ANALYST BRIEFING

FOR THE SECOND QUARTER 2018

24 AUGUST 2018

MSM

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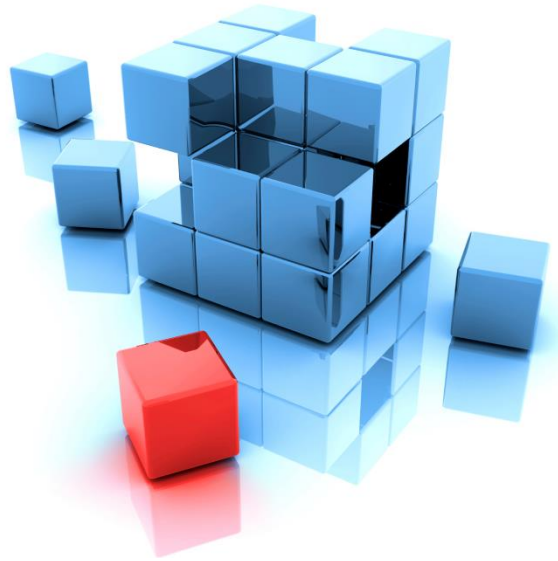
GROUP FINANCIAL HIGHLIGHTS

FOR THE SECOND QUARTER 2018 RESULTS

FINANCIAL HIGHLIGHTS

FINANCIAL		2Q 18	2Q 17	Changes %	1H 18	1H 17	Changes %
Revenue	RM 'mill	573	691	(17) ▼	1,122	1,339	(16) ▼
Profit/(Loss) Before Taxation PBT/(LBT)	RM 'mill	20	(29)	169 ▲	41	(68)	160 ▲
Net Profit/(Loss) PAT/(LAT)	RM 'mill	14	(21)	167 ▲	30	(56)	154 ▲
Total Assets	RM 'mill	3,379	3,736	(10) ▼	3,379	3,736	(10) ▼
Total Liabilities	RM 'mill	1,418	1,829	(22) ▼	1,418	1,829	(22) ▼
Cash and Cash Equivalents	RM 'mill	248	383	(35) ▼	248	383	(35) ▼
Net Assets per Share	RM/share	2.79	2.71	3 ▲	2.79	2.71	3 ▲
Earning/(Loss) per Share (EPS)	sen	2.04	(3.05)	167 ▲	4.29	(7.98)	154 ▲
Gearing Ratio*	%	38	42	(4) ▼	38	42	(4) ▼
OPERATIONAL							
Sales volume	MT	239,812	257,760	(7) ▼	462,491	496,372	(7) ▼

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.

2ND QUARTER & YEAR ON YEAR PERFORMANCE FOR 2018

2Q 18 PERFORMANCE

(RM mil)	2Q 18	1Q 18	Preceding %	2Q 17	QoQ%
Revenue	573	549	4.37	691	(17.07)
GP margin (%)	*10.53*	*12.56*	(2.03)	*2.74*	*7.79*
Expenses	(553)	(635)	(12.91)	(720)	(23.2)
Profit/(Loss) Before Tax PBT/(LBT)	20	21	(4.76)	(29)	169.0
Net Profit/(Loss) PAT/(LAT)	14	16	(12.50)	(21)	166.7
Net (loss)/profit margin (%)	*2.50*	*2.91*	(0.41)	*(3.10)*	*5.60*
Earning/(Loss) per Share (EPS) (sen)	2.04	2.25	(9.33)	(3.05)	166.9
Attributable to Shareholders - ROE (%) - Net Asset per Share (RM/Share)	0.73 2.79	0.82 2.77	(0.09) 0.72	(1.06) 2.71	1.79 2.95

PRECEDING

REVENUE The Group recorded a total revenue RM573 million in the current quarter compared to the preceding quarter of RM549 million. This is due to higher overall tonnage sold by 8%.

