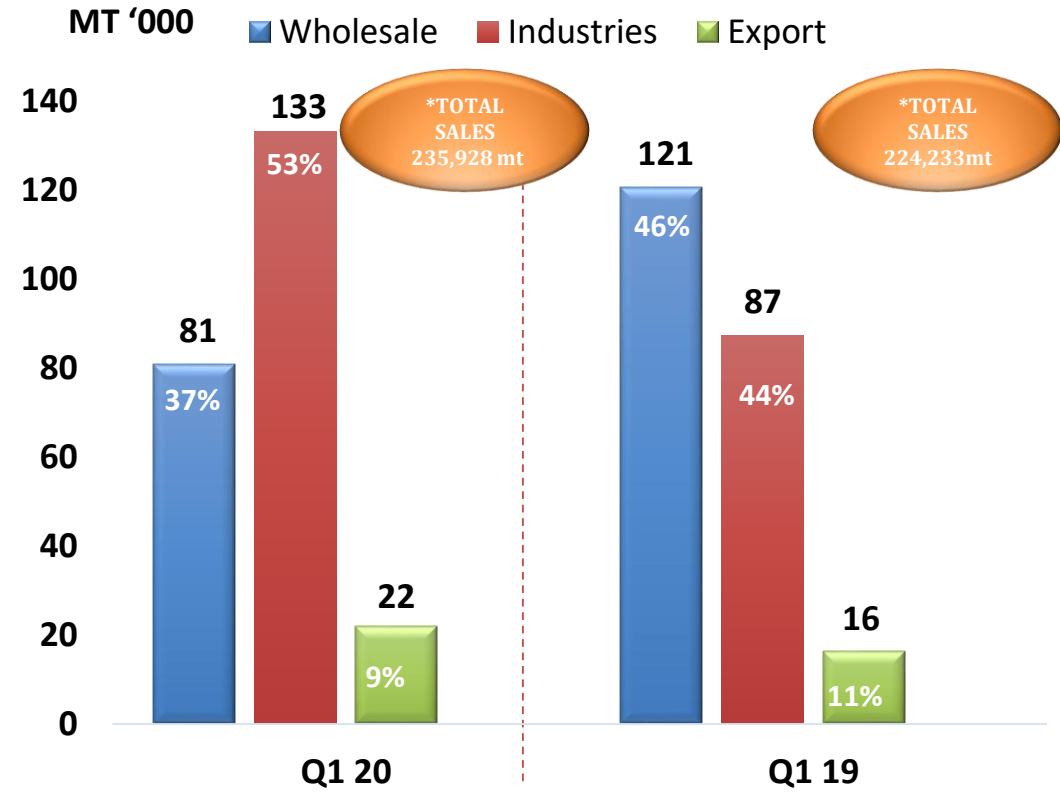
** Sales volume exclude molasses.

