

# ANALYST BRIEFING

FOURTH QUARTER 2019

25 FEBRUARY 2020



MSM MALAYSIA HOLDINGS BERHAD

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# GROUP FINANCIAL HIGHLIGHTS

FINANCIAL		Q4 19	Q4 18	Changes %	12M 19	12M 18	Changes %
<b>Continuing operations</b>							
Revenue	RM 'mill	516	531	(3)	2,007	2,214	(9)
(Loss)/Profit Before Taxation (LBT)/PBT	RM 'mill	(31)	1	>(100)	(300)	66	>(100)
Net (Loss)/Profit (LAT)/PAT	RM 'mill	(37)	(13)	>100	(288)	37	>(100)
Earning/(Loss) per Share (EPS)	sen	(5.3)	(1.9)	<100	(41.04)	5.32	>(100)
<b>Discontinuing operations*</b>							
Net (Loss)/Profit (LAT)/PAT	RM 'mill	(3)	3	>(100)	(11)	(2)	>100
Earning/(Loss) per Share (EPS)	sen	(0.43)	0.43	>(100)	(1.6)	(0.24)	>100
<b>TOTAL</b>							
Net (Loss)/Profit (LAT)/PAT	RM 'mill	(40)	(10)	>100	(300)	36	>(100)
Earning/(Loss) per Share (EPS)	sen	(5.73)	(1.47)	>100	(42.64)	5.08	>(100)

\* Rubber, palm oil and mango

## GROUP FINANCIAL HIGHLIGHTS (cont)

FINANCIAL		FY 19	FY 18	Changes %			
Total Assets	RM 'mill	2,981	3,655	(18)			
Total Liabilities	RM 'mill	1,323	1,692	(22)			
Cash and Cash Equivalents	RM 'mill	171	192	(11)			
Net Assets per Share	RM/share	2.36	2.79	(16)			
Gearing Ratio**	%	40	40	-			
OPERATIONAL		Q4 19	Q4 18	Changes %	FY 19	FY 18	Changes %
Sales volume	MT	247,798	241,489	3	946,055	947,848	(0.2)

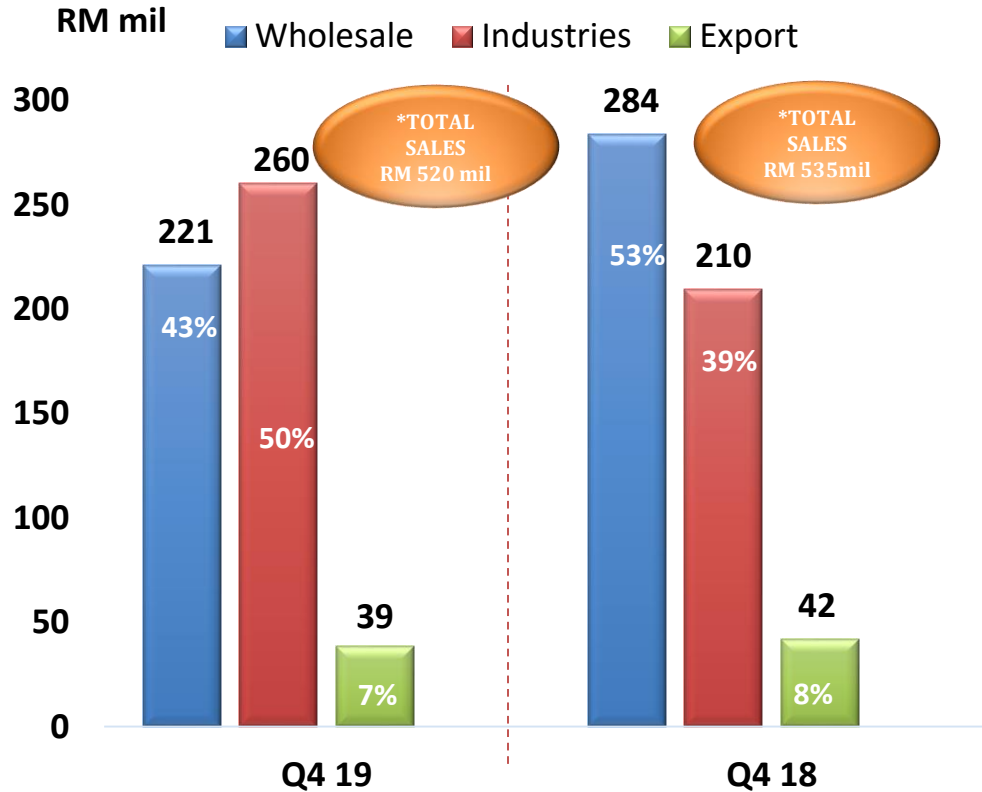
\*\* Gearing ratio equals to net debt divided by total capital of the Group. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position). Total capital is calculated as 'equity attributable to owners of the Group'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

