

MSM MALAYSIA HOLDINGS BERHAD

FINANCIAL RESULTS BRIEFING

First Quarter for the Financial Period Ended 31 March 2021

Tuesday, 25 May 2021

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Today's Agenda



Executive Summary



Group Financial Highlights



Sales Performance



Operational Updates



MSM Johor Key Initiatives



Forex and Sugar Market Overview



Key Highlights



FY 2021 Prospect



Executive Summary

1. Despite continuing movement restrictions globally due to COVID-19 pandemic, MSM remains on course as the leader in sugar manufacturing in 2021 and create greater shareholders value.
2. The Group posted a **total revenue of RM515 million** for 1Q 2021 higher by RM4 million versus the same quarter last year of RM511 million contributed by **increased Average Selling Price (ASP) and higher industry and export premiums**.
3. Export Refined Sugar volume is almost **fivefold** the volume recorded in the same period last year (1Q 2021:58,673 MT (25% of total sales volume); 1Q 2020:12,088 MT (9% of total sales volume)).
4. The Group's continuing operations recorded a significant turnaround with **Profit Before Tax (PBT) of RM43 million** versus Loss Before Tax (LBT) of RM27 million in 1Q 2020 attributed by **improved overall margin, forex gains and lower finance cost**.
5. The group achieved **96% yield** 1Q 2021 versus 94% yield 1Q 2020 due to greater plants efficiency and strengthened internal processes in both refineries - MSM Johor (92%); MSM Prai (97%).



Group Financial Highlights

FINANCIAL PERFORMANCE	1Q 2021	1Q 2020	Variance
Revenue (RM 'million)	515	511	▲ 1%
Gross Profit (RM 'million)	68	14	▲ >100%
GP Margin (%)	13	3	▲ >100%
PBT/(LBT) (RM 'million) – cont. operations	43	(27)	▲ >100%
PAT/(LAT) (RM 'million) – cont. operations	30	(34)	▲ >100%
PAT (RM 'million) – discount. operations	1	-	▲ >100%
PAT/(LAT) (RM 'million)	31	(35)	▲ >100%
LPS/EPS (sen)	4	(10)	▲ >100%
FINANCIAL POSITION	1Q 2021	FY 2020	Variance
Total Assets (RM 'million)	2,892	2,770	▲ 4%
Total Liabilities (RM 'million)	1,277	1,189	▲ 7%
Cash and Cash Equivalents (RM 'million)	213	196	▲ 9%
Net Asset/Share (RM)	2.30	2.25	▲ 2%
Gearing Ratio (%)*	30	33	▼ 9%

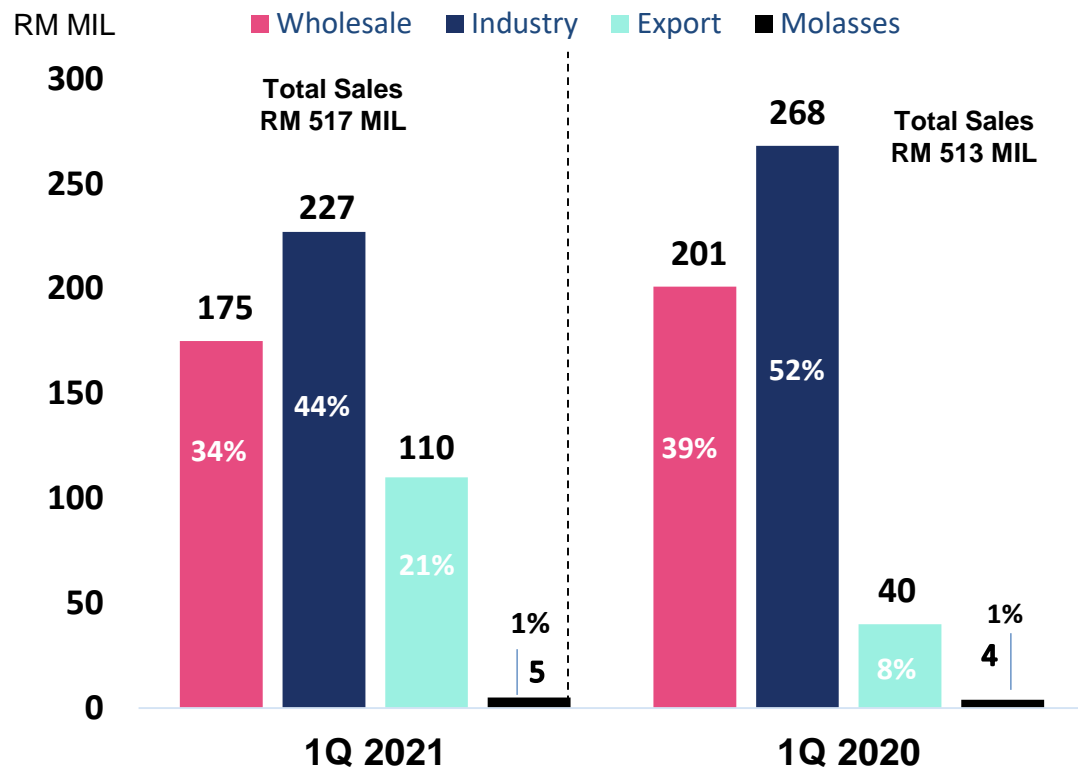
- Higher revenue for 1Q 2021 (QoQ) contributed by:
 - Increased ASP for industry and export Refined Sugar by 14% and 5%, respectively.
 - Lower Domestic volume offset by higher Export Refined Sugar volume.
- PBT of RM43 million for 1Q 2021 compared to LBT of RM27 million in 1Q 2020:
 - GP margin improved (3% to 13%) from higher yield and capacity utilisation.
 - Lower finance cost by RM4 million from lower borrowings.
 - Gain on forex of RM7 million.

