

MSM Malaysia Holdings Berhad

Wednesday | 25 August 2021



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AGENDA OF TODAY'S FINANCIAL RESULTS BRIEFING - 2Q 2021



A large circular graphic with a blue-to-green gradient border. Inside the circle, the words "EXECUTIVE SUMMARY" are written in bold, blue, uppercase letters. Four lines radiate from the right side of the circle to four separate text boxes, each containing a numbered point.

EXECUTIVE SUMMARY

1

MSM remains **resilient** with another **positive quarter** despite prolonged movement restrictions in Malaysia due to COVID-19. The temporary shutdowns in both refineries **create opportunity** to ensure the **sustainable productions** in line with our **turnaround plan to grow in industry and export markets**.

2

The Group's continuing operations recorded a **sustainable turnaround** with **Profit Before Tax (PBT) of RM64.55 million in 1H 2021** or **223% higher** versus **Loss Before Tax (LBT) of RM52.52 million in 1H 2020** attributed by **improved margin from higher capacity utilisation and lower finance cost**.

3

The Group **continues** its momentum **posting a total revenue of RM554 million for 2Q 2021, RM105 million or 23% higher** compared to the same quarter last year of RM449 million, contributed by **higher Average Selling Price (ASP) and sales volume**.

4

The group achieved **96% yield in 2Q 2021** versus 94% yield in 2Q 2020 due to improved plants efficiency - MSM Johor (87%); MSM Prai (97%) and strengthened internal processes in both refineries.

GROUP FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE	2Q 2021	2Q 2020	Variance	1H 2021	1H 2020	Variance
Revenue (RM million)	554	449	▲ 23%	1,069	960	▲ 11%
Gross Profit (RM million)	42	17	▲ >100%	110	31	▲ >100%
GP Margin (%)	8	4	▲ 4%	10	3	▲ 7%
PBT/(LBT) (RM million) – cont. operations	21	(25)	▲ >100%	64	(53)	▲ >100%
PAT/(LAT) (RM million) – cont. operations	13	(19)	▲ >100%	43	(54)	▲ >100%
PAT (RM million) – discount. operations	-	(2)	▲ >100%	1	(2)	▲ >100%
PAT/(LAT) (RM million)	13	(22)	▲ >100%	44	(56)	▲ >100%
EPS/LPS (sen)	1.9	(3.1)	▲ >100%	6.4	(8.0)	▲ >100%
FINANCIAL POSITION	1H 2021	FY 2020	Variance	1H 2021	1H 2020	Variance
Total Assets (RM million)	2,847	2,770	▲ 3%	2,847	3,026	▼ 6%
Total Liabilities (RM million)	1,218	1,189	▲ 2%	1,218	1,431	▼ 15%
Cash and Cash Equivalents (RM million)	163	196	▼ 17%	163	214	▼ 24%
Net Asset/Share (RM)	2.32	2.25	▲ 3%	2.23	2.27	▼ 2%
Gearing Ratio (%)*	30	33	▼ 3%	30	35	▼ 5%

- **Higher revenue for 2Q 2021 (QoQ) contributed by:**
 - Increased ASP for industry and Export Refined Sugar by 11% and 19% respectively.
 - Increased Domestic volume by 28% attributable to a less restrictive nationwide lockdown compared to MCO 1.0 in March 2020.
- **Higher PBT in 2Q 2021 due to:**
 - Improved overall margin from 4% to 8% in 2Q 2021.
 - Reversal of impairment of receivables and impairment of assets of RM4.5m and RM5.1m respectively.
- **Higher revenue for 1H 2021** attributed by increased ASP for Industry and Export by 13%.
- **Higher PBT in 1H 2021 due to:**
 - Improved overall margin from 3% to 10% in 1H 2021.
 - Lower finance costs by RM7.3 million from reduced borrowings.

* 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 FINANCIAL PERFORMANCE - 1H 2021

RM Million	1Q 2021	2Q 2021	1H 2021
Revenue	515	554	1,069
Gross Profit	68	42	110
PBT from continuing operations	43	21	64
PAT from continuing operations	30	13	43
PAT from discontinued operations	1	-	1
Profit Attributable to Shareholders	31	13	44

- **Revenue:**

Higher ASP and sales volume in 2Q 2021 by 5% and 2%, respectively.

