

# MSM Malaysia Holdings Berhad

Thursday | 25 November 2021 - MSM Analyst Briefing 3Q 2021



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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 on the right.

## EXECUTIVE SUMMARY

**1**

MSM remains **resilient** with another **positive quarter** despite prolonged movement restrictions in Malaysia due to COVID-19. The **strategic plans** are on track to ensure the **turnaround acceleration** while **staging for better performance** in financial year 2022.

**2**

The Group's continuing operations recorded a **higher turnaround** with **Profit Before Tax (PBT) of RM 87 million** in 9M 2021 or more than **300%** versus Loss Before Tax (LBT) of RM38 million in 9M 2020 supported by higher **Average Selling Price (ASP)**.

**3**

The Group recorded **higher gross profit margin of 8%** in 9M 2021 compared to 5% in the same period last year, with **4% higher revenue of RM1.6 billion** against RM1.5 billion in the prior year.

**4**

The Group has **achieved its strategic plans** to monetise its **non-core assets** via the disposal of **MSM Perlis**. A disposal gain of **RM91.81 million** was recorded in 3Q 2021.

# GROUP FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE	3Q 2021	3Q 2020	Variance	9M 2021	9M 2020	Variance
Revenue (RM million)	549	595	▼ 8%	1,618	1,554	▲ 4%
Gross Profit (RM million)	24	43	▼ 44%	134	74	▲ 81%
GP Margin (%)	4%	7%	▼ 3%	8%	5%	▲ 3%
PBT/(LBT) (RM million) – cont. operations	22	15	▲ 47%	87	(38)	▲ >100%
PAT/(LAT) (RM million) – cont. operations	9	1	▲ >100%	53	(53)	▲ >100%
PAT (RM million) – discount. operations	88	(72)	▲ >100%	89	(75)	▲ >100%
PAT/(LAT) (RM million)	97	(71)	▲ >100%	142	(127)	▲ >100%
EPS/LPS (sen)	14	(10)	▲ >100%	20	(18)	▲ >100%
FINANCIAL POSITION	9M 2021	FY 2020	Variance	9M 2021	9M 2020	Variance
Total Assets (RM million)	2,924	2,770	▲ 6%	2,924	2,850	▲ 3%
Total Liabilities (RM million)	1,197	1,189	▲ 1%	1,197	1,326	▲ 9%
Cash and Cash Equivalents (RM million)	311	196	▲ 59%	311	213	▲ 46%
Net Asset/Share (RM)	2.46	2.25	▲ 9%	2.46	2.17	▲ 13%
Gearing Ratio (%)*	28	33	▼ 15%	28	36	▼ 22%

- **Lower revenue for 3Q 2021 (QoQ) contributed by:**
  - Lower sales volume as a result of prolonged MCO.
  - F&B producers and outlets were operating at either reduced/limited capacity.
- **Higher PBT for 3Q 2021 (QoQ) attributed by gain on MSM Perlis divestment and liquidation of excess raw sugar hedges.**
- **Higher revenue for 9M 2021 mainly attributed by increased Premiums for Industry and Export driven by higher NY11.**
- **Higher PBT in 9M 2021 due to:**
  - Improved overall margin from 5% to 8% in 9M 2021.
  - Lower finance costs as a result of lower borrowing.

\*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 - 9M 2021

RM Million	1Q 2021	2Q 2021	3Q 2021	9M 2021
Revenue	515	554	549	1,618
Gross Profit	68	42	24	134
PBT from continuing operations	43	21	22	87
PAT from continuing operations	30	13	9	53
PAT from discontinued operations	1	-	88	89
Profit Attributable to Shareholders	31	13	97	142

**Revenue:**

Revenue decreased from 2Q 2021 due to 5% reduction in sales volume, partially offset by 3% higher ASP.

**Gross Profit:**

Lower GP due to 11% increase in freight cost which resulted in 4% increase in production cost.