* 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.

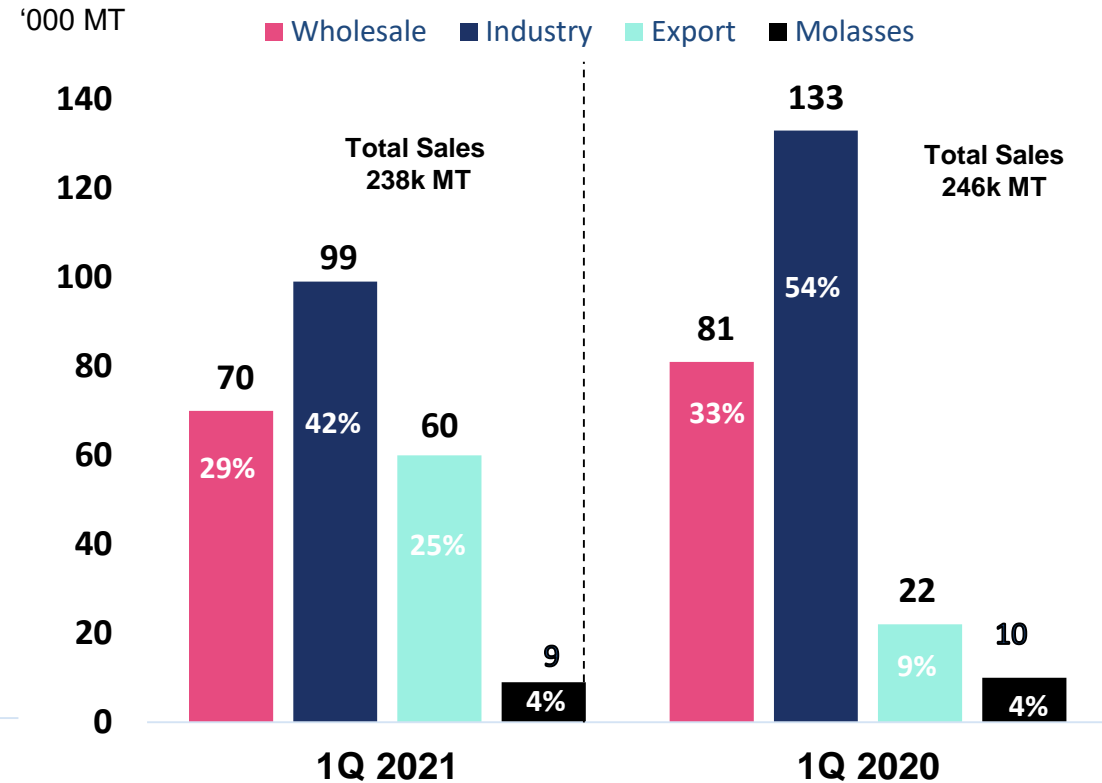


Sales Performance

Sales Revenue



Sales Volume



- Wholesale and Industry volume fell 13% and 26%, respectively. Domestic (Wholesale and Industry) sales volume decreased by 45,000 MT or 21% compared to the same quarter last year.
- Export Refined Sugar volume is almost fivefold the volume recorded in the same period last year

* Note: Sales figure is AFTER consolidation adjustment

Operational Updates



● Production Volume

Recorded 238,458 MT in 1Q 2021 vs 237,167 MT in 1Q 2020, a slight increase of 0.5% (1,291 MT) in line with Group's plan to improve capacity utilisation in MSM Johor.