- **Gross Profit:**

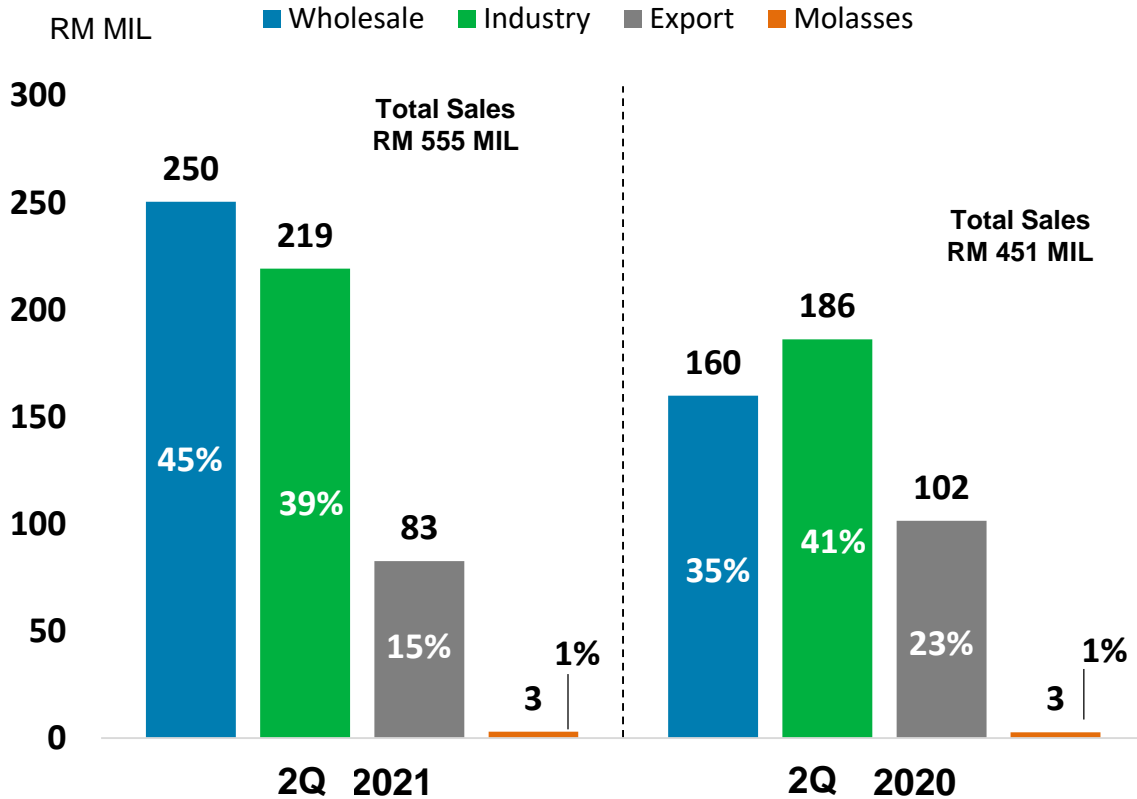
Decreased overall margin from 13% to 8% in 2Q 2021 due to higher production cost caused by higher raw sugar usage.

- **Discontinued operations:**

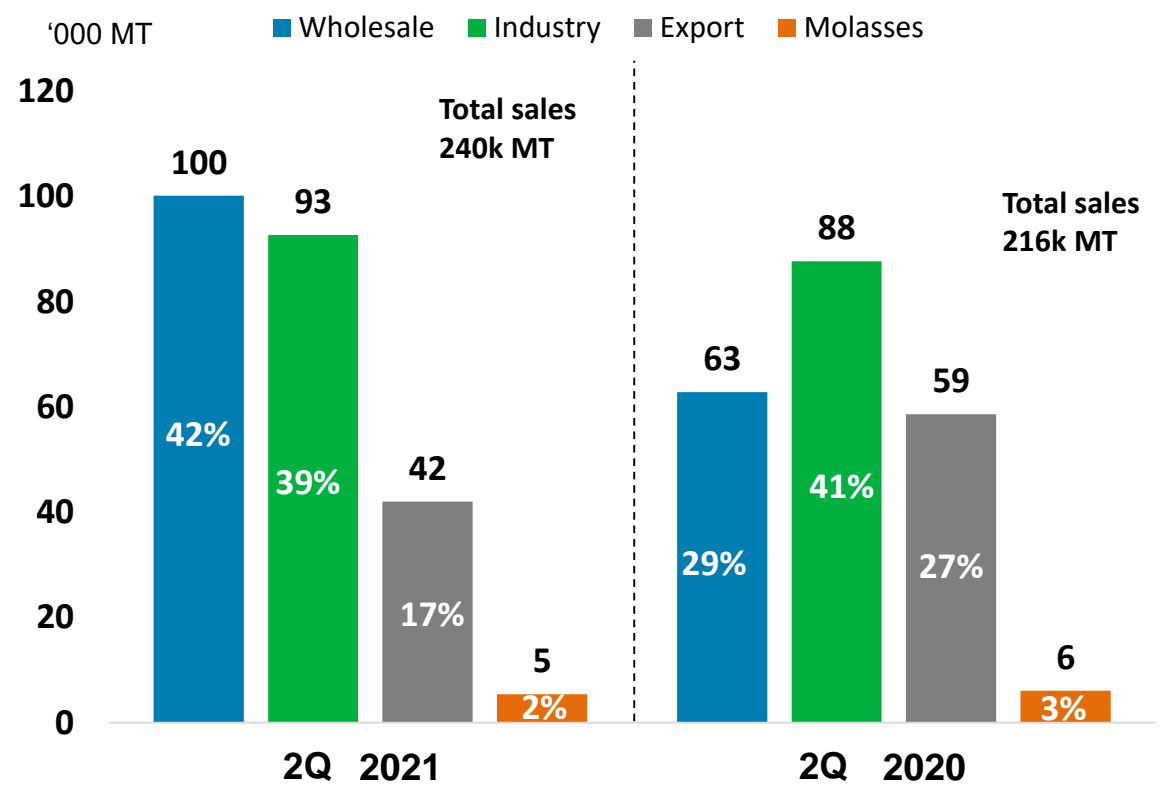
Recorded gain on sales of fixed asset of RM1m in 1Q 2021.