PERFORMANCE REVIEW – Q1 2020 vs Q1 2019

SALES REVENUE



SALES VOLUME

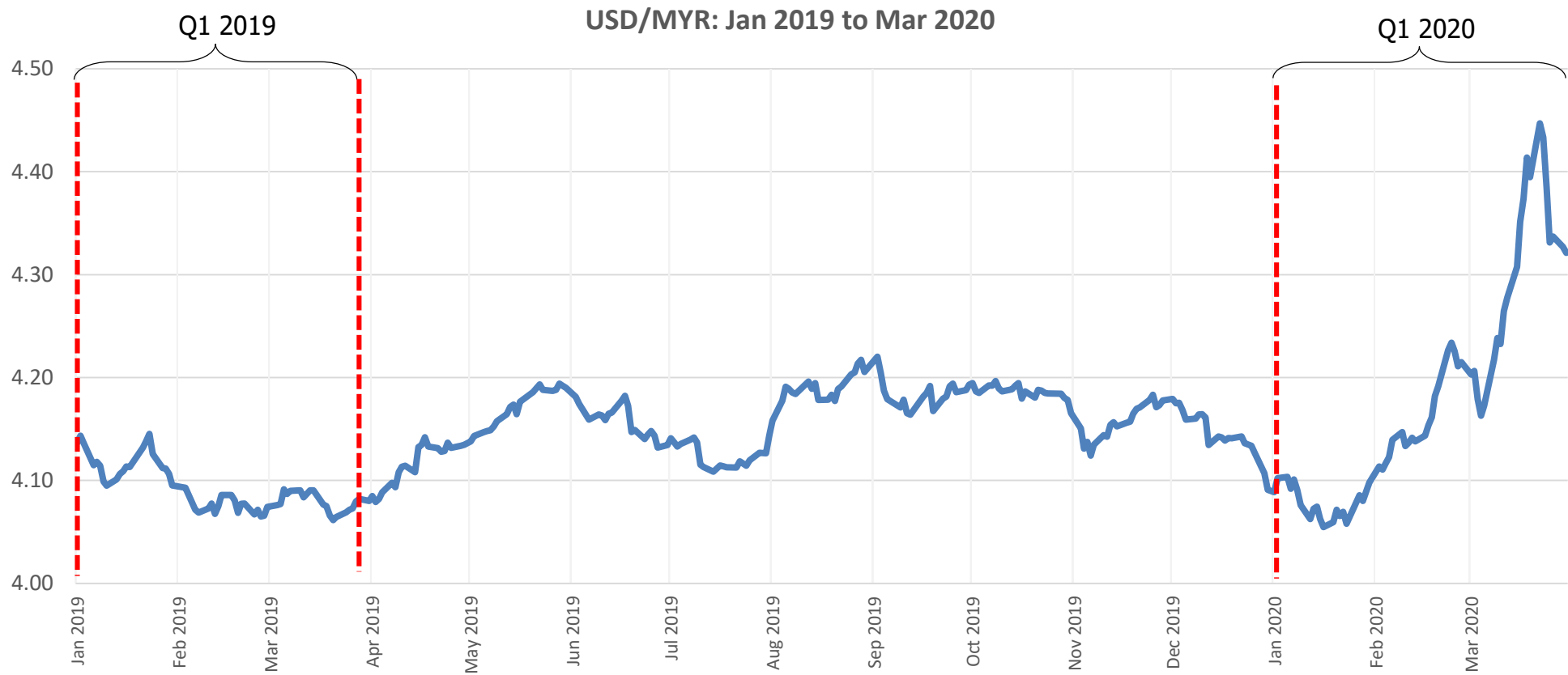


- A slight increase in Group's ASP is contributed by an increase in ASP of 8% and 1% in Wholesale and Export segments, as a result of initiatives to increase selling prices since Oct'19.
- Increase in total sales volume by 5% is contributed by newly launched export products; Premix in Jun'19, Liquid Sugar in Oct'19, and Fine Syrup in Feb'20.
- Reduction in Wholesale volume by 39,822mt (33%), compensated by increase in Industry volume by 45,881mt (53%) arisen from competitor selling at lower price to Wholesale Segment.

* Note:

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

USD/MYR HISTORICAL MOVEMENT JAN 2019 – MAR 2020

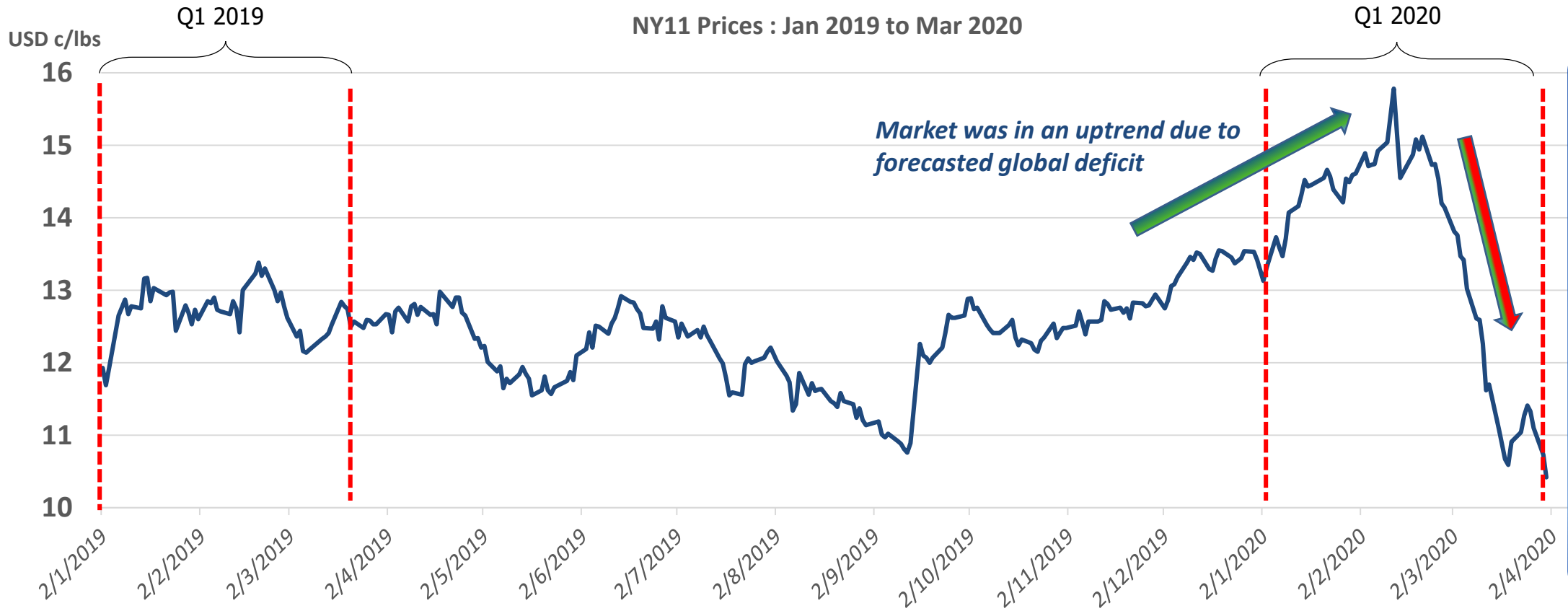


Source : Bloomberg

| Average rate | Q1 19 | Q1 20 | % Change |
|--------------|--------|--------|----------|
| USD/MYR | 4.0914 | 4.1822 | -2.2% |

- In Q1 2020 USD/MYR volatility reached almost 10% (low : 4.0547 & high : 4.4470) due to the coronavirus outbreak.
- We have hedged **Q1** at an average FX rate of **4.0947** and **Q2** at an average FX rate of **4.3468**.
- We have not hedged Jun’s USD exposure as at the current **volatile** market environment, we will remain **cautious** and only cover our USD exposure **on weekly basis** as per PPU schedule

NY11 PRICE MOVEMENT JAN 2019 – MAR 2020



NY11 trades below USD 11.00 c/lbs due to increased production in Brazil due to drop in Oil prices, coupled with lower global consumption due to Covid-19 situation

Source : Futuresource NY11 Historical

| USD c/lbs | Q1 19 | Q1 20 | % Change |
|---------------------|-------|-------|--------------|
| Average NY11 | 12.70 | 13.68 | +7.7% |