**Profit before tax:**

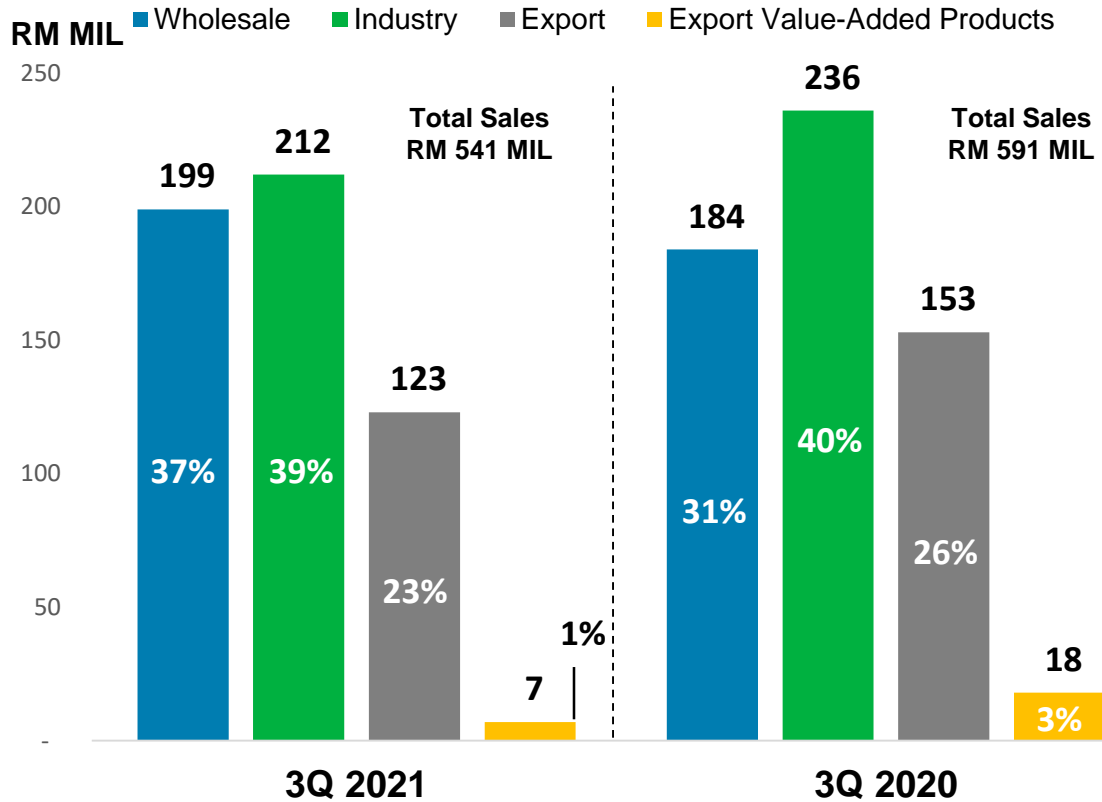
PBT from operations was **RM96.75** million before the loan modification of RM9.75 million. Net gain from MSM Perlis disposal of RM77.18 million and **total PBT RM173.93** million.