PROFIT/ (LOSS) AFTER TAX The Group recorded PAT of RM14 million for the three (3) months period ended 30 June 2018 compared to the preceding quarter profit after tax of RM16 million. This is due to an increase in selling and distribution and administrative expenses for the Group compared to the preceding quarter.

QoQ

REVENUE The Group recorded a total revenue of RM573 million quarter on quarter, which is RM118 million or 17.07% lower compared to the same period last year of RM691 million. This is due to 7% reduction in the overall tonnage sold and lower average selling price.

PROFIT AFTER TAX The profit after tax (PAT) for the three (3) months period ended 30 June 2018 is RM14 million, which is RM35 million or 166.70% higher compared to previous corresponding period loss after tax (LAT) of RM21 million due to lower raw material costs and favourable foreign exchange rate.

1H 18 PERFORMANCE

(RM mil)	1H 18	1H 17	YTD YoY%
Revenue	1,122	1,339	(16.21)
GP margin (%)	*11.54*	*1.55*	9.99
Expenses	(1,081)	(1,407)	(23.17)
(Loss)/Profit Before Tax	41	(68)	160.29
(Loss)/Profit for the Period	30	(56)	153.57
Net (loss)/profit margin (%)	*2.69*	*(4.19)*	*6.88*
EPS (sen)	4.29	(7.98)	153.76
Attributable to Shareholders - ROE (%) - Net Asset per Share (RM/Share)	1.54 2.79	(2.91) 2.71	4.45 2.95