GLOBAL SUGAR SUPPLY & DEMAND 2020/21: REDUCED DEFICIT OUTLOOK TO 0.5 M MT

| Major countries Crop | | | | | | | |
|-----------------------|--------------------|---------------|---------------|---------------|---------------|--------------|-------------|
| Country/Region | Crop year | 17/18 | 18/19 E | 19/20 F | 20/21 F | Y-o-Y change | |
| CS Brazil | Apr /Mar | 36.1 | 26.5 | 26.6 | 33.0 | ↑ | 6.4 |
| India | Oct /Sep | 32.2 | 33.1 | 26.5 | 32.0 | ↑ | 5.5 |
| EU (28) incl. ethanol | Oct /Sep | 21.1 | 17.6 | 17.3 | 17.5 | ↑ | 0.2 |
| Thailand | Dec /Nov | 14.7 | 14.6 | 8.2 | 9.2 | ↑ | 1.0 |
| China | Oct /Sep | 10.3 | 10.7 | 10.1 | 10.0 | ↓ | -0.1 |
| US | Oct /Sep | 8.4 | 8.2 | 7.4 | 8.1 | ↑ | 0.7 |
| Mexico | Oct /Sep | 6.0 | 6.5 | 5.6 | 6.3 | ↑ | 0.7 |
| Central America | Nov /Oct | 5.6 | 5.9 | 5.9 | 5.9 | ↑ | 0.1 |
| Pakistan | Oct /Sep | 6.5 | 5.5 | 5.2 | 5.9 | ↑ | 0.7 |
| Russia | Aug /Jul | 6.5 | 6.2 | 7.6 | 6.3 | ↓ | -1.3 |
| Australia | Jun /May | 4.3 | 4.5 | 4.1 | 4.1 | ↑ | 0.0 |
| NE Brazil | Sept /Aug | 2.6 | 2.5 | 2.8 | 2.8 | ↑ | 0.0 |
| Egypt | Jan /Dec | 2.2 | 2.5 | 2.3 | 2.5 | ↑ | 0.2 |
| Indonesia | May /Apr | 2.2 | 2.3 | 2.2 | 2.2 | ↑ | 0.0 |
| Ukraine | Aug /Jul | 2.1 | 1.8 | 1.4 | 1.6 | ↑ | 0.2 |
| South Africa | May/Apr | 2.1 | 2.2 | 2.3 | 2.2 | ↓ | -0.1 |
| Total | | 162.75 | 150.51 | 135.45 | 149.62 | ↑ | 14.2 |
| Global Production | Oct/Sep, rv | 191.0 | 186.7 | 176.3 | 185.1 | ↑ | 8.8 |
| Global Consumption | Oct/Sep, rv | 181.4 | 182.5 | 182.7 | 185.6 | ↑ | 2.8 |
| Global SND | Oct/Sep, rv | 9.67 | 4.17 | -6.40 | -0.45 | ↑ | 5.95 |

Outlook 2020/21 (Deficit 0.5 m MT)

- Due to slump in Oil prices, Ethanol prices in Brazil **dropped to US\$ 9.00** c/lbs, prompting millers to produce more sugar instead of ethanol **(Bearish)**
- Global Consumption is expected to **decrease** by 1-2 million MT due to the Covid-19 (due to closures, lockdowns and self-containment) **(Bearish)**
- China is rumoured to start importing in Q3 2020 of about **1 million MT** for its national stockpile **(Bullish)**
- News of further discussions between major Oil Producers will help to boost the market up **(Bullish)**
- If Fossil Fuel price improves and goes on an uptrend, Brazil will revert back to producing Ethanol. Brazil is the largest producer of Cane-Based Ethanol for automobiles **(Bullish)**

COVID-19: CHALLENGES AND MITIGATIONS

Challenges

1. Major industry customers reduced production by 50% due to MCO
2. Temporary slow down in export due to heavy congestion at destination port
3. Delay in strategic initiatives by 2 months (new products development, biomass boiler)

Mitigations

1. Increase export up to 300k MT/year from May – Dec'20
2. Increase production in MSM Johor (current UF 34%) towards BEP 48%
3. Maintain wholesale selling price to preserve margin
4. Improve cash flow and collection through Maybank D-Card in June'20
5. Seek new customers for liquid sugar and premix sugar
6. Product diversification:
 - Launch of healthy sugar variants in June'20
 - Launch of downstream products with FGV Group in June/July'20