**Discontinued operations:**

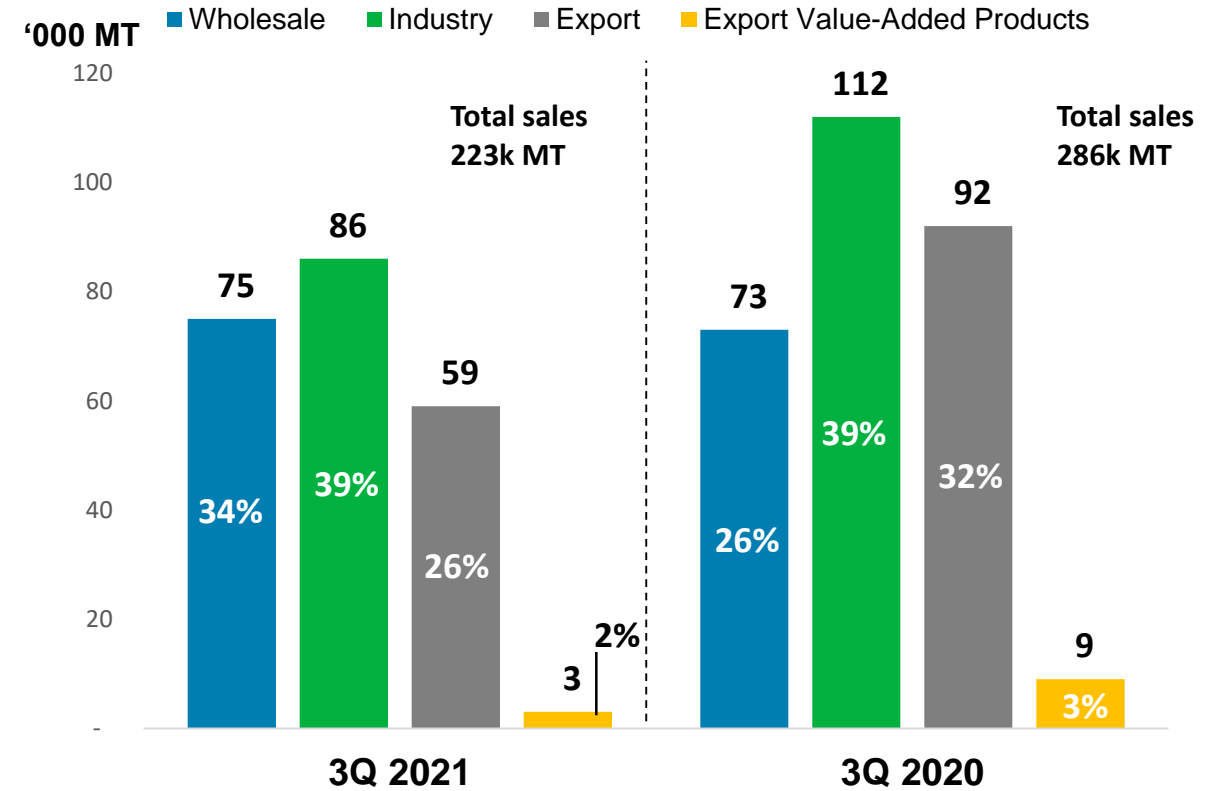
Includes gain on MSM Perlis disposal of RM85.52 million. Total gain from disposal is RM91.81 million, split between continuing (RM6.29 million) and discontinued operations.

# SALES PERFORMANCE - 3Q 2021 vs. 3Q 2020

## Sales Revenue



## Sales Volume



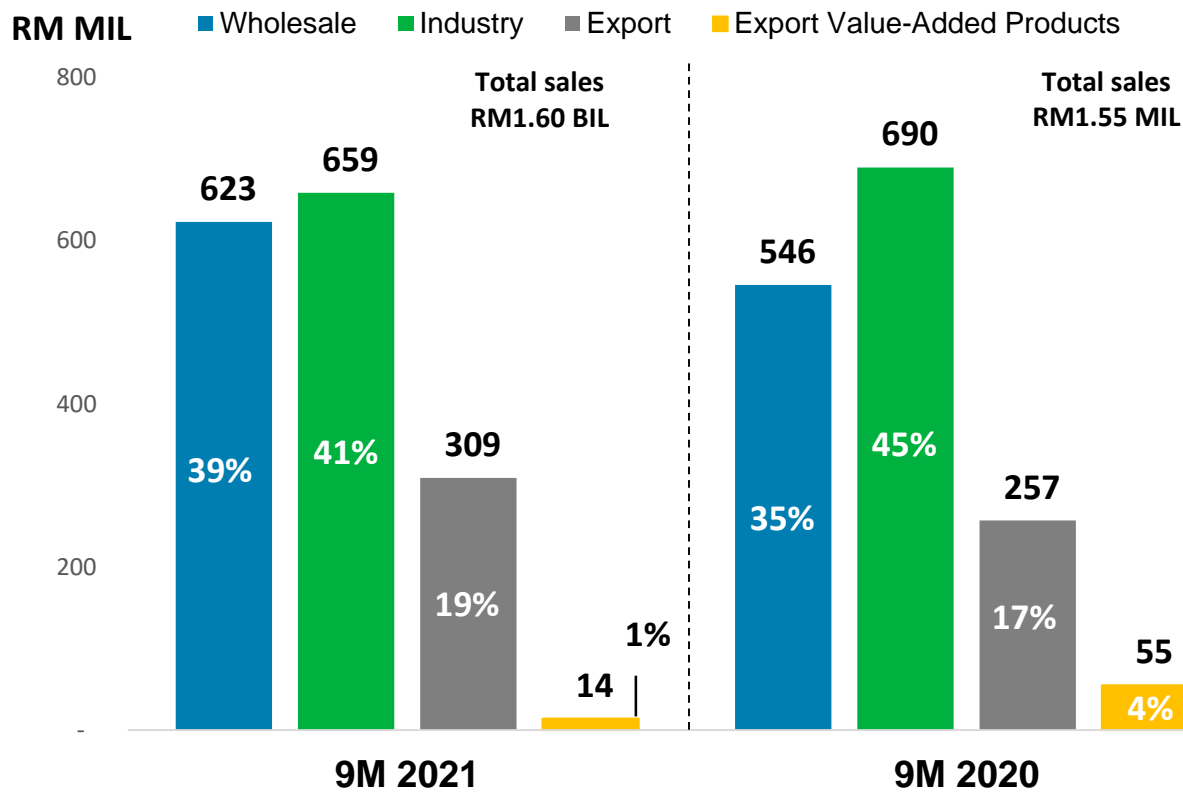
- Total sales revenue declined by 8% due to 22% reduction in sales volume.
- Lower sales volume as a result of prolonged MCO and reduced production in the current quarter compared to 3Q 2020.