YTD YoY

REVENUE
The Group revenue for the first half of the year 2018 was RM 1,122 million compared to RM 1,339 million revenue in the same period last year due to lower overall tonnage sold.
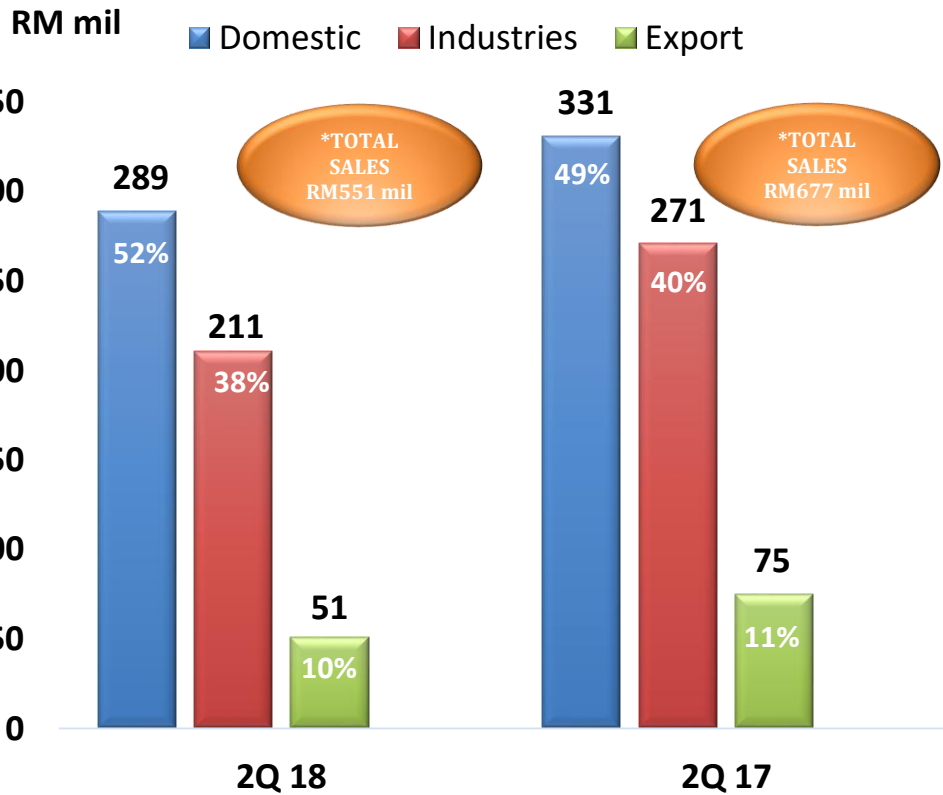
(LOSS)/ PROFIT AFTER TAX (LAT)/PAT
The Group recorded a profit after tax for the 1H 2018 of RM 30 million as compared to previous corresponding period's LAT of RM 56 million due to lower raw sugar costs and stronger Ringgit.
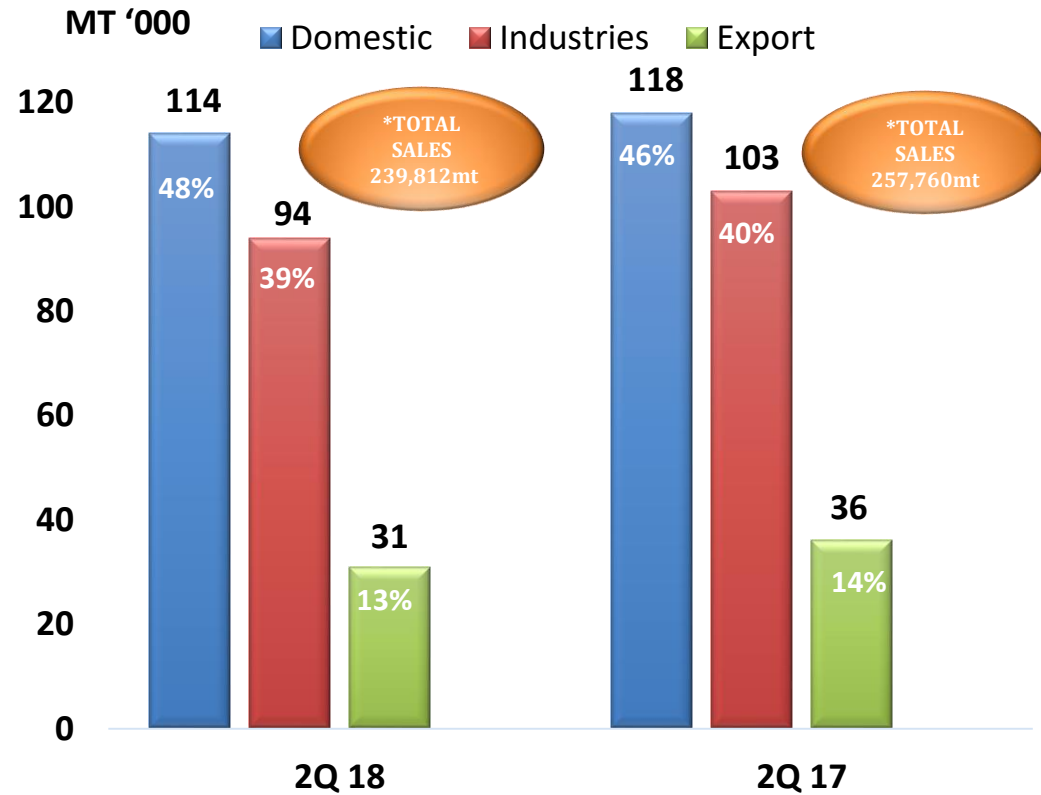
REVIEW OF SALES PERFORMANCE

SALES REVENUE 2Q 18 vs 2Q 17

RM mil

Legend: ■ Domestic ■ Industries ■ Export

2Q 18
- Domestic: 289 (52%)
- Industries: 211 (38%)
- Export: 51 (10%)
- *TOTAL SALES RM551 mil

2Q 17
- Domestic: 331 (49%)
- Industries: 271 (40%)
- Export: 75 (11%)
- *TOTAL SALES RM677 mil

- Total sales revenue of refined sugar was RM551 mil for 2Q 2018 vs RM676 mil in 2Q 2017.
- Overall sales revenue decreased due to reduction in the overall tonnage sold.