SALES PERFORMANCE - 2Q 2021 vs. 2Q 2020

Sales Revenue



Sales Volume

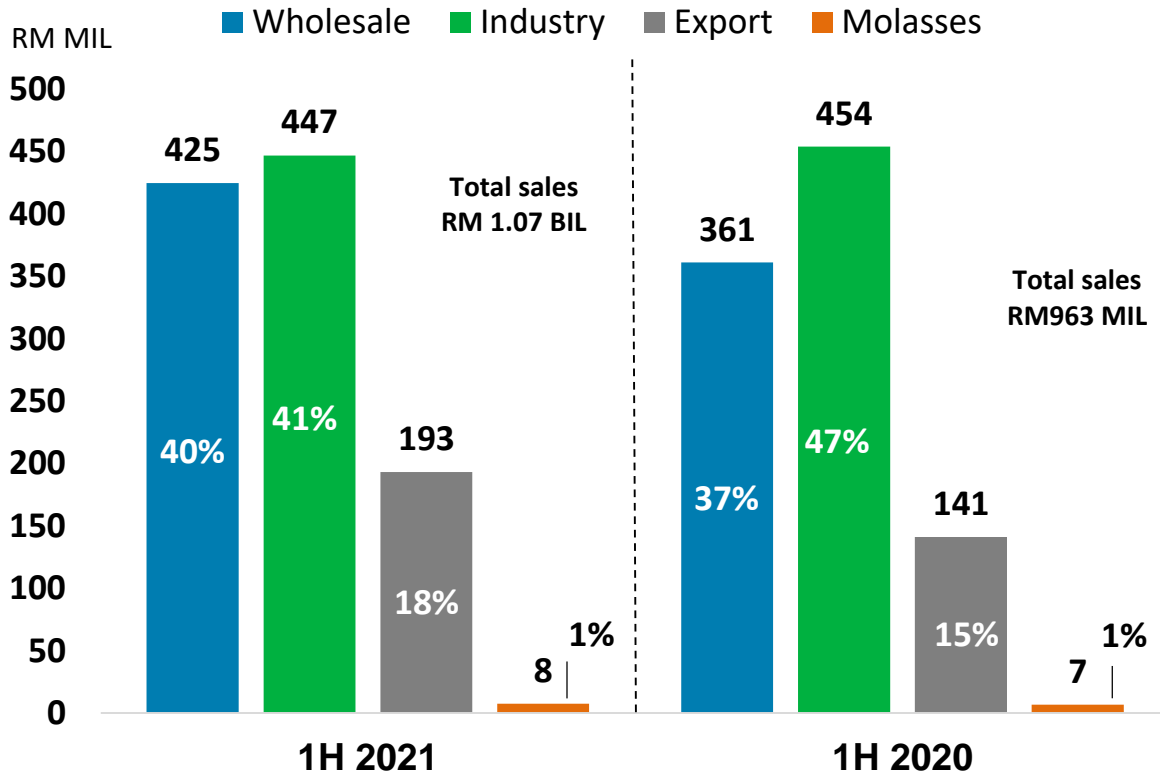


- Total sales revenue increased by 23% where Wholesale and Industry revenue surpassed previous year's quarter period by 56% and 18%, respectively.
- Wholesale and Industry volume improved 59% and 6%, respectively. Domestic (Wholesale and Industry) sales volume also rose by 42k MT or 28% compared to the same period last year.