# QUARTERLY PERFORMANCE FOR 12M 19

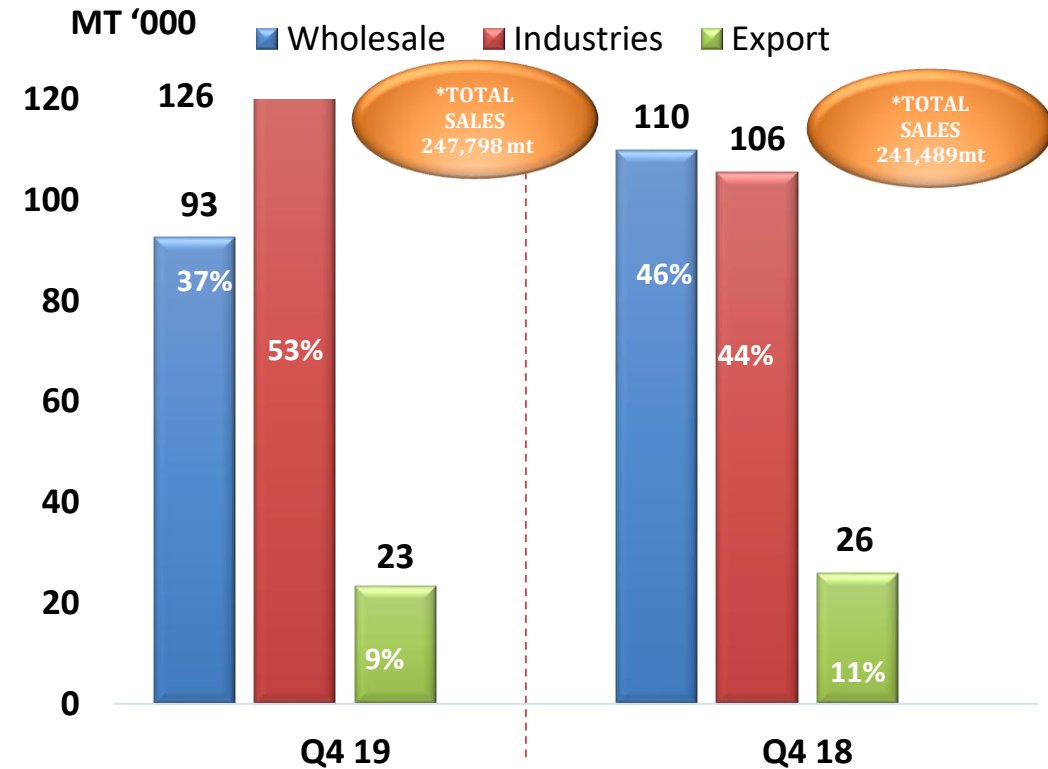
FINANCIAL		Q1 19	Q2 19	Q3 19	Q4 19	12M 19
Continuing operations						
Revenue	RM 'mill	486	474	532	516	2,007
GP/(L) margin	RM 'mill	25	0.9	(33)	14	7
EBIT/(LBIT)	RM 'mill	2	(22)	(204)	(16)	(240)
PBT/(LBT) continuing operations	RM 'mill	(1)	(63)	(205)	(31)	(300)
PBT/(LBT) discontinuing operations	RM 'mill	(2)	(2)	(15)	(0.4)	(19)
Net profit	RM 'mill	(3)	(64)	(219)	(31)	(319)