SALES VOLUME 2Q 18 vs 2Q 17

MT '000

Legend: ■ Domestic ■ Industries ■ Export

2Q 18
- Domestic: 114 (48%)
- Industries: 94 (39%)
- Export: 31 (13%)
- *TOTAL SALES 239,812mt

2Q 17
- Domestic: 118 (46%)
- Industries: 103 (40%)
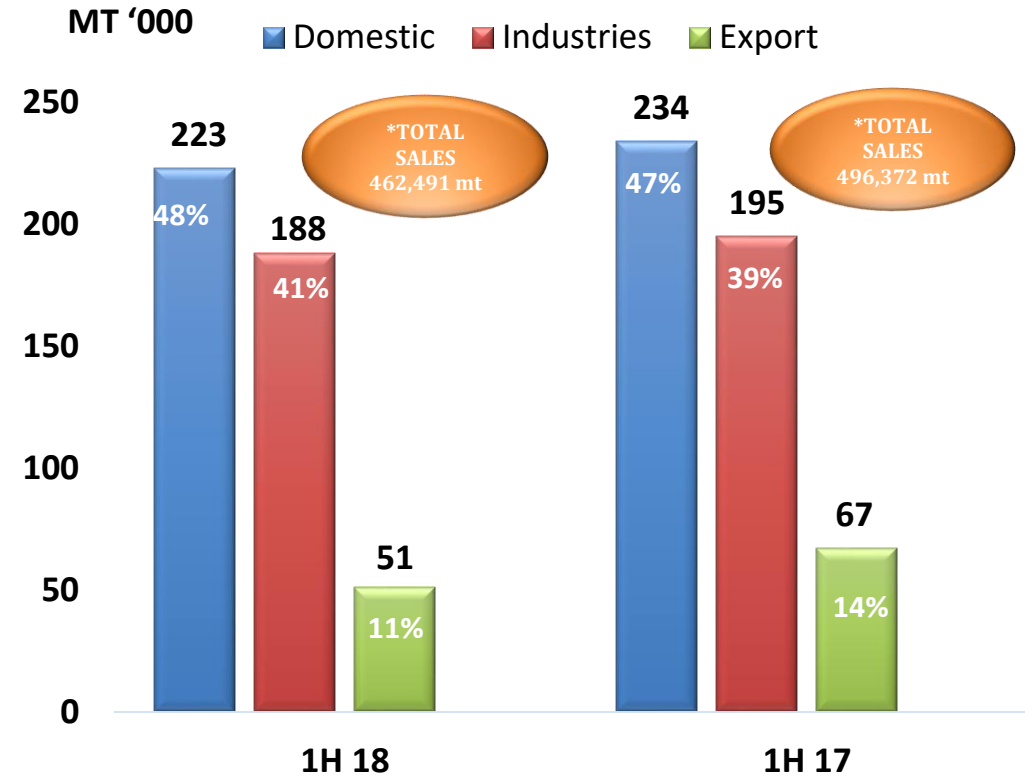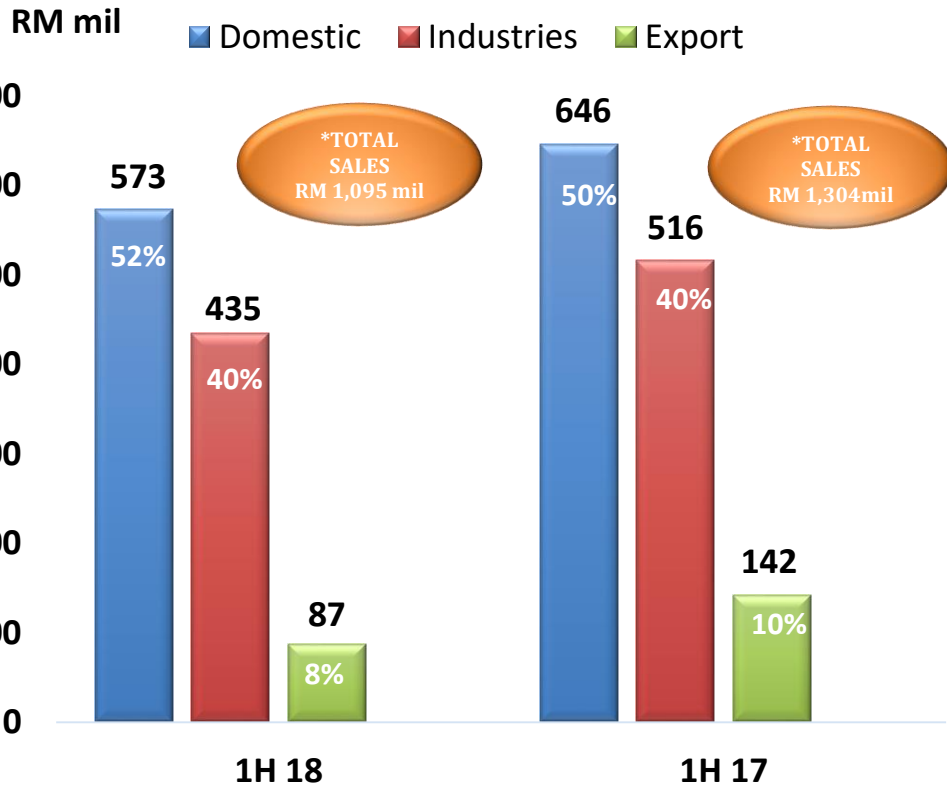- Export: 36 (14%)
- *TOTAL SALES 257,760mt