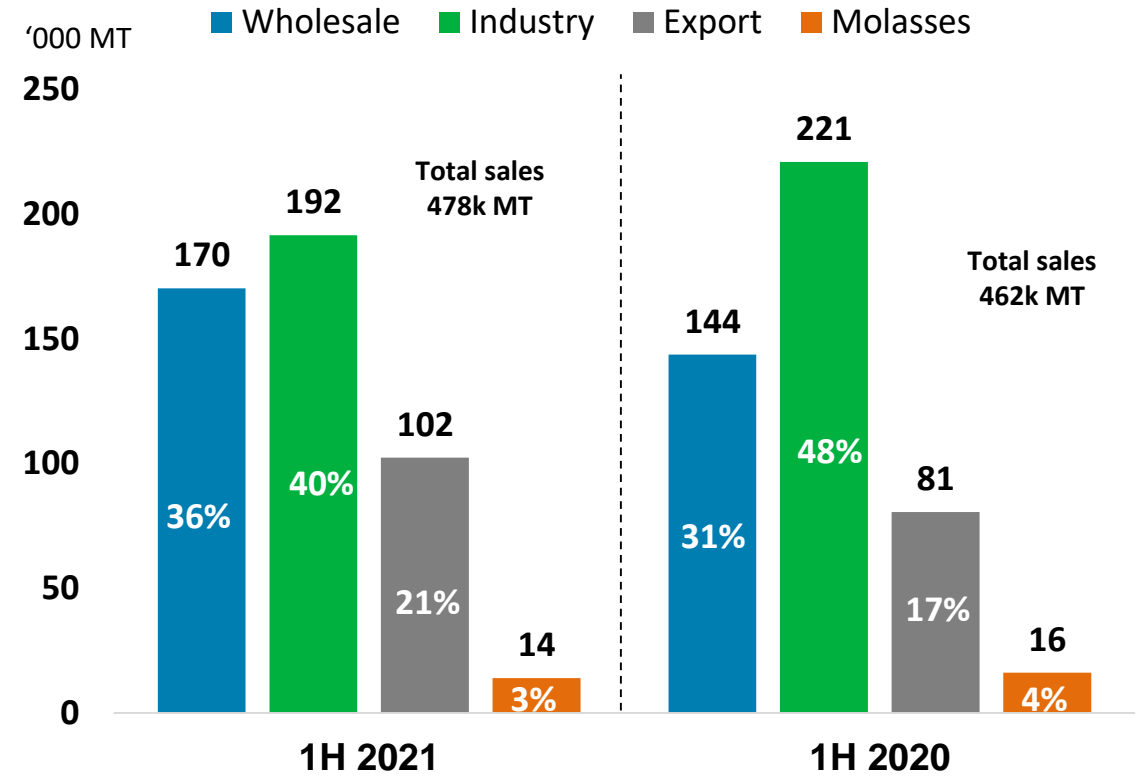
* Note: Sales figure is based on sales of refined sugar and after consolidation adjustment

SALES PERFORMANCE - 1H 2021 vs. 1H 2020

Sales Revenue



Sales Volume



- Total sales revenue increased by 11% with domestic sales revenue surpassing the previous period's by 7% from higher ASP.
- Wholesale sales volume and revenue rose by 18%. Domestic (Wholesale and Industry) sales volume decreased slightly by 3k MT or 1% compared to the same period last year.

* Note: Sales figure is AFTER consolidation adjustment

OPERATIONAL UPDATES - 2Q 2021



Production Volume



Recorded 180,624 MT in 2Q 2021 vs. 211,657 MT in 2Q 2020, lower by 15% due to plant shutdown at MSM Johor on 30 March to 26 May for boiler rectification activities and temporary shutdown in MSM Prai on 8 June to 15 June due to COVID-19.



Utilisation Factor



Group's UF in the period is 35% vs. 38% in 2Q 2020, resulting from lower production volume - MSM Prai (63%); MSM Johor (6%).



Refining Cost



Improved by 18% mainly from significant reduction in fuel cost due to revised gas tariff (RM367/MT 2Q 2021 vs. RM449/MT FY 2020).



Yield



Group Yield of 96% vs. 94% in 2Q 2020 with greater plants efficiency and strengthened internal processes in both refineries and due to smaller production volume for the quarter in MSM Johor - MSM Johor (87%); MSM Prai (97%).



Finance Cost



Lower finance cost in 2Q 2021 by 25% compared to 2Q 2020 as a result of lower borrowings.

CONTINUED OPTIMISATION - MSM JOHOR 6 KEY INITIATIVES

- Boiler 1 in operation and Boiler 2 completed awaiting DOSH latest 10 September 2021.
- Technical consultants onboarded for operational modifications and improvements.

Yield improvement and reduced production losses



- New liquid sugar facility at 100% capacity. Expects to double the daily production.
- Fine syrup facility enhancement (100% completed).

Organisational structure and high performance culture



- Installation and commissioning of 2 units 1MT, 4 units 1KG/2KG packing line into existing packing house for domestic market (100% completed).
- Additional packing lines and warehousing under implementation.

Enhance data recording for better inventory management



1

2

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4

5

6



Execute detailed ramp-up plan focusing on the bottleneck areas

- Various process optimization identified and ongoing implementation.
- Step increase achieved and progressing towards target.



Increase value added products sales

- Organisation restructuring completed.
- Recruitment of critical positions completed.
- Key talents with MNC experience recruited.



Increase SKUs capability for domestic market

- Established robust data recording task team focusing on data integration.
- Improve raw sugar weighing data system management with close inventory monitoring.
- Improvement of production and yield data collection.