COVID-19: OPERATION UPDATE

RAW SUGAR

- No supply disruption from origins i.e. Brazil, India, S. Africa
- Current stock level 114,000 MT (stock cover 1.4 months)

PRODUCTION

- All refineries are in operation (full shift & full production manpower) – essential under MCO
- Current refined sugar stock level 65,000 MT (24 days cover)

HQ

- Work from home implemented since 18 Mar 2020
- 18 May 2020, partial locked-down – implemented 50% workforce to work at office (Team A work on Monday and Tuesday, Team B work on Wednesday and Thursday, Friday – all work from home)
- Meeting organised by virtual (online)

SOCIAL DISTANCING PREPARATION AT HQ POST MCO



Board Meeting Room



Lobby/Waiting Area



Discussion Room



Staff Pantry

COVID-19 SOP IMPLEMENTATION AT OPERATIONS



Temperature check for employees



Temperature check for contractors / visitors



Social distancing



Social distancing - partition

STRENGTHENING GOVERNANCE

- On 8 May 2020, four new board members appointed with different sets of skills and knowledge to steer the way forward towards success.



Datuk Syed Hisham Syed Wazir
Independent Non-Executive Director



Datuk Dr Abd Hapiz Abdullah
Independent Non-Executive Director



Dato' Muthanna bin Abdullah
Independent Non-Executive Director



Steven Choy Khai Choon
Independent Non-Executive Director

GROUP RATIONALISATION EXERCISE

- In line with MSM's Business Plan 2020-2022 (MSM BP21 (V2)) which has been approved by the Board in December 2019.
- The Group's refining capacity will reduce from 2.25 million MT/year to 2.05 million MT/year (reduction of 200,000 MT).
- Will increase MSM Johor's UF by 12% which in turn, will reduce MSM Johor's refining cost (RC)
- The exercise has been communicated to staff over the last few months, involves redeploying manpower and resources to MSM Johor, where utilisation levels are to be ramped up.
- The Consolidation will affect 348 employees and to-date:
 - > 43% requested to relocate to MSM Prai, MSM Johor and Sg Buloh Warehouse
 - > Relocation will be effective in mid of June 2020
 - > Remaining will be transferred to FGV Agro Food-Valley project whilst for those who are not suitable will be separated and compensated accordingly
- Currently working with FGV to develop a new agriculture growth area on MSM's assets at Chuping, Perlis called FGV Agro Food-Valley:
 - > More than 300 employment opportunities for local community
 - > Business prospect for local and agro youth farmers

GROUP RATIONALISATION EXERCISE (cont)

- Background and rationale:
 - a) MSM Perlis started its operations in 1973 (47 years ago) with refining capacity of 200,000 MT/year. It was originally built as an integrated refinery with its own mill and 4,453-hectare of sugarcane plantation land located next to the refinery.
 - b) Amongst the main rationale for the Consolidation is the weak competitive position of MSM Perlis in comparison to the other refineries due to:
 - > High Production Cost because of its small capacity;
 - > High Maintenance Cost and CAPEX due to old/obsolete machineries; and
 - > Its non-strategic location which is far from Penang Port resulting in high Logistics Cost (including requirement of warehouse in Penang Port) from transportation of Raw and Refined Sugar.
 - c) MSM Perlis' historical performance is as below:

| RM'000 | FY2019 | FY2018 | FY2017 | FY2016 |
|--------------|-----------|-----------|----------|---------|
| Revenue | 942,368 | 1,001,135 | 591,929 | 462,404 |
| Gross Profit | 20,898 | 52,804 | (10,360) | 59,767 |
| GP Margin | 2% | 5% | (2%) | 13% |
| P/(L) BT | (127,994) | 31,476 | (29,876) | 1,560 |
| P/(L) AT | (122,584) | 18,066 | (28,002) | (22) |

THANK YOU