- Industries sales volume down by 9,000 tons compared to 2Q 2017.

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

SALES REVENUE 1H 18 vs 1H 17

RM mil

Legend: ■ Domestic ■ Industries ■ Export

TOTAL SALES RM 1,095 mil

TOTAL SALES RM 1,304mil

1H 18: Domestic 573 (52%), Industries 435 (40%), Export 87 (8%)

1H 17: Domestic 646 (50%), Industries 516 (40%), Export 142 (10%)

- Total sales revenue of refined sugar was RM 1,095 mil vs RM 1,304 mil in 2017.
- Overall sales revenue decreased due to reduction in the overall tonnage sold.

SALES VOLUME 1H 18 vs 1H 17

MT '000

Legend: ■ Domestic ■ Industries ■ Export

TOTAL SALES 462,491 mt

TOTAL SALES 496,372 mt

1H 18: Domestic 223 (48%), Industries 188 (41%), Export 51 (11%)

1H 17: Domestic 234 (47%), Industries 195 (39%), Export 67 (14%)

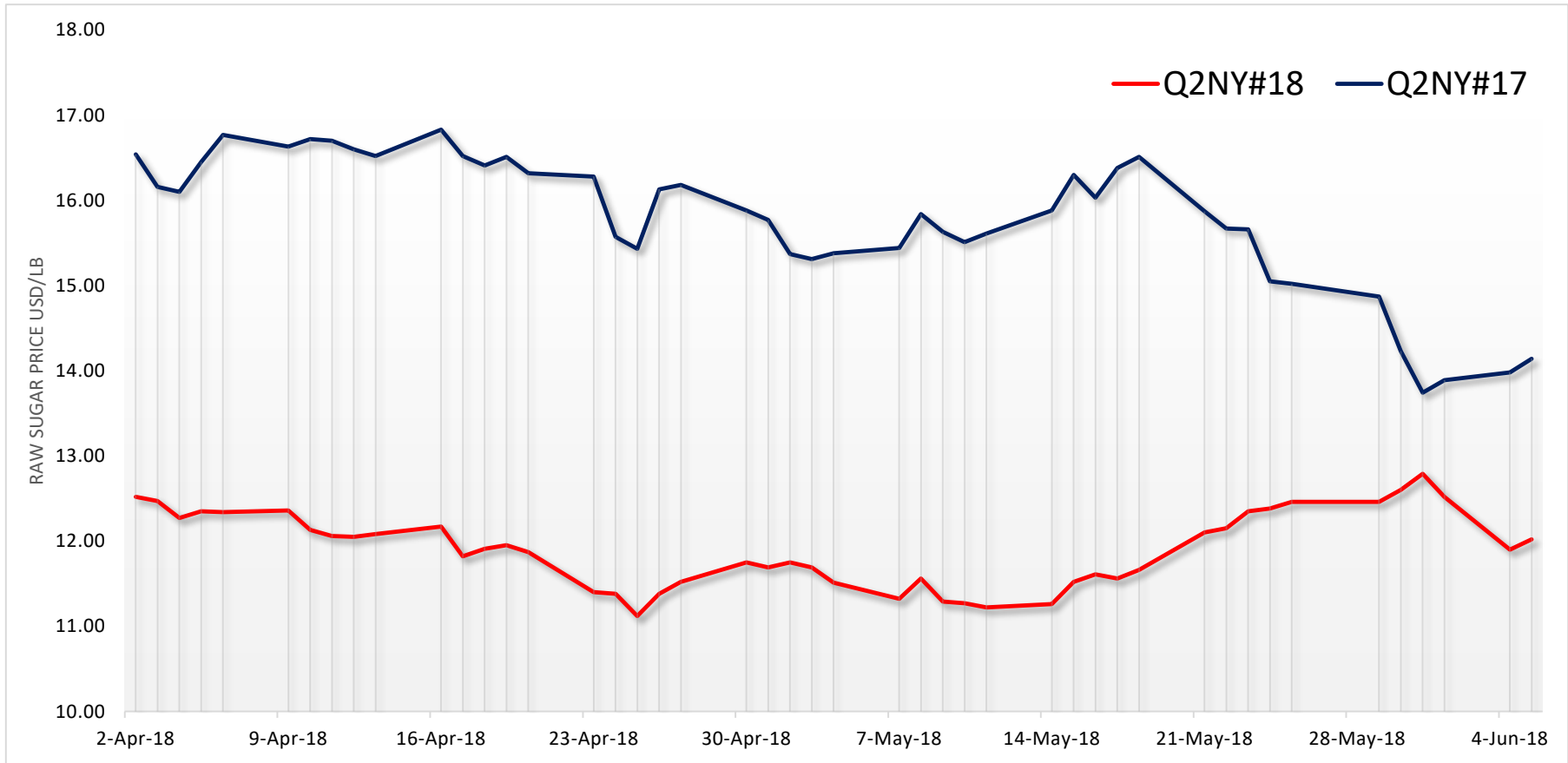- Export sales volume down by 7,000 tons compared to 2017.

