



# ANALYST BRIEFING SESSION

## FOURTH QUARTER 2020

Thursday, 25 February 2021

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## EXECUTIVE SUMMARY

1. Although Malaysia's economy recorded a negative growth of 3.4% in 4Q20, largely attributable to the imposition of CMCO on a number of states since mid-October, MSM stays resilient by focusing on MSM Johor ramp-up plan, value added products development and relentless marketing efforts.
2. As a results of that, MSM marked a positive milestone in its turnaround journey after 8 consecutive quarterly losses on the back of improved production cost, higher volume and premium.
3. In FY2020, MSM Johor's operation has shown significant progress where its achieved higher UF and yield of 23% and 90% respectively, compared to 18% and 88% in the previous year.
4. This has further reduced the Group's production cost in addition to lower raw sugar freight cost and Forex.

# GROUP FINANCIAL HIGHLIGHTS

FINANCIAL		4Q 20	4Q 19	Changes %	12M 20	12M 19	Changes %
Revenue	RM 'mill	630	516	22	2,184	2,007	9
Gross Profit/(Loss)	RM 'mill	93	14	>100	168	9	>100
PBT/(LBT)	RM 'mill	74	(31)	>100	36	(300)	>100
PAT/(LAT) continuing operations	RM 'mill	57	(37)	>100	4	(288)	>100
PAT/(LAT) discontinuing operations	RM 'mill	-	(3)	>100	(75)	(11)	>(100)
PAT/(LAT)	RM 'mill	56	(40)	>100	(71)	(300)	75
Earning/(Loss) per Share (EPS)	sen	8	(6)	>100	(10)	(43)	(75)
Total Assets	RM 'mill				2,770	2,981	(7)
Total Liabilities	RM 'mill				1,189	1,323	(10)
Cash and Cash Equivalents	RM 'mill				196	171	15
Net Assets per Share	RM/share				2.25	2.36	(5)
Gearing Ratio*	%				33	36	(10)

- Revenue 4Q20 improved by 22% attributed by higher volume and higher premium.
- 4Q20 Gross Profit margin of 14% compared to 3% last year contributed by lower raw sugar cost and RC from improved UF and yield.
- Improved cash balance at RM196 mil due to better raw material planning and collection of receivables.
- Lower stock holding from just-in-time raw sugar procurement.
- Lower finance cost recorded in FY2020.

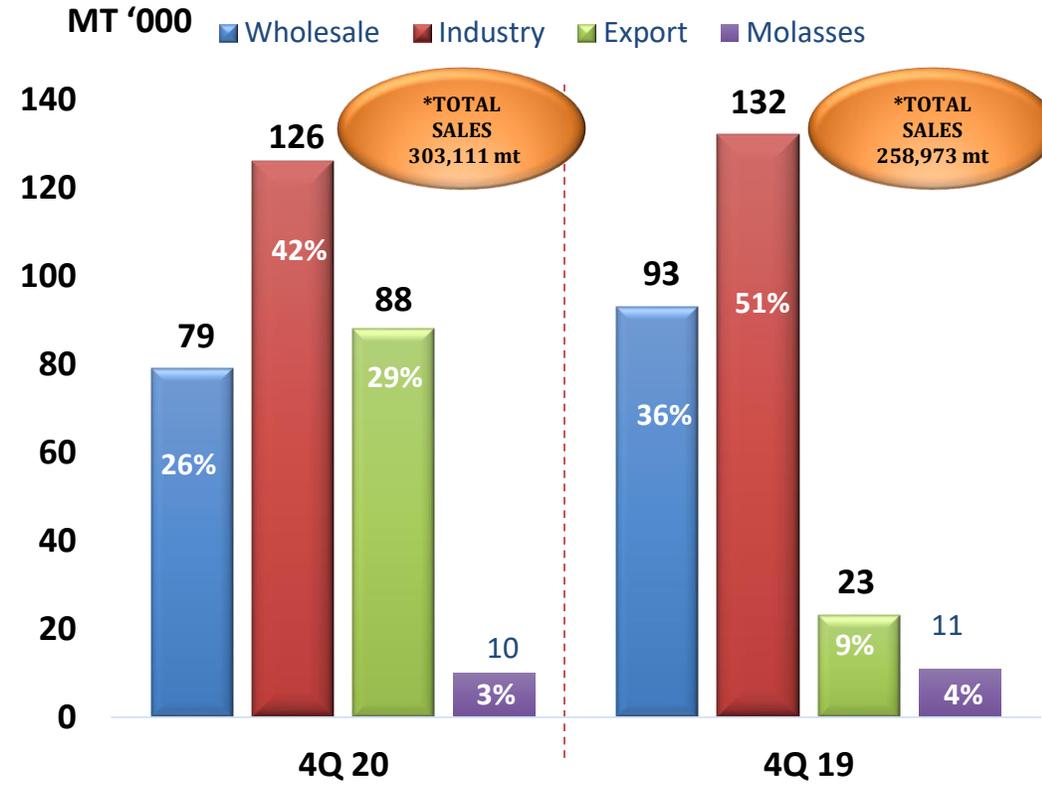
\* Gearing ratio equals to net debt divided by total capital of the Group. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position). Total capital is calculated as 'equity attributable to owners of the Group'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

# SALES PERFORMANCE REVIEW – 4Q 2020 vs 4Q 2019

## SALES REVENUE



## SALES VOLUME



- Revenue increased by 20% due to higher sales volume and improved premium.
- Export volume increased by almost fourfold comprising of refined sugar, liquid sugar and fine syrup to the regional market.
- Nevertheless, Domestic sales revenue marginally lower by 2% due to lower retail demand following Covid-19 pandemic.