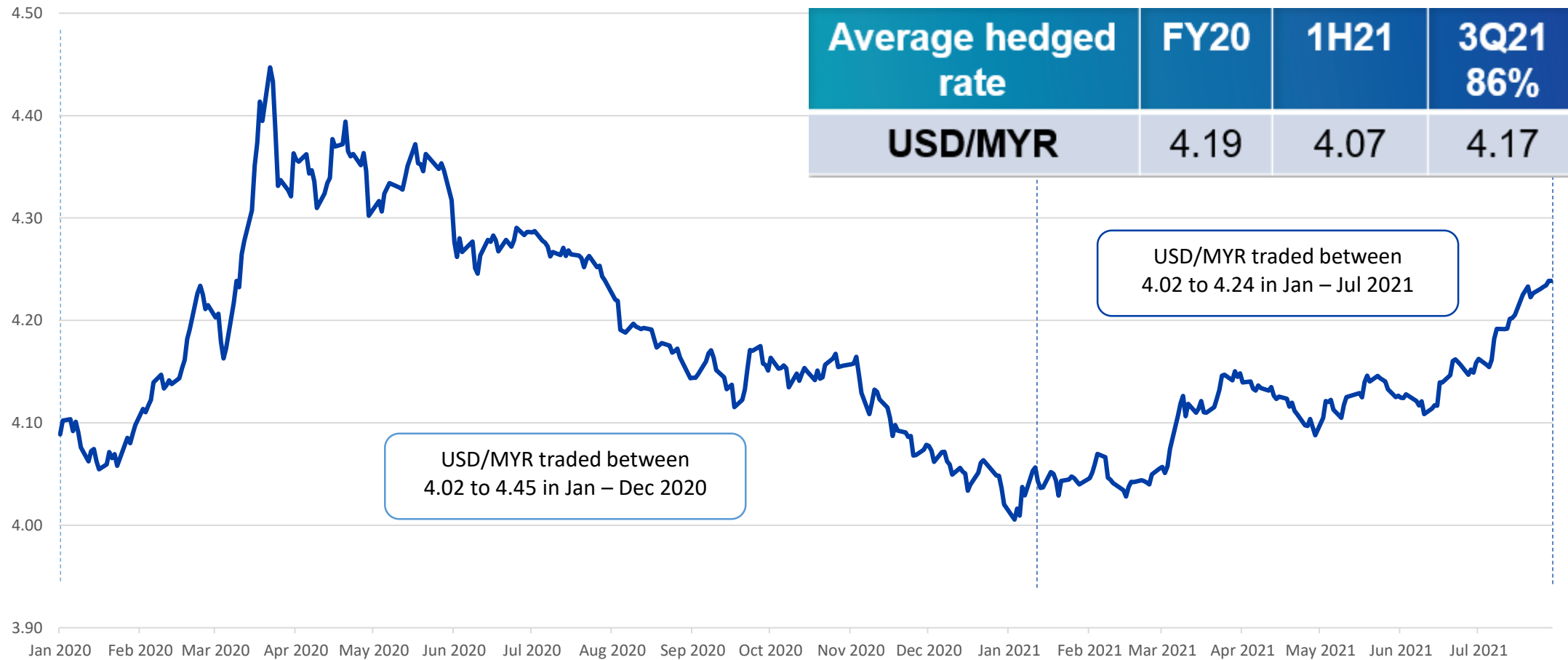
RAW SUGAR (NY11) PRICE MOVEMENT JAN 2020 - JUL 2021



2021 Raw Sugar Price (NY11) Outlook

- Brazil is currently the **single key exporter** for raw sugar globally. Production in Brazil is affected by the dry-weather with **below-average rains** in key planting areas and **recent frosts** that have damaged crops (recovery period 12 - 18 months).
- NY11 prices projected to be around **USD17-21 cents/lbs** (RM1,585/MT - RM1,958/MT).
- Thailand's sugar production is still forecasted to be about 9 - 10 million MT, **reduced from its normal production** of 14 - 15 million MT due to dry weather.
- Raw sugar market is strongly **correlated to the Crude Oil prices** which surged to a 3 - year-high in early July 2021. Higher crude oil prices will incentivize mills to produce more ethanol than sugar from the same sugarcane crop in Brazil.

USD/MYR MOVEMENT JAN 2020 - JULY 2021



Forex Rate 2021 Outlook

- Market's USD/MYR forecast for the remaining of 2021 is within the range of 4.18 - 4.30.

KEY HIGHLIGHTS



Financial Performance

PBT RM64 million, PAT RM44 million for 1H 2021 earnings performance **surpassed budget 1H 2021 by 52% and 179% vs. 1H 2020.**



UF Optimisation

Group's UF 1H 2021= 41%, due to the **temporary shutdown** of both refineries. However, there will be a catch up plan towards 2H 2021.



Operational Excellence

Achieved better refined sugar processing yield of **96%**.



Paring Down Debts

Continued efforts in paring down borrowing resulting in gearing of **23% for term loans** and overall **gearing of 30%** against total borrowing.

