

MSM Malaysia Holdings Berhad

Tuesday | 22 February 2022 - MSM Analyst Briefing 4Q 2021



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AGENDA OF TODAY'S FINANCIAL RESULTS BRIEFING - 4Q 2021



**Executive
Summary**



**Group Financial
Highlights**



**Sales
Performance**



**Operational
Updates**



**MSM Johor
6 Key Initiatives**



**Forex and Sugar
Markets Overview**



**12M 2021
Key Highlights**



**MSM Step-Up
ESG**



**2022/2023 Outlook
& FY 2022 Prospect**

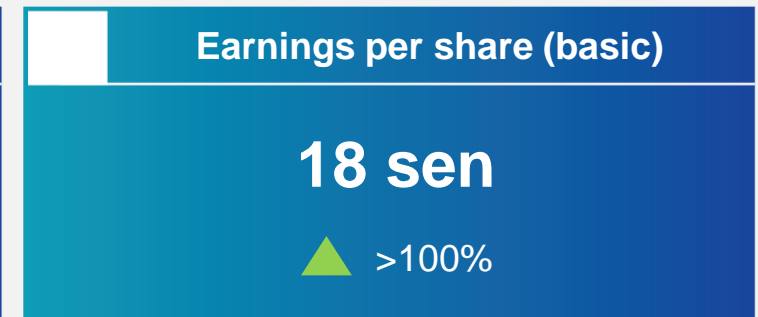
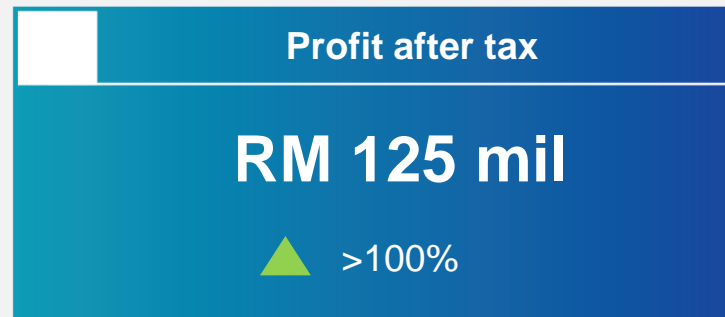
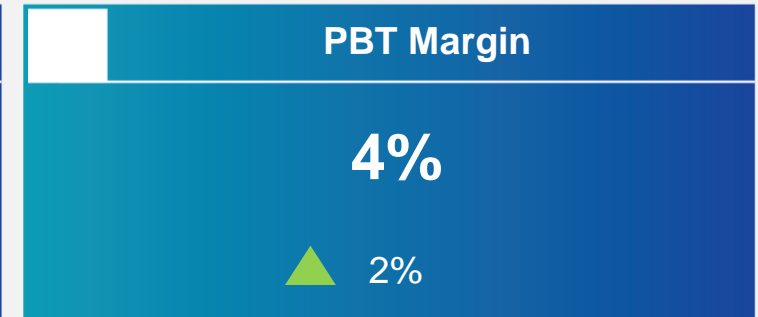
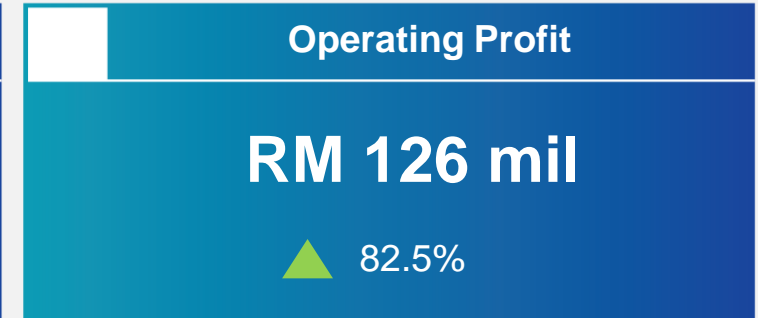
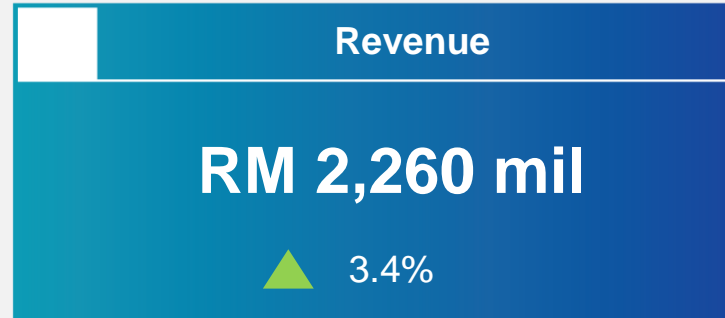
UTAMAKAN KESELAMATAN
SAFETY FIRST
DILARANG MEROKOK
NO SMOKING
JAGA KEBERSIHAN • KEEP CLEAN

MSM REMAINS PROFITABLE FOR FY2021 AMIDST THE CHALLENGES

“ MSM has delivered a turnaround performance in FY2021 amidst a challenging business environment with increased transitory inflationary commodity and freight cost pressuring the overall profit margin of the Group.

In 4Q 2021, despite a better sugar demand historical highest in December 2021 for the upcoming festive season, the Group faced an unprecedented flood which had affected our inventory in Kota Kemuning warehouse.

On the domestic front, a shift in consumer spending habits have trickle down effects which weakened both Industry and Wholesale volume. ”



GROUP FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE	4Q 2021	4Q 2020	Variance	12M 2021	12M 2020	Variance
Revenue (RM million)	642	630	▲ 2%	2,260	2,184	▲ 3%
Gross Profit (RM million)	27	93	▼ 71%	161	168	▼ 4%
GP Margin (%)	4%	15%	▼ 11%	7%	8%	▼ 1%
PBT/(LBT) (RM million) – cont. operations	(6)	74	▼ >100%	81	36	▲ >100%
PAT/(LAT) (RM million) – cont. operations	(16)	57	▼ >100%	37	4	▲ >100%
PAT (RM million) – discont. operations	-	(1)	▲ 100%	89	(75)	▲ >100%
PAT/(LAT) (RM million)	(16)	56	▼ >100%	125	(71)	▲ >100%
EPS/LPS (sen)	(2)	8	▼ >100%	18	(10)	▲ >100%
FINANCIAL POSITION	12M 2021	FY 2020	Variance	12M 2021	12M 2020	Variance
Total Assets (RM million)	2,871	2,770	▲ 4%	2,871	2,770	▲ 4%
Total Liabilities (RM million)	1,158	1,189	▼ 3%	1,158	1,189	▼ 3%
Cash and Cash Equivalents (RM million)	195	196	▼ 1%	195	196	▼ 1%
Net Asset/Share (RM)	2.44	2.25	▲ 8%	2.44	2.25	▲ 8%
Gearing Ratio (%)*	26	33	▼ 7%	26	33	▼ 7%

4Q 2021

- **Higher revenue** from higher ASP for Wholesale, and higher Export Premium despite lower sales volume.
- **Recorded LBT** due to higher production cost driven by higher NY11, incoming freight and gas. Provision of RM25.9 million in NRV, onerous and flood.

12M 2021

- **Higher revenue** mainly from increased Premiums for Industry and Export.
- **Higher Profit** from **gain on disposal of MSM Perlis**. Loss in 2020 include impairment and write-off of bearer plants.

* 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.

PEER PERFORMANCE (F&B) – 4Q 2021

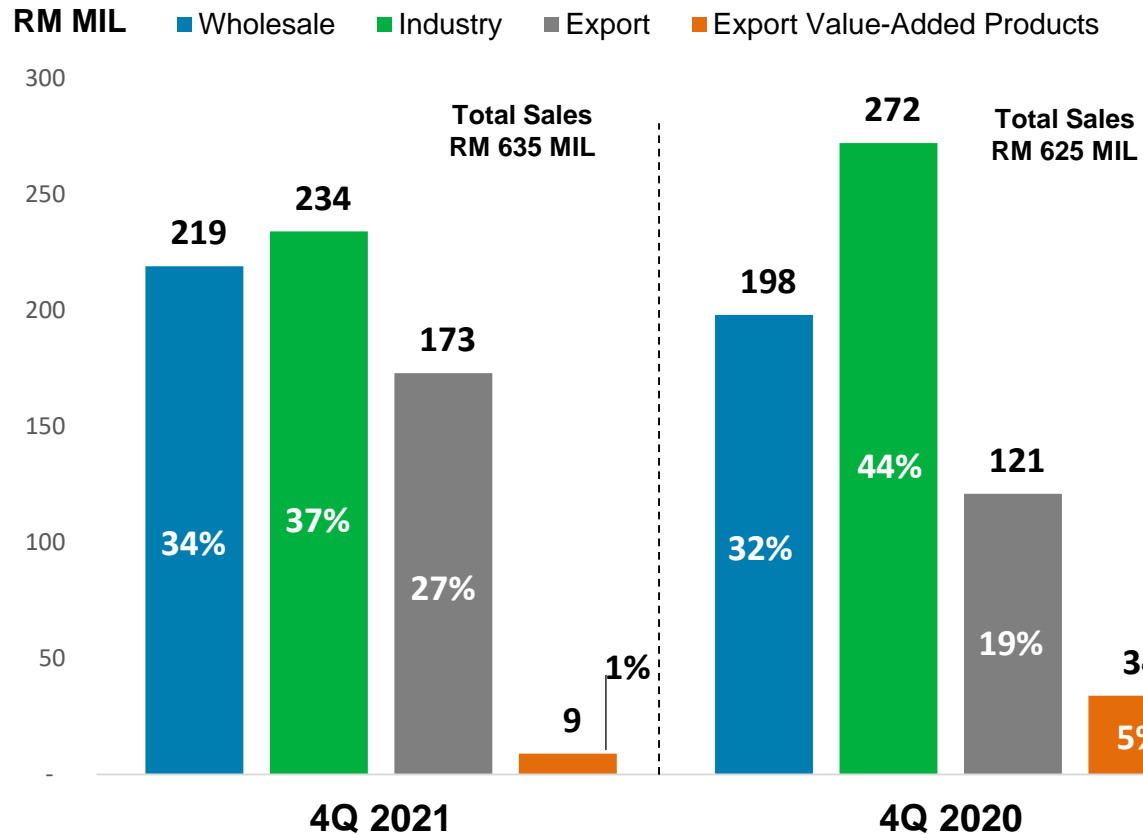
Some F&B manufacturing companies experienced lower volume due to sluggish demand and rising input cost (raw materials, packaging, freight)



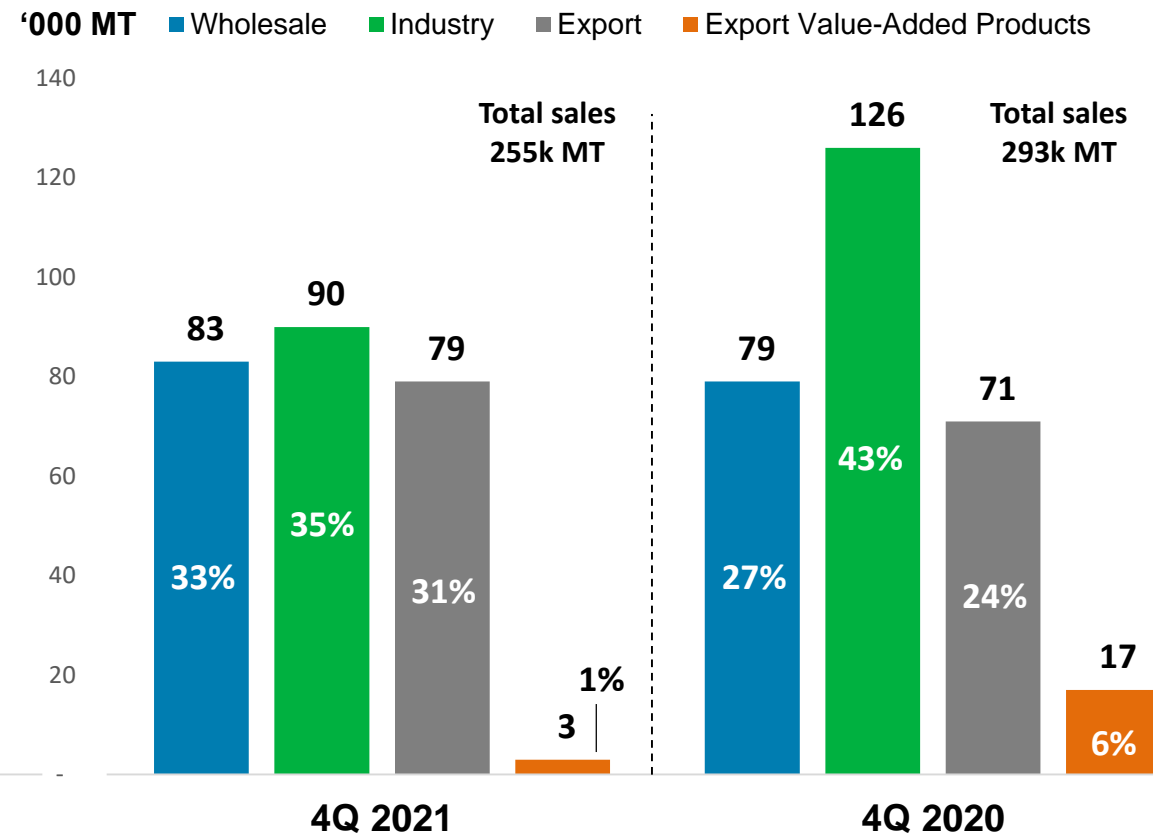
	MSM		HSIB		FRAS	
	4Q 2021	4Q 2020	4Q 2021	4Q 2020	4Q 2021	4Q 2020
Revenue (RM million)	642	630	82	88	1,107	1,083
Gross Profit (RM million)	27	93	23	27	298	342
GP margin	4%	15%	28%	30%	27%	32%
PBT (RM million)	(6)	74	13	14	108	159
PAT/(LAT) (RM million)	(16)	56	9.7	9.9	93	137
EPS/LPS (sen)	(2)	8	1.21	1.24	25.4	37.3

SALES PERFORMANCE - 4Q 2021 vs. 4Q 2020

Sales Revenue



Sales Volume

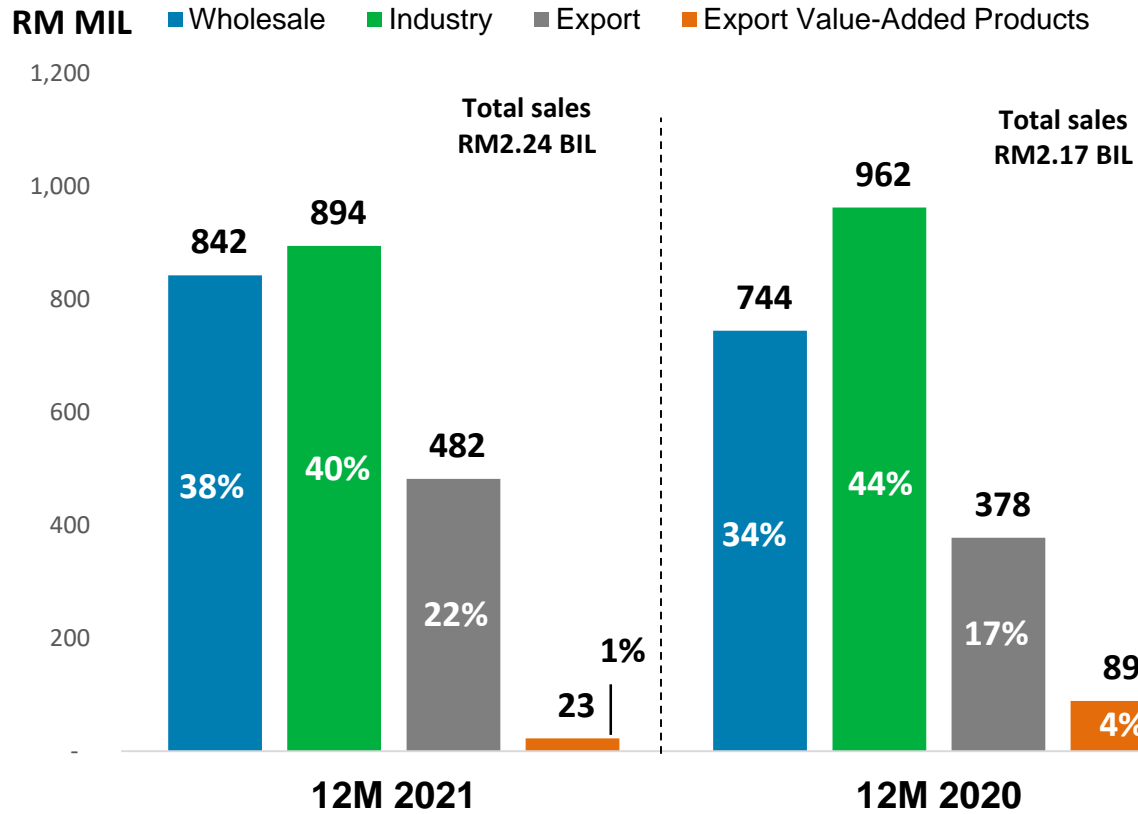


- Total sales revenue rose by 1% from 17% increase in ASP.
- Lower sales volume as a result of prolonged MCO, slower than expected recovery in Domestic demand particularly in October and November 2021.

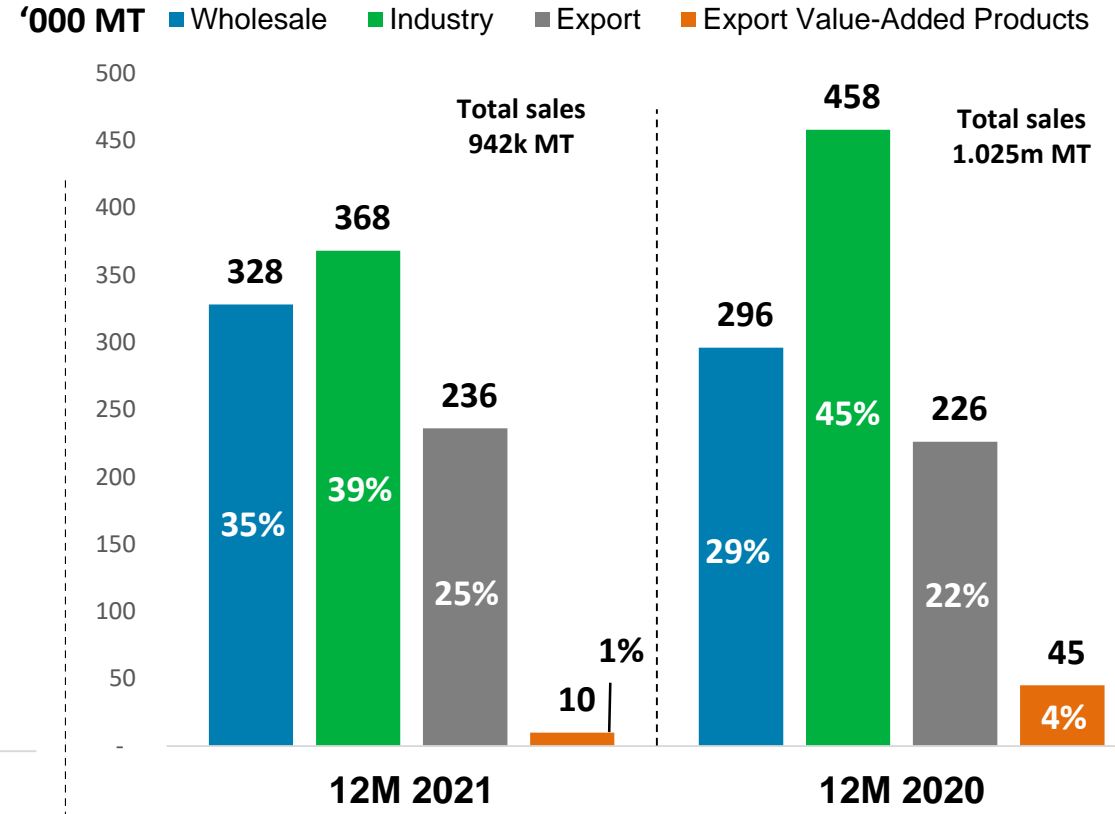
* Note: Sales figure is based on sales of refined sugar and after consolidation adjustment

SALES PERFORMANCE - 12M 2021 vs. 12M 2020

Sales Revenue



Sales Volume



- Total sales revenue increased by 3% due to 12% higher ASP.
- Improved ASP for Domestic Wholesale higher Premium for Industry and Export.

* Note: Sales figure is AFTER consolidation adjustment

OPERATIONAL UPDATES - 4Q 2021



Production Volume

Recorded 251,800 MT in 4Q 2021 vs. 295,646 MT in 4Q 2020, lower by 15% due to planned shutdown.



Refining Cost Per MT

Higher by 29% compared to 4Q 2020 due to transitory cost increase.



Utilisation Factor

Group UF in the period is 49% vs. 58% in 4Q 2020, resulted from lower production volume.



Yield

Achieved Group Yield of 96% with strengthened internal processes in both refineries.

Yield improvement and reduced production losses

- Various process optimization identified and ongoing implementation.
- Step increase achieved from **88% to 94% yield** and progressing towards target.
- **Overall Yield for 2021 was 91.3%, increased from 89.9% in previous year.**

Increase value added products sales

- 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

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

Increase SKUs capability for domestic market

- 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 by **Dec 2022**.

Execute detailed ramp-up plan focusing on the bottleneck areas

- **Boiler 1 & Boiler 2** in operation.
- **Wilmar Sugar Technical Team** are on site since January 2022 for operational optimisation and improvement.



Enhance data recording for better inventory management

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

RAW SUGAR (NY11) PRICES (AS AT 15 FEBRUARY 2022)



2022 Raw Sugar Price (NY11) Outlook

- ❑ Improving outlooks for crops in Brazil, India and Thailand continued to exert downward pressure on prices as evidenced by the softening of NY11 prices since Q4, 2021 **from USD 19.00 – USD 20.50 c/lbs to now USD17.50 – USD 19.00 c/lbs.**
- ❑ Indian Sugar Mills Association (ISMA) increased production forecast to 31.5 million MT for 2021/22 because of good sugar production in Maharashtra and Karnataka, 2 major sugar plantation areas in India. **5-6 mil tpy can be available for export if export market prices are high which becomes a price hedge.**
- ❑ Thailand total raws exports also could reach **3.8 million MT** in 2021/22 compare to only 1.44 million MT in 2020/21.
- ❑ Raw sugar market is strongly correlated to the crude oil prices which surged to a 8-year-high in the middle of February 2022. **However, ethanol parity climb with oil is capped or controlled by Brazilian government due to consumer affordability.**
- ❑ Raw sugar downtrend expected with volume recovery.

USD/MYR MOVEMENT JAN 2021 - 21 FEBRUARY 2022



Forex Rate 2022 Outlook

- Market's USD/MYR forecast for 2022 is within the range of 4.14 - 4.25.

12M 2021 - KEY HIGHLIGHTS



Financial Performance

Group PBT for continuing operations is RM81 million and total Group PAT is RM125 million.



UF Optimization

Group's UF 12M 2021= 44%, due to temporary shutdown in both refineries.



Operational Excellence

Achieved better refined sugar processing yield of 96%.



Paring Down Debts

Continued efforts in paring down borrowing resulting in gearing of 18% for term loans and overall gearing of 26%.



Market Share & Export

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

FY2021 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
- Vendors and suppliers shared values and practices.
- Charity and education.
- Improve community socio-economy.
- Food Banks, 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



Green Initiatives
Renewable Energy



Green Initiatives
Mangroves Trees 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 CO₂.
- CO₂ 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 ₂ emission (tonnes)	2018	%	2019	%	2020	%	2021	%
Natural Gas (recycled for carbonation process)	218,386	84%	257,813	88%	249,622	88%	212,963	85%
Electricity (TNB)	40,146	15%	33,165	11%	32,901	11%	34,535.8	14%
Diesel	1,925	1%	973	1%	1,631	1%	3,304	1%
Total	260,457	100%	291,951	100%	284,154	100%	250,803	100%

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

Scope 1 : CO₂ emission from the own generated energy (Natural gas and Diesel)

Scope 2 : Purchased energy (Electricity TNB)

MSM'S ESG STEP - UP ACTIVITIES

1



Sustainable raw sugar sourcing through agreement with Wilmar through their updated No Deforestation, No Peat, No Exploitation (NDPE) policy.



With participation from our customers (e.g. Nestle and Hershey).



2

COVID-19 pandemic and flood aid through meal distribution for frontliners, sugar contributions, food donations and flood relief assistance volunteering.



3

Vendors and suppliers subscription to MSM's values and practices through the Vendor and supplier integrity pledge with >75% participation and growing.



SUSTAINABILITY FY2022 – WHAT’S NEXT?



**Refreshed
Materiality
Matrix**



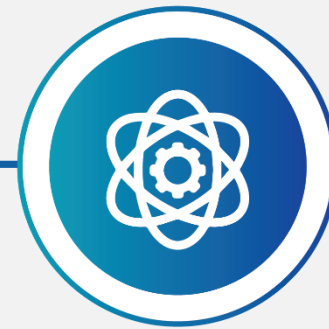
**Better
Stakeholder
Engagement
Method – Trade
Union, Media,
Consumer**



**Creation Of
ESG
Working
Committee**



**Participation
in more
Industrial
Coalition/NGOs
with
Sustainability as
the main
objective**

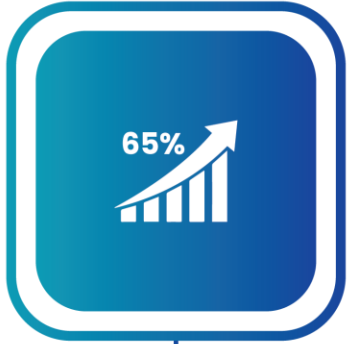


**Launching Of
4 Lenses Of ESG
Groupwide –
Sustainable Value
Creation, Better
Planet, Positive
Social Impact &
Governance**



**To Embark on
Internal And
External
Social
Compliance
Audit**

ACCELERATING TURNAROUND AND STAGING FY2022/2023



- Expected Group's UF to achieve up to **65%**.
- **MSM Prai**
2022: 85%-90%,
2023: 90%
- **MSM Johor**
2022: 40%,
2023: 50%-60%.



- Continue to **divest non-core assets**.
- **Reduce borrowing** from proceeds.



- Raw sugar hedged
2022:
76% @ USD16-17 c/lbs
2023:
21% @ USD15-16 c/lbs
- Forex average hedged.
- Export and Industry growth derisking NY11 & Forex.



- Wholesale Average Selling Price (ASP) at RM2,690/MT.
- Increase domestic market share >65%



- Strengthen market presence with Gula Prai brand reinforcement campaign 3Q2021-FY2022.



- Digitalisation and Data Analytics towards IR 4.0.
- Step-up ESG practices, initiatives and disclosure.

MARKET SHARE GROWTH THROUGH BETTER MARKET PENETRATION

Domestic Market

- Improved distribution of premium sugar in East Malaysia.
- Extended markets with new 500g and 700g size packets and new revamped packaging coming up.
- Improving the last mile delivery and health segment.

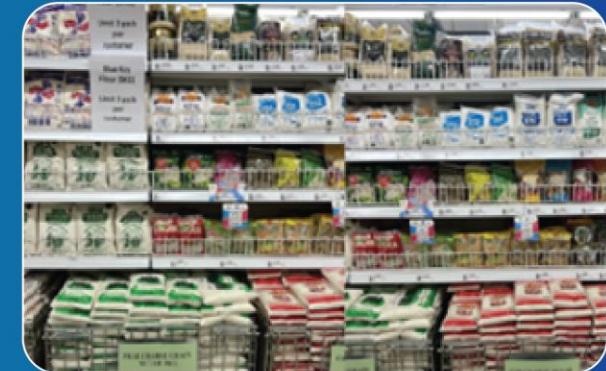
Export Market

- The Coca-Cola Company awarded MSM the contract (valued at RM290 million) to supply refined sugar for their domestic and international production.
- MSM is also currently supplying PepsiCo in Vietnam.
- Singapore is a growing export market for MSM besides Vietnam, China and South Korea.

The Coca-Cola logo is displayed in its classic red script font on a white background.The Suntory logo is shown in a bold, teal, sans-serif font.

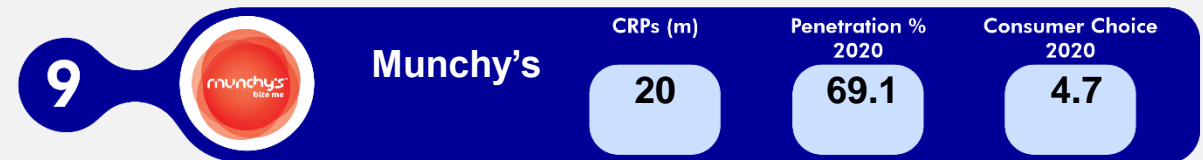
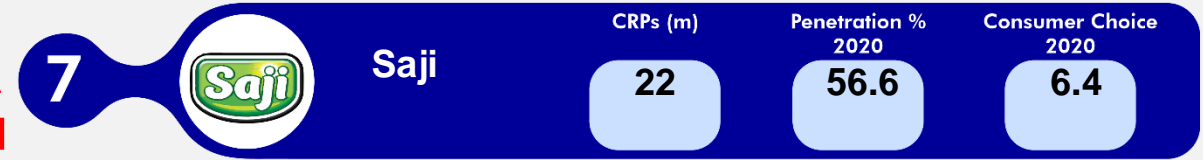