● Utilisation Factor

Group's UF in the period is 47%, resulting in low unit cost absorbed during the period.



● Refining Cost

Improved by 13% mainly from significant reduction in fuel cost due to revised gas tariff.



● Yield

Yield of 96% due to greater plants efficiency and strengthened internal processes in both refineries - MSM Johor (92%); MSM Prai (97%).



● Finance Cost

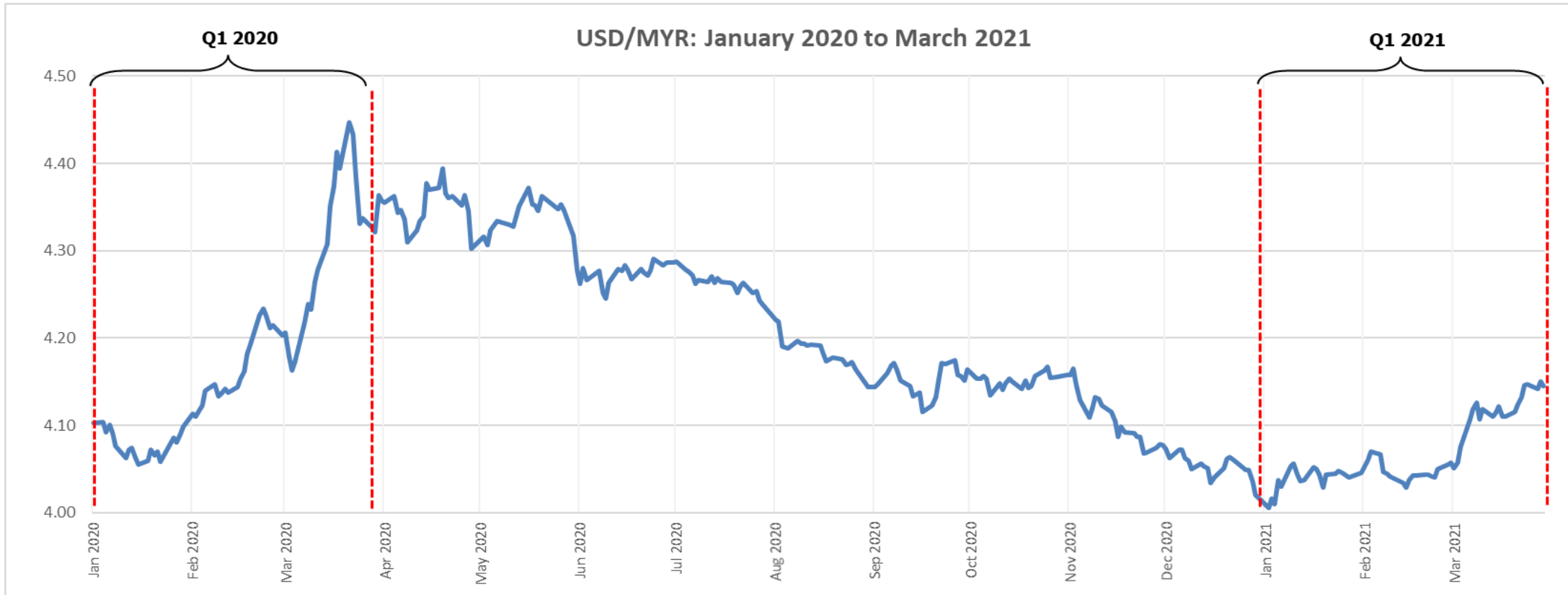
Lower finance cost in 1Q 2021 by 29% compared to 1Q 2020 as a result of lower borrowings.