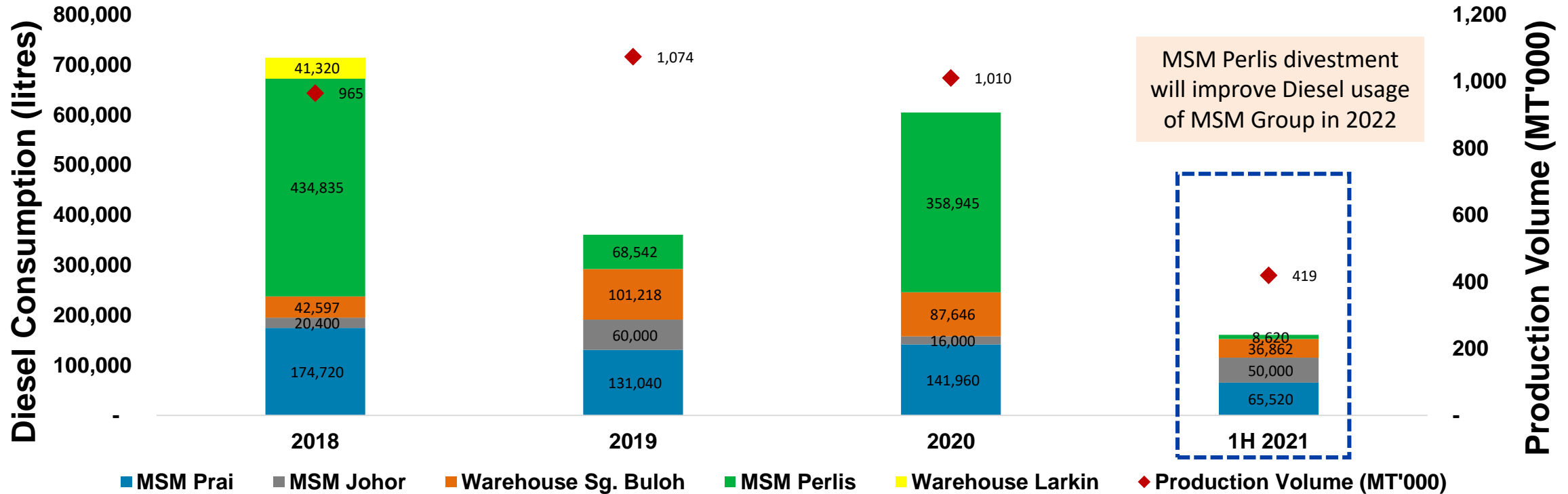
SUSTAINABILITY JOURNEY

- Carbonation process involves precipitation to purify and clarify the liquid sugar via the formation of calcium carbonate with addition of Lime & CO₂ gas.
- CO₂ gas can be scrubbed from flue gas & then compressed to fed to carbonators before the ion exchanger and evaporation process.

CO ₂ emission (tonnes)	2018	%	2019	%	2020	%
Natural Gas (recycled for carbonation process)	218,386	84%	257,813	88%	249,622	88%
Electricity (TNB)	40,146	15%	33,165	11%	32,901	12%
Diesel	1,925	1%	973	0%	1,631	1%
Air Travels	67	0%	46	0%	7	0%
Total	260,523	100%	291,998	100%	284,160	100%

SUSTAINABILITY JOURNEY (CON'T)