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

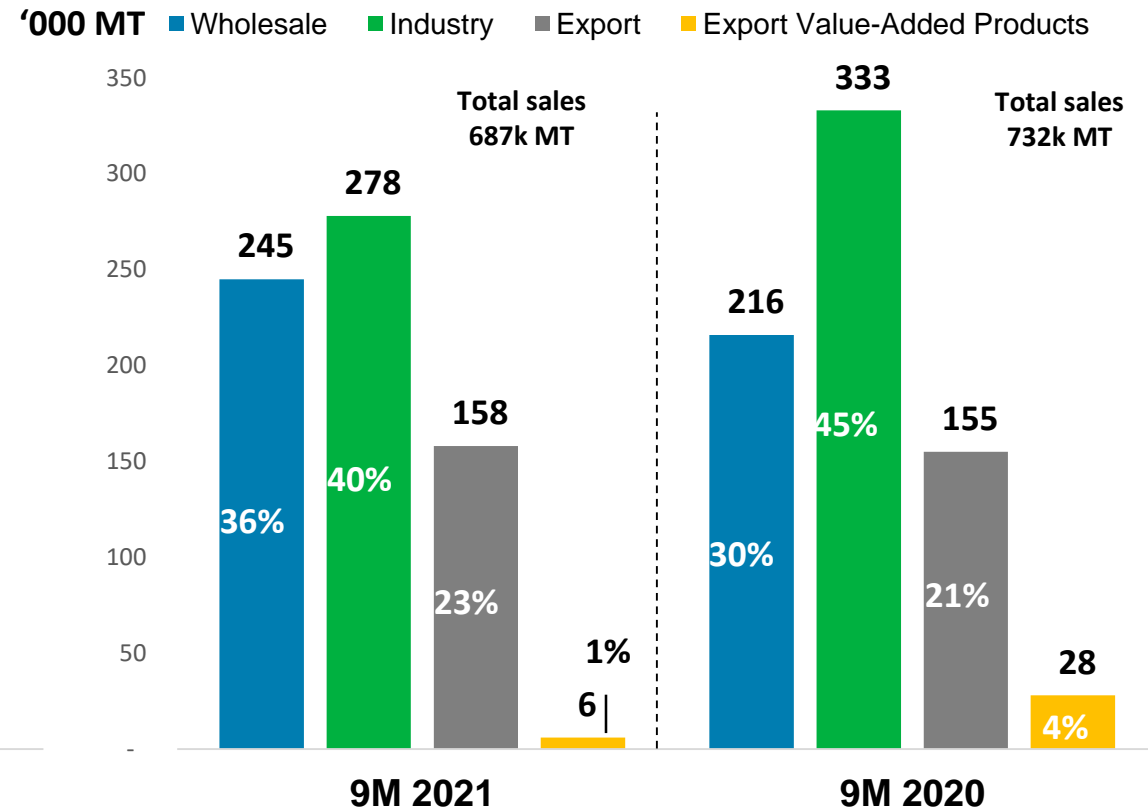


# SALES PERFORMANCE - 9M 2021 vs. 9M 2020

## Sales Revenue



## Sales Volume



- Total sales revenue increased by 4% due to 11% higher ASP.
- Improved ASP for Domestic and Export driven by higher Premium.

\* Note: Sales figure is AFTER consolidation adjustment



# OPERATIONAL UPDATES - 3Q 2021



## Production Volume

Recorded 224,339 MT in 3Q 2021 vs. 265,738 MT in 3Q 2020, lower by 16% due to planned annual shutdown at MSM Prai and prevailing MSM Johor operation with 1 Boiler.