Six MSM Johor Key Initiatives

<p>Execute detailed ramp-up plan focusing on the bottleneck areas.</p>	<ul style="list-style-type: none"> Engaged external consultant to conduct conveyor study completed in April FY2021. In the process of engaging technical consultant for MSM Johor ramp-up. Ramp up task team had to focus on MSM Johor boiler no. 1 repairs in 1Q 2021.
<p>Focus on yield improvement and reduced production losses.</p>	<ul style="list-style-type: none"> Achieved highest yield in Q1 = 92% On going process improvement activities.
<p>Increase liquid sugar and fine syrup capacity.</p>	<ul style="list-style-type: none"> New liquid sugar facility at 99% completion, testing and commissioning during the plant start-up. Expected to double the daily capacity. Fine syrup facility enhancement with proper filtration system and loading station. (100% completed)
<p>Strengthen organisational structure and implement high performance culture.</p>	<ul style="list-style-type: none"> Restructure new organisation completed. Recruitment of critical position completed.
<p>Increase SKUs capability by transferring existing packing lines from MSM Perlis.</p>	<ul style="list-style-type: none"> Installation and commissioning of 2 unit 1MT, 4 units 1KG/2KG packing line into existing packing house for domestic market. (100% completed)
<p>Enhance data recording for better inventory management.</p>	<p>Established robust data recording task team focusing on data integration for:</p> <ul style="list-style-type: none"> Improve raw sugar weighing data system with implementation of weighing management system. (Progress 70% completion) Improve production and yield data collection completed. Close monitoring of raw sugar inventory.

\$ USD/MYR Historical Movement Jan 2020 – Mar 2021



Source : Bloomberg

Average hedged rate	1Q 2020	1Q 2021
USD/MYR	4.0947	4.0563

- For Q2 and Q3 2021, MSM has hedged **100%** and **63%** respectively of the requirement at an average FX rate of **4.0956**.

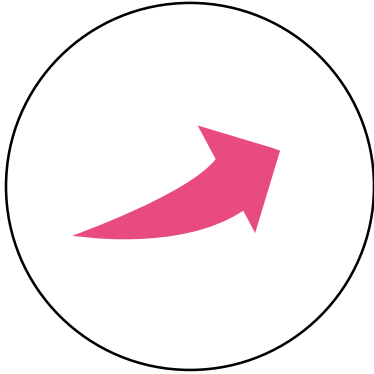
\$ Sugar Prices Outlook - Raw Sugar (NY11) Prices



- ❑ NY11 prices have been **trading on a steady uptrend for the past 12 months**, from the lows of USD 9.21 c/lbs in May'20 to USD 18.25 c/lbs in May'21.
- ❑ Brazil is currently the **single key exporter** for raw sugar especially moving towards the 2H 2021. Production in Brazil is expected to be affected by the dry-weather with **below-average rains** in key planting areas. **(Bullish)**
- ❑ Thai's sugar production is still forecasted to be about 7-7.5 million MT, **half of its normal production** of 14-15 million MT due to dry weather. **(Bullish)**
- ❑ Supply from other sugar producing countries remains tight such as Guatemala, Australia, South Africa and India. **(Bullish)**
- ❑ Prices are expected to trade within the range of **16 c/lbs to 18.50 c/lbs** for the remainder of 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)**

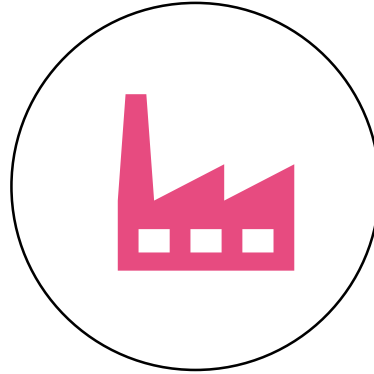


Key Highlights



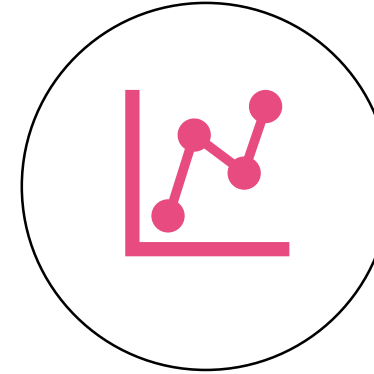
Performance

Positive earning performance from 1Q 2021 PBT of **RM43 million** from continuing operations.



Utilisation Factor Optimisation

Group's UF in the period is **47%**, resulting in low unit cost absorbed during the period and gearing towards >60% UF in the 2H 2021.



Operational Excellence

Achieved **96%** yield due to greater plants efficiency and strengthened internal processes in both refineries.



FY 2021 PROSPECT

1. The Group remains optimistic on its turnaround plan and the ability to achieve sustainable growth with focus on exports. The Group is working towards improving its efficiency and remains positive of its full year target performance. In addition, the Group is focused towards higher yield and capacity utilisation which will result in lower production cost.
2. On the export front, the seaport segment is poised to grow further in 2021 as global trade recovery gains further momentum, backed by the reopening of economies, businesses and borders. This encouraging development is favourable for our MSM Johor Refinery and the Group.
3. MSM will continue to pursue its turnaround plan and achieve sustainable growth with good returns.

THANK YOU

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