Diesel Usage by Entity and Production Volume

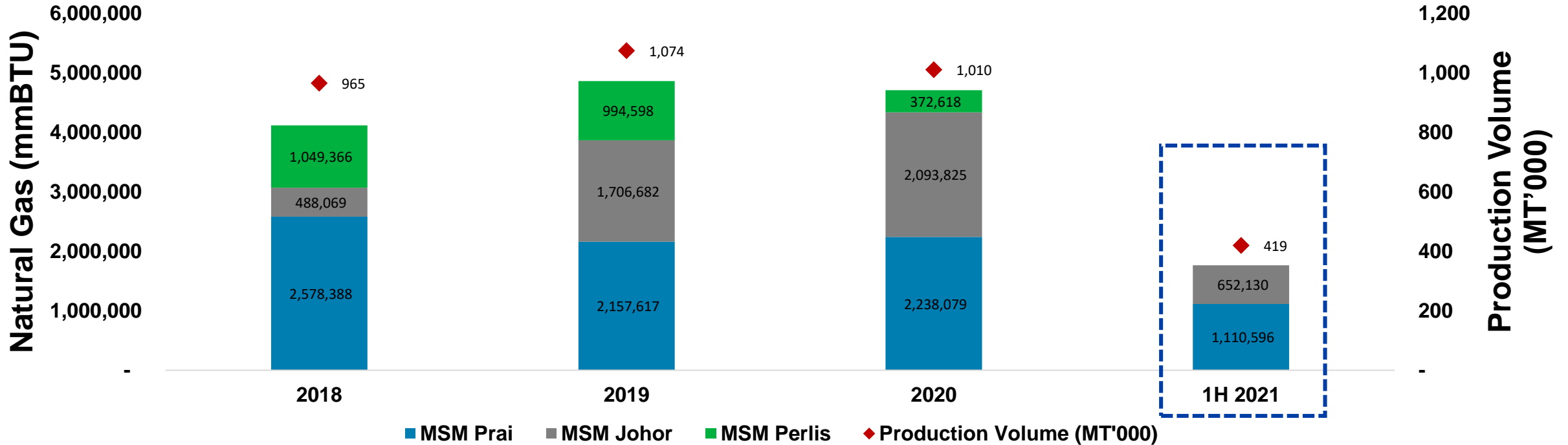


Energy Optimisation

- On 30 June 2020, the Steam Turbine Generator that is attached to the gas powered boilers has stopped following the **cessation of operation in MSM Perlis refinery**. However, MSM Perlis still require electricity supply for operations.
- In 2020, TNB was unable to supply electricity to MSM Perlis due to lack of infrastructure enhancement has lead to the use of diesel generator. The usage of diesel is **not directly correlated** to the production volume output.
- In 2021, the enhancement infrastructure by TNB has been completed. The total Group diesel consumption is expected to reduce following the on going **divestment of MSM Perlis** targeted to complete by 3Q 2021.

SUSTAINABILITY JOURNEY (CON'T)

Natural Gas Usage by Entity and Production Volume

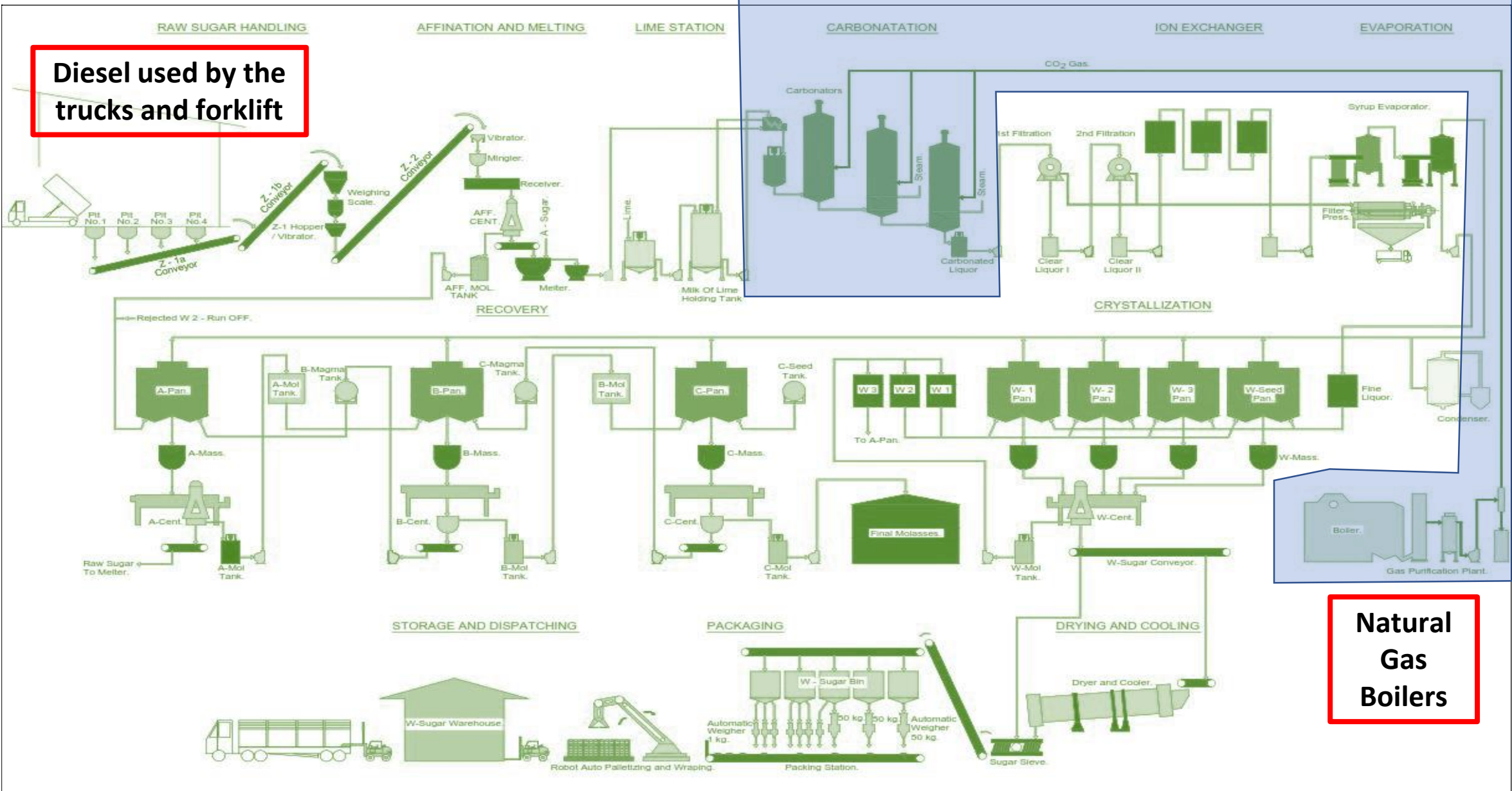


Energy Optimisation

- Natural gas is mainly consumed in the operation as it is **cleaner and produces less carbon soot and sulphur emission**.
- Natural gas consumption is expected to increase from 2021 onwards in line with our higher expected sales volume and ramp up plans.
- Overall, natural gas usage dropped in 2020 by 3% compared to 2019 mainly due to lower production volume (2020 -1,010,250 MT, 2019 - 1,073,888 MT). The usage of natural gas is **highly correlated** with the production volume output.
- CO₂ discharged is recycled for the carbonation step of the refining process. The heat admitted by the boilers are also recycled to produce electricity by Steam Turbine Generator.