\* Note: Sales figure is AFTER consolidation adjustment

## OPERATIONAL UPDATES 4Q 2020

-  **Production Volume** Recorded 295,646mt in 4Q20 vs 275,515mt in 4Q19, a 7% increased due to improvement in demand.
-  **Utilisation Factor** Group's UF in the period is 58%, resulting in low unit cost absorbed during the period.
-  **Refining Cost** Improved by 13% resulted from lower contract labour charges in relations to lower outsourcing packing, lower packing material cost and higher utilisation factor of MSM Johor.
-  **Yield** Increased by 1% due to greater plants' efficiency, strengthened internal processes and higher utilisation.
-  **Sales & Distribution Cost** Despite lower S&D cost in domestic, there is an overall increase of 8% due to higher export volume.

## KEY INITIATIVES IN MSM JOHOR

INITIATIVES	UPDATE
<p><b>Execute detailed ramp-up plan focusing on the bottleneck areas.</b></p>	<ul style="list-style-type: none"> <li>Engaged external consultant to conduct study on areas for improvement.</li> <li>Established ramp up task team and developed action plans to mitigate the bottlenecks.</li> </ul>
<p><b>Focus on yield improvement and reduced production losses.</b></p>	<ul style="list-style-type: none"> <li>Achieved highest yield in <b>Q4 = 92%</b></li> <li>On going process improvement activities.</li> </ul>
<p><b>Increase liquid sugar and fine syrup capacity.</b></p>	<ul style="list-style-type: none"> <li>New liquid sugar facility at 95% completion. Expected to double the daily capacity.</li> <li>Fine syrup facility enhancement with proper filtration system and loading station. (100% completed)</li> </ul>
<p><b>Strengthen organisational structure and implement high performance culture.</b></p>	<ul style="list-style-type: none"> <li>Restructure new organisation</li> <li>Recruitment of critical position (HSE manager, HR manager, Technical support) – 100%</li> </ul>
<p><b>Increase SKUs capability by transferring existing packing lines from MSM Perlis.</b></p>	<ul style="list-style-type: none"> <li>Installation of 2 unit 1MT, 4 units 1KG/2KG packing line into existing packing house for domestic market. (Progress 99% completion)</li> </ul>
<p><b>Enhance data recording for better inventory management.</b></p>	<p>Established robust data recording task team focusing on data integration for:</p> <ul style="list-style-type: none"> <li>Improve raw sugar weighing data system with implementation of weighing management system - 40% completion</li> <li>Improve production and yield data collection – 100%</li> </ul>

# USD/MYR HISTORICAL MOVEMENT OCT 2019 – DEC 2020



Source : Bloomberg

Average hedged rate	4Q 2019	4Q 2020
<b>USD/MYR</b>	4.1750	4.1372

- For Q1 2021, MSM has hedged **100%** of the requirement at average FX rate of below **4.06**.

# RAW SUGAR (NY11) PRICES (AS AT 25/02/2021)



- ❑ NY11 prices has been **moving steadily upwards** mirroring the Crude Oil prices and in-tandem with projections of tighter tradeflow.
- ❑ Thai's sugar production is still forecasted to be about 7.3 million MT, **half of its normal production** of 14-15 million MT due to dry weather. **(Bullish)**
- ❑ Brazil remains as the **key single largest exporter** especially in the 2H of 2021. Any weather, political, logistical or currency movements can impact the production. **(Bullish)**
- ❑ Supply from other sugar producing countries remains tight such as Guatemala, and India. **(Bullish)**
- ❑ Prices are expected to trade within the range of **15.50 c/lbs to 18.50 c/lbs** in the 1H 2021, and towards **19.50 c/lbs in the 2H 2021** on projections of tighter supply and increased demand from China by Q3 2021. **(Bullish)**

# KEY HIGHLIGHTS IN 4Q 2020 AND MOVING FORWARD



## PERFORMANCE AND PROSPECTS

- MSM returned to black in 4Q20 as a result of improved margin and production costs (due to improvement in MSMJ's operation).
- In 4Q20, we have achieved stronger sales revenue of RM630.7 mil and PBT of RM74 mil amidst the recovery of domestic sugar demand and better export premium.



## CAPACITY EXPANSION AND OPTIMISATION

- Capacity upgrade for fine syrup in Johor completed in 4Q20 whilst liquid sugar is scheduled for completion in 1Q21.
- Post closure of MSM Perlis refinery, MSM Johor is currently focusing on improving its operations.
- Re-balancing of domestic market by taking advantage of MSM Prai and MSM Johor locations.
- There is still opportunity to further improve MSM Prai.



## OPERATIONAL EXCELLENCE

- Continuation of just-in-time raw sugar procurement method for 2021
- This scheme managed to reduce raw sugar balance by 20% which subsequently reduced the warehouse rental cost by 14% and improved cash balance by 15% in FY2020.
- Enhancing our data recording, management and analytics towards IR 4.0

# THANK YOU