* Note:
1) Sales figure is AFTER consolidation adjustment   2) The sales figure excludes the sales of molasses
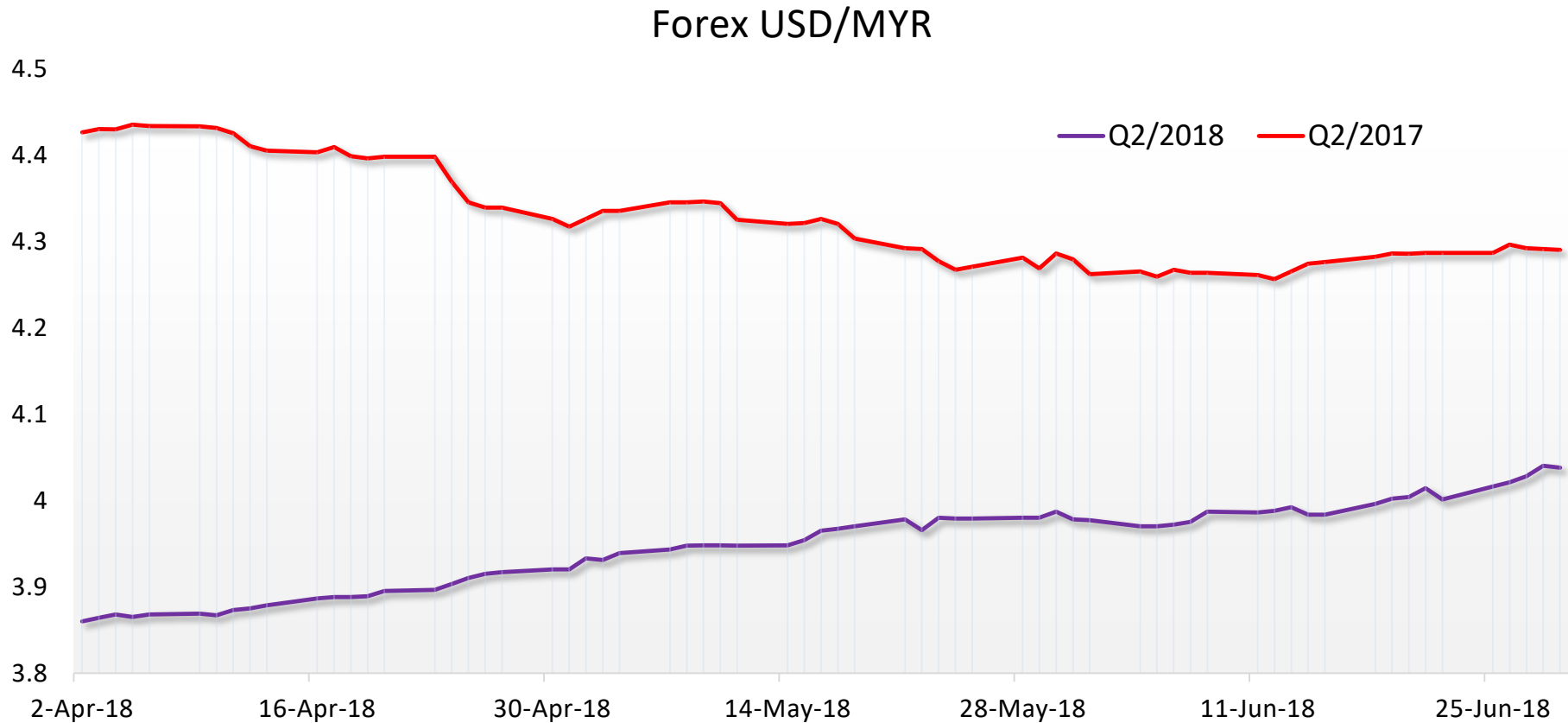
SUGAR MARKET OVERVIEW 2018

NY11 PRICE MOVEMENT (2Q 18)

	2Q 18	2Q 17	% Change
Average	12.00c/lb	15.15c/lb	**-20.79%**

CURRENCY MARKET: MYR TO USD (2Q 18)

Forex USD/MYR

On the basis of quarterly comparison i.e. 2Q 2018/2Q 2017, MYR has strengthened against USD by almost 8.77%

WORLD SUGAR MARKET – HIGHLIGHTS AND OUTLOOK

- After two years of deficit we are currently in the phase of two years of significant surplus while market consensus is that most of the surplus sugar lies in 2017-18. Projection of surplus for 2017-18 is around 10.5-11mmt while for 2018-19 season it is around 7-7.5mmt.

- India still hasn't started exporting in full fledge, however the Government is reviving its sugar policies to make exports competitive. Recent policy change such as fixing domestic floor price at $420/mt and removing stockpiling will definitely push exports. We expect exports picking up in September and the country will be needed to export 6-8 million mt to overcome the surplus.

- As Indian exports are looking inevitable the market is vulnerable to downside while consensus is building that Central South Brazil sugar production is expected to drop by 6mmt which should be easily balanced by surplus in other region. However the current prices are below parity($14c/lb) in almost all producing countries which may cut supply but most likely not in short-medium term.

- We still see that the fundamental picture has not changed much and sugar is easily available and estimate raw sugar prices to trade in $10-13c/lb. range in 2H 2018 unless we see major fundamental or macro change.

THANK YOU