SUSTAINABILITY JOURNEY (CON'T)

CO₂ gas are fed into the carbonators



Diesel used by the trucks and forklift

CARBONATION

ION EXCHANGER

EVAPORATION

CO₂ Gas

Carbonators

Clear Liquor I

Clear Liquor II

Syrup Evaporator

Filter Press

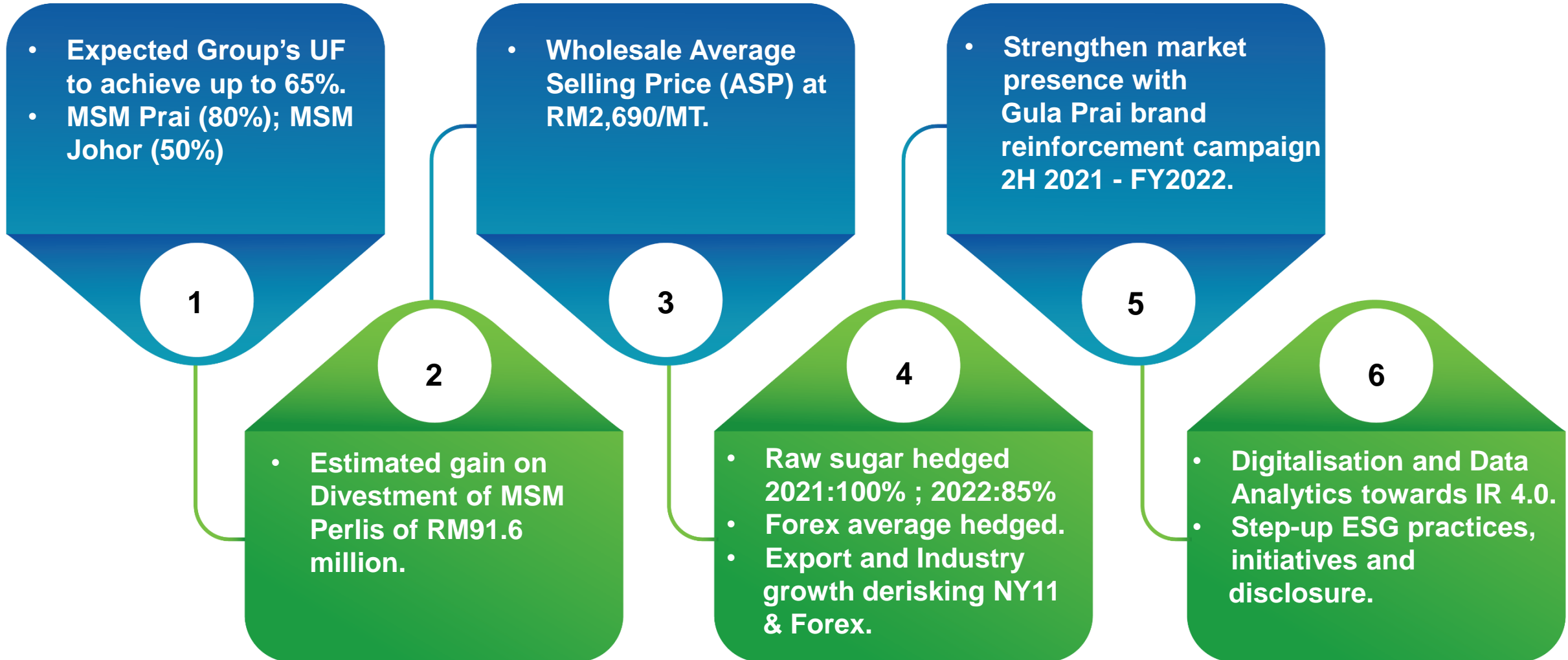
Condenser

Boiler

Gas Purification Plant

Natural Gas Boilers

2H 2021 - ACCELERATING TURNAROUND AND STAGING FY 2022



FY 2021 PROSPECT



The Group remains cautiously optimistic on its turnaround plan and the ability to achieve sustainable growth amidst the rising trend of global raw sugar price. 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 refining and production cost.

On the domestic front, the National Recovery Plan underway and rate of vaccination provides strong impetus for greater economic recovery and socio-economic activities leading to more product consumption including sugar.



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.

MSM will continue to pursue its turnaround plan and achieve sustainable growth with good returns.





THANK YOU

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