# PERFORMANCE REVIEW – Q4 2019 vs Q4 2018

## SALES REVENUE



## SALES VOLUME



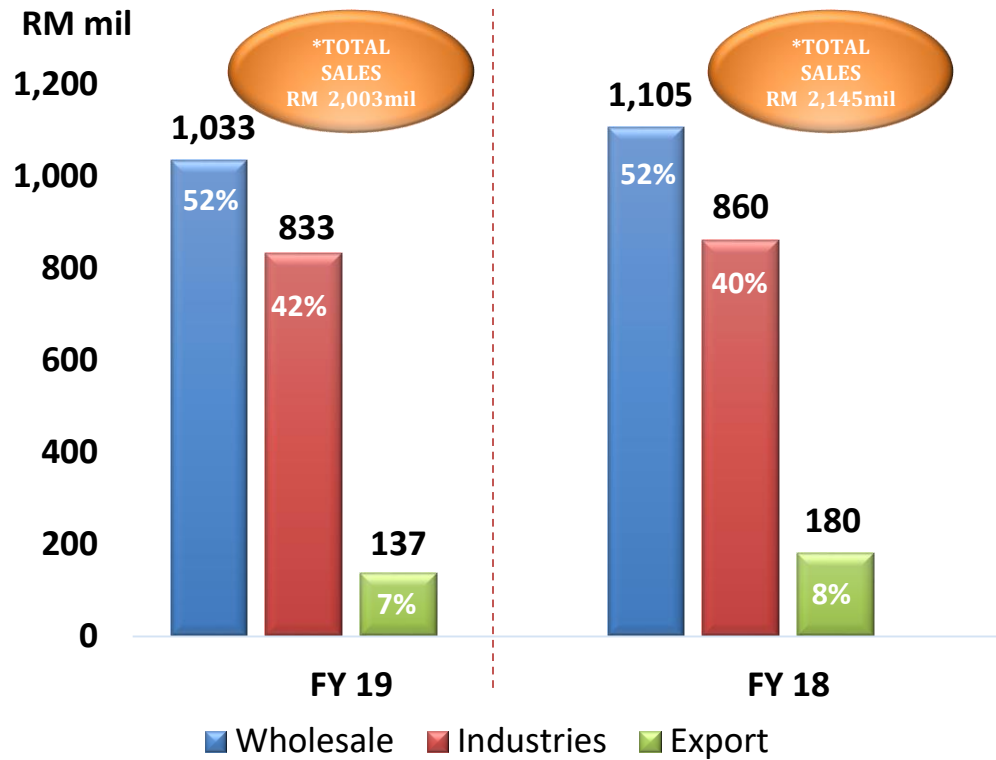
- Total sales revenue of refined sugar was RM520mil for Q4 19 vs RM535mil in Q4 18.
- Sales revenue decreased due to reduction in average selling price of 8% and 1% for wholesale and industries respectively. Management increased selling price for wholesale segment from October 2019 and resulted in lower volume for wholesale and higher volume for industries.
- Reduction in export volume due thin/negative margin arising from lower white premium.

\* Note:

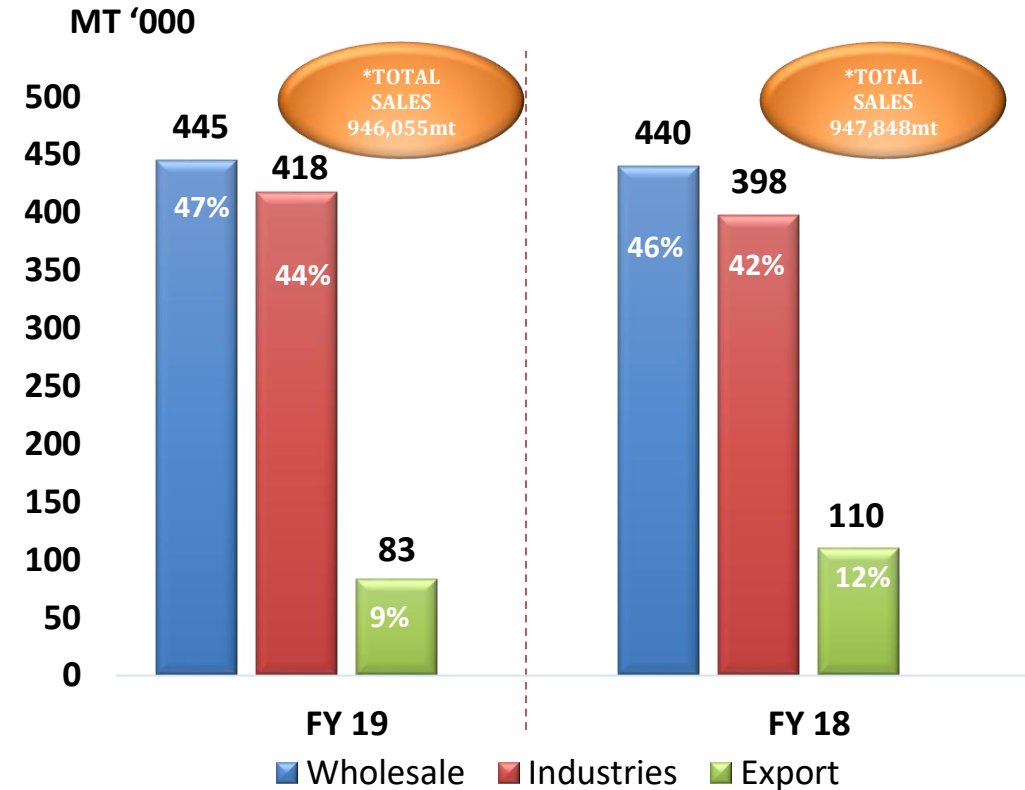
1) Sales figure is AFTER consolidation adjustment 2) The sales figure excludes the sales of molasses

# PERFORMANCE REVIEW – FY 2019 vs FY 2018

## SALES REVENUE



## SALES VOLUME



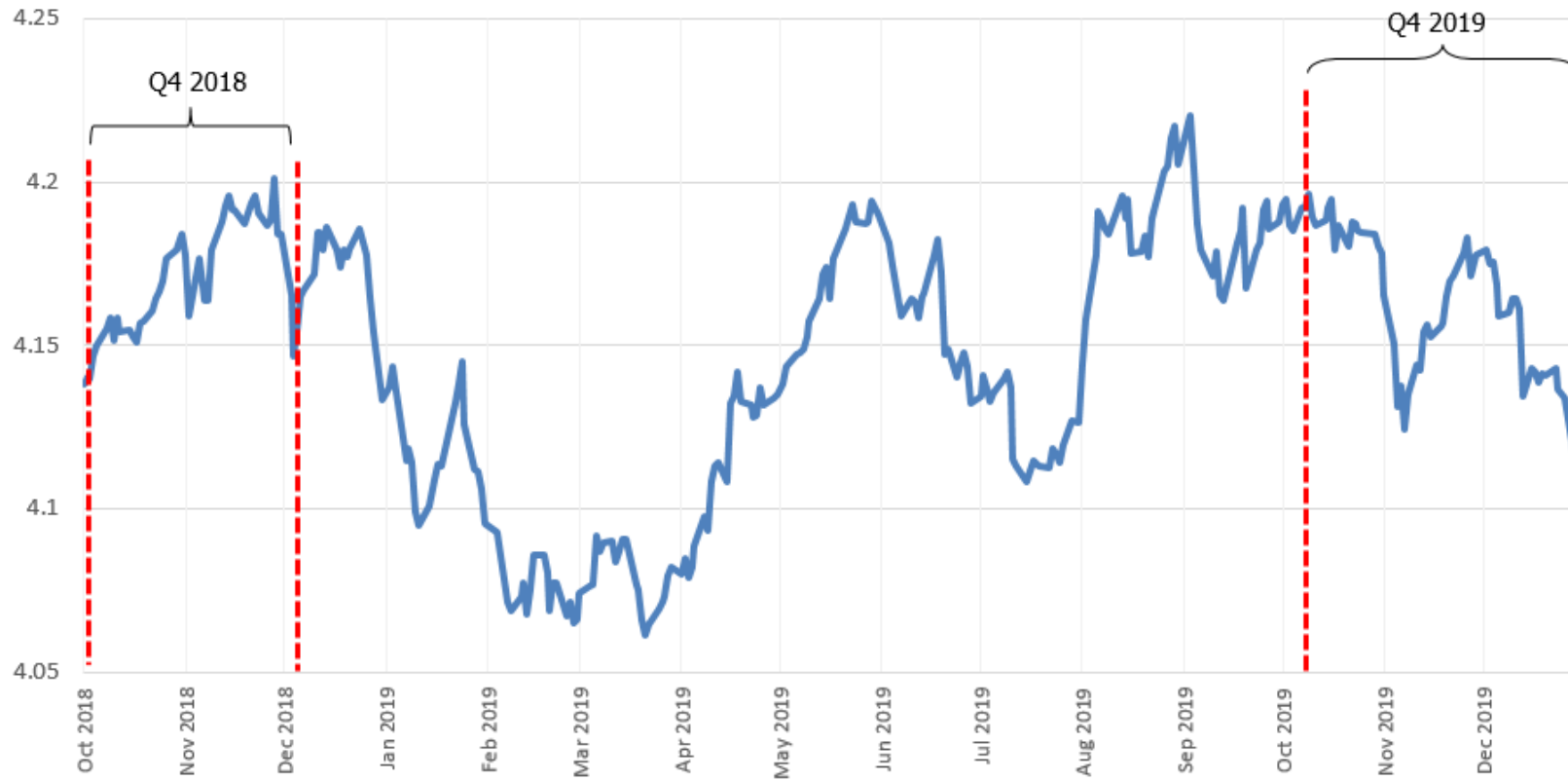
- Sales revenue decreased due to price slashing war with competitor resulted in 8% reduction of average selling price in wholesale and industries segment.
- Reduction in export volume due thin/negative margin arising from lower white premium.