## Utilisation Factor

Group's UF in the period is 44% vs. 52% in 3Q 2020, as a result of lower production volume - MSM Prai (64%); MSM Johor (22%).



## Refining Cost Per MT

Higher by 10% compared to 3Q 2020 due to lower overall production for the quarter.



## Yield

Group achieved Yield of 95% with strengthened internal processes in both refineries - MSM Johor (90%); MSM Prai (96%).



## Finance Cost

Finance cost in 3Q 2021 includes loan modification cost of RM9.75 million as a result of additional advanced repayments. Excluding loan modification impact finance cost in the quarter is lower than previous year.

# CONTINUED OPTIMISATION - MSM JOHOR 6 KEY INITIATIVES

- Boiler 1 in operation and Boiler 2 ready for recommissioning after repair by **24 November 2021**
- Technical consultants and Subject Matter Experts onboarded for operational modifications and improvements.

### Yield improvement and reduced production losses



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

### 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



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**Execute detailed ramp-up plan focusing on the bottleneck areas**

- Various process optimization identified and ongoing implementation.
- Step increase achieved from **88% to 94% yield** 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.

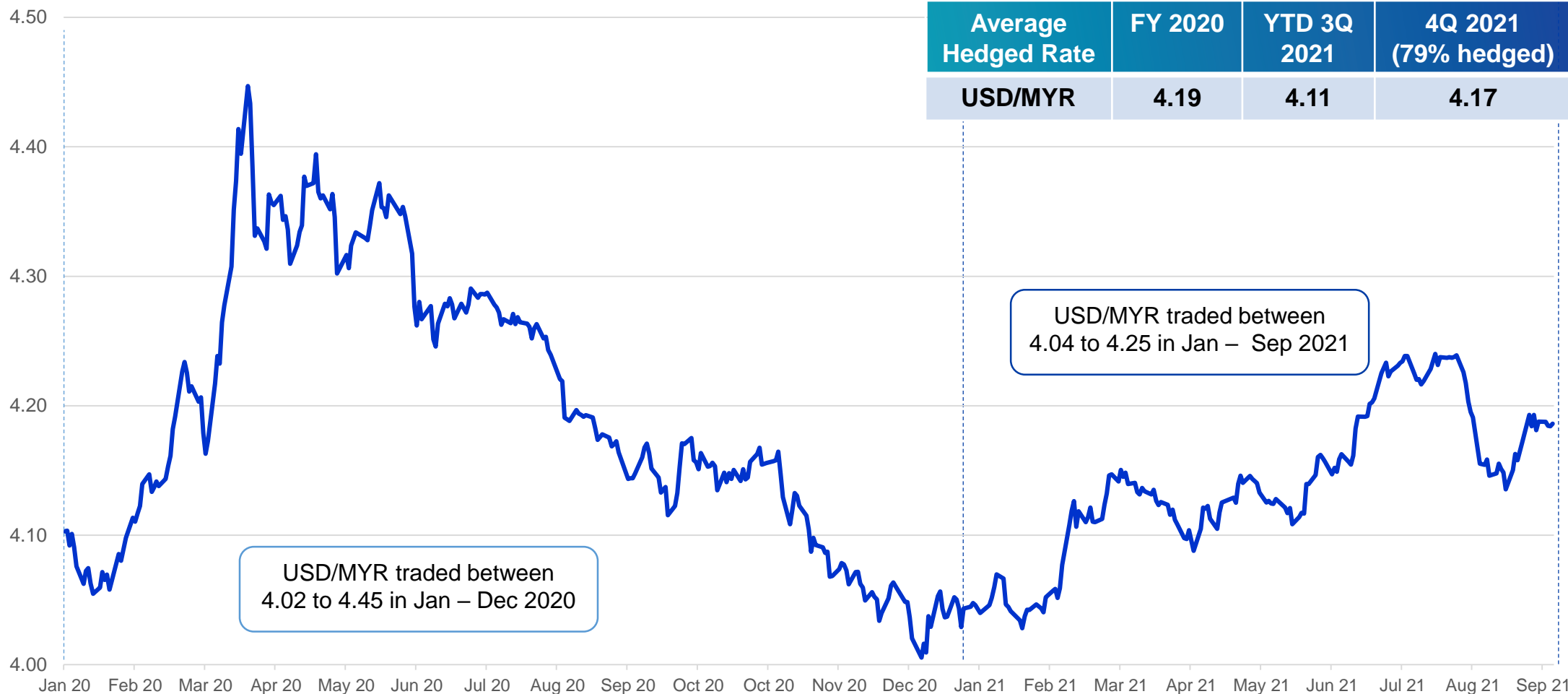
# RAW SUGAR (NY11) PRICES (AS AT 18 NOVEMBER 2021)