\* Note:

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

# USD/MYR HISTORICAL MOVEMENT OCT 2018 – DEC 2019

USD/MYR: Oct 2018 to Dec 2019

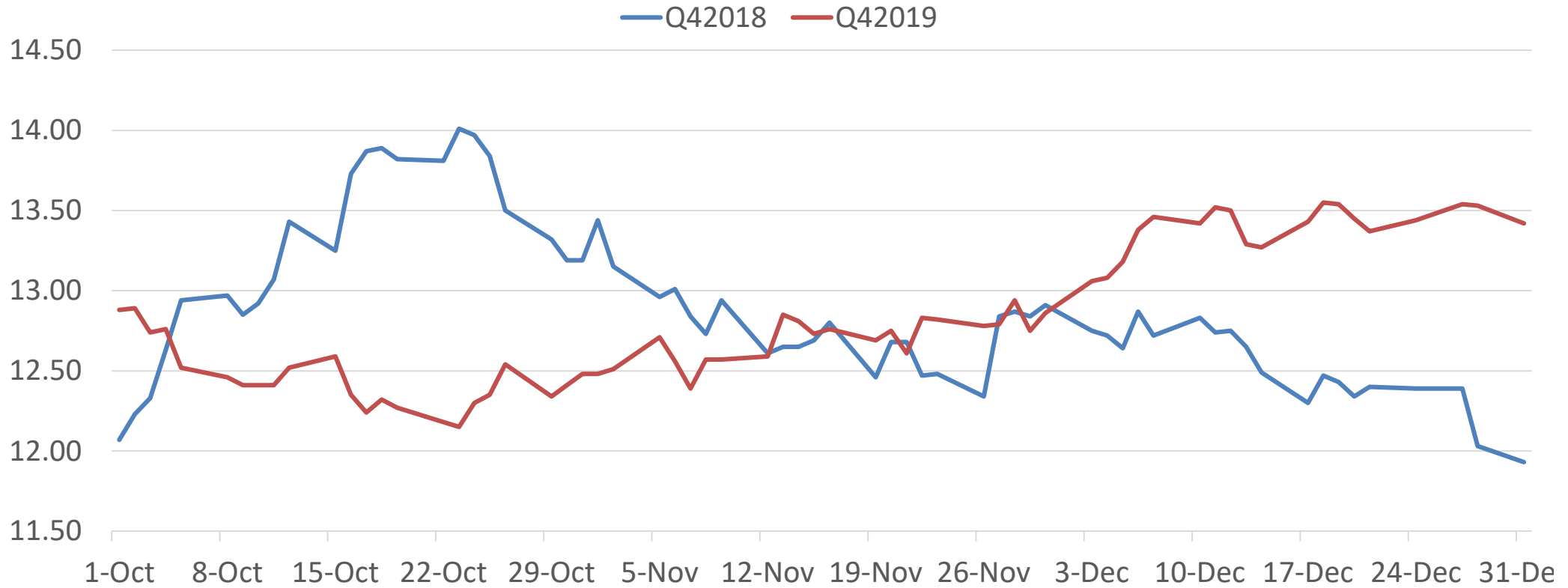


Source : Bloomberg

	Q4 19	Q4 18	% Change
<b>USD/MYR</b>	4.1965	4.1706	<b>+0.6%</b>



# NY11 PRICE MOVEMENT (Q4 19)



Source : Futuresource NY11 Historical

	Q4 19	Q4 18	% Change
<b>Average NY11</b>	\$12.82c/lb	\$12.87/lb	<b>-0.3%</b>

# WORLD SUGAR MARKET – HIGHLIGHTS AND OUTLOOK Q4 ONWARDS

- The NY11 price has been in uptrend movement on Q4 19 compared to downtrend movement in Q4 18 due to shortfall forecast in production by major Raw Sugar producer and lower trade flow of Whites Sugar mainly from Thailand
- Fundamentally, the market is moving to deficit year for 2020/21 period with **-3.5 MMT** estimated shortage compared to small surplus( **+1.5 MMT**) in 2019/20 due to lower Raw Sugar production forecast by Brazil and Thailand and uncertainty of export program by India
- However, the Brazilian has the capacity to produce more sugar to fill the deficit gap provided the oil prices remains depressed in order to attract Brazil to produce more sugar rather than ethanol
- On the other hand, White Premium has been improved significantly in the view of lower Whites Sugar trade flow from Thailand. This gives MSM Group opportunity to position its export program and grow the delivery to destination for year 2020
- On overall basis, the market is relatively moving into the bullish direction as the specs record growth trend in short covering position and accumulating deficit number on supply and demand trade balance

## 3-YEAR STRATEGIC PLAN

Items	Duration
<b>Balancing Production Capacity</b> <ul style="list-style-type: none"><li>Rationalise group-wide capacity through consolidation of production in MSM Johor</li></ul>	2020 – 2021
<b>Focus of product diversification</b> <ul style="list-style-type: none"><li>Implement product diversification in non-refined sugar segment and projected to expand value-added products mainly for export market to boost earning and increase MSM Johor refinery's utilization.</li></ul>	2019 – 2021
<b>Initiate of energy cost savings project</b> <ul style="list-style-type: none"><li>Move from gas to biomass boiler to reduce refining cost particularly in raw sugar melting process</li><li>Diminish dependence on natural gas by an estimated 50% - 60% a year</li></ul>	2020 – 2021
<b>R&amp;D on food and non-food sugar related products</b> <ul style="list-style-type: none"><li>Embark on product diversification on food and non-food sugar related products such as low calorie sucralose and molasses</li><li>To-date, we have started exporting molasses to Asia-Pacific countries, targeting dairy farms and livestock companies in various packaging to get better margins</li><li>Explore potential to venture into downstream segment such as cordial, condensed milk and chocolate</li></ul>	2019 – 2021

## 3-YEAR STRATEGIC PLAN (cont)

Items	Duration
<b>Reducing stock holding</b> <ul style="list-style-type: none"><li>• Implement “Just-in-Time” mechanism to optimise raw sugar stock level</li><li>• Will reduce borrowing and external warehouse rental cost significantly</li></ul>	2020 – 2021
<b>Better selling price</b> <ul style="list-style-type: none"><li>• Revise domestic selling price</li><li>• Explore more export market – reported sugar deficit globally</li></ul>	2019 – 2021
<b>Implement stop-gap measures</b> <ul style="list-style-type: none"><li>• Sufficient cash flow required for servicing debt post completion of MSM Johor</li><li>• Implement initiative : 1) monetise non-core assets 2) restructure and reschedule long-term borrowings</li></ul>	2019 – 2021
<b>Revamp packaging design</b> <ul style="list-style-type: none"><li>• Revamp to realign with the current trend and maintain our position as Malaysia’s leading refined sugar producer</li></ul>	2020

# THANK YOU