## 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-RM1,958 per MT).
- Thailand’s sugar production is still forecasted to be about 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 - SEP 2021



## Forex Rate 2021 Outlook

Market's USD/MYR forecast for the remaining of 2021 is within the range of 4.05 - 4.20; median at 4.15.



# 3Q 2021 - KEY HIGHLIGHTS



## Financial Performance

Group PBT for continuing operation is RM87 million and total Group PAT is RM142 million respectively for 9M 2021.



## UF Optimisation

Group's UF 9M 2021= 42%, due to the temporary shutdown of both refineries.



## Operational Excellence

Sustained 95% yield efficiency for refined sugar processing.



## Paring Down Debts

Continued efforts in paring down borrowing resulting in gearing of 22% for term loans and overall gearing of 28% against total borrowing.



## Market Share & Export

Increase domestic market share >60% and growth in export volume towards fulfilling full year of 300,000 MT.

# MSM STEP - UP ENVIRONMENT, SOCIAL & GOVERNANCE (ESG)



## ENVIRONMENT

- Renewable energy - solar, biomass.
- Mudcake waste product to fertilizer.
- Bakau planting in Prai.
- Sustainable raw sugar sources.
- Opportunities in recycling.
- Conversion of molasses to value-added products.
- Energy auditing.
- Water use efficiency and care.
- Climate change framework on carbon reduction footprint - SBTi and Net Zero.



## SOCIAL

- Welfare and well-being of employees (including COVID SOPs).
- Vendors and suppliers subscribing to shared values and practices.
- Charity and education via wakalah and CSR budget.
- Improve community socio-economy.
- Food Bank support, staff volunteer work at COVID vaccine centres
- Youth support e.g. Prodigy programme in alleviating graduate unemployment.
- Diversity and Women Empowerment
- Fair Labour Practices.
- Skilling & Employment Opportunity Programmes.
- Consumer Protection and Benefit – Nutrition, Food Safety and Product Choice



## GOVERNANCE

- Policies, procedures and controls adequacy.
- Compliance to accounting standards and regulations.
- Protecting shareholder and minority interest.
- Board structure, composition and conflicts of interest.
- Integrity Pledge and programs.
- Anti-Bribery and Corrupt Practices.
- Transparency and disclosures.
- Corporate Risk Management



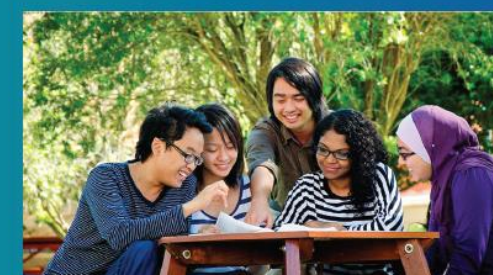
Renewable Energy



Mangrove Tree Planting



Charity & Food Banks



Education Sponsorship & Prodigy Graduate Employment

# TOWARDS NET ZERO CARBON FOOTPRINT

- Carbonation is a process used in sugar refinery to purify and clarify the liquid sugar. It involves the precipitation of calcium carbonate through the addition of lime and gassing with gas containing CO<sub>2</sub>.
- CO<sub>2</sub> gas are scrubbed from flue gas recycled from the emission of the natural gas boilers & then compressed to be fed to carbonators before the ion exchanger and evaporation process.

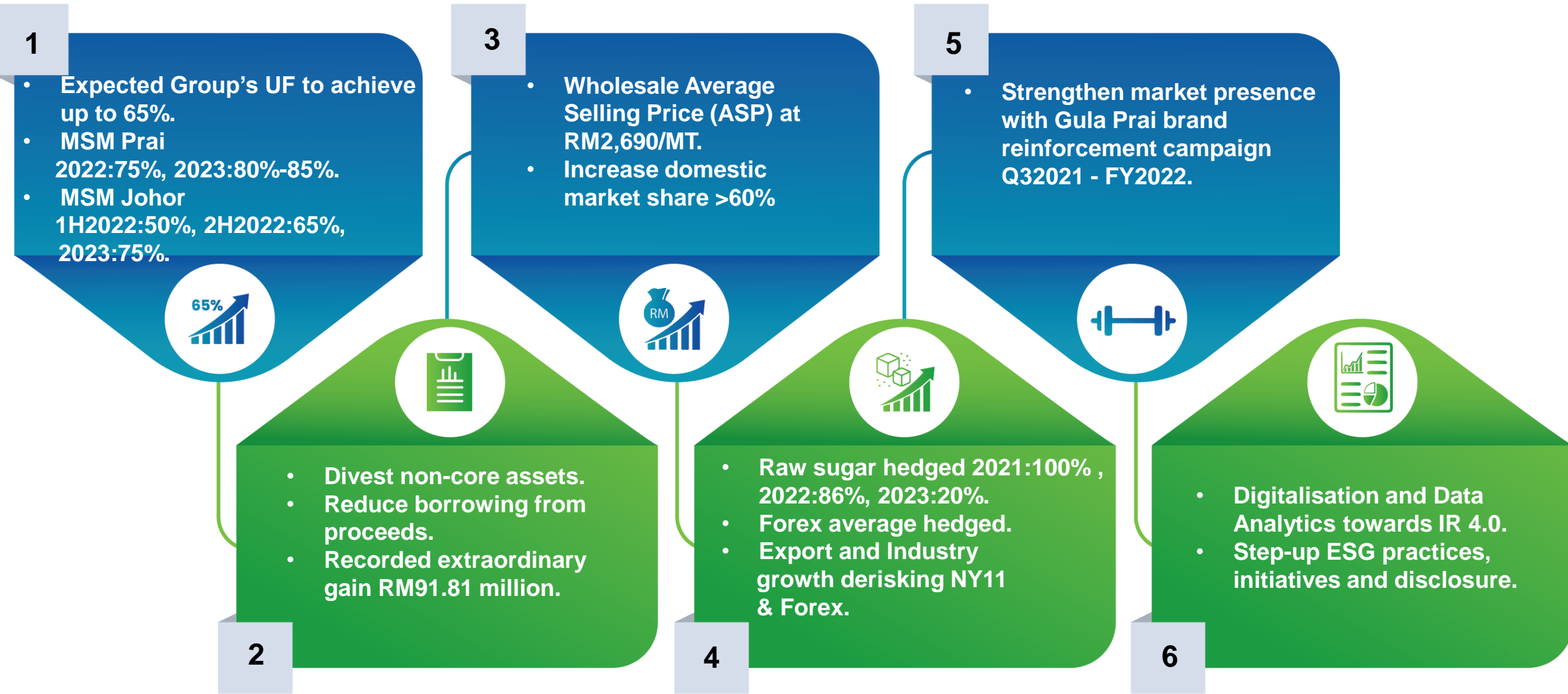
CO <sub>2</sub> emission (tonnes)	2018	%	2019	%	2020	%	YTD SEP 2021	%
Natural Gas (recycled for carbonation process)	218,386	84%	257,813	88%	249,622	88%	193,000	88%
Electricity (TNB)	40,146	15%	33,165	11%	32,901	11%	25,610	11%
Diesel	1,925	1%	973	1%	1,631	1%	667	1%
<b>Total</b>	<b>260,457</b>	<b>100%</b>	<b>291,951</b>	<b>100%</b>	<b>284,154</b>	<b>100%</b>	<b>219,277</b>	<b>100%</b>

**MSM in process to submit its 2 - year target commitment to UN Global Compact on SBTi and Net Zero.**

*Scope 1 : CO<sub>2</sub> emission from the own generated energy (Natural gas and Diesel)*

*Scope 2 : Purchased energy (Electricity TNB)*

# 9M 2021 - ACCELERATING TURNAROUND AND STAGING FY2022/2023





# FY 2021 PROSPECT



The Group remains cautiously optimistic on its turnaround plan and the ability to achieve sustainable growth amidst the rising trend of main production cost elements. 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 positive development of the National Recovery Plan 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 2022 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 enhance performance in parallel to the turnaround plan and achieve sustainable growth with good returns.



**GULA  
PRAI**

Janji...



gula peket  
hijau!



**THANK YOU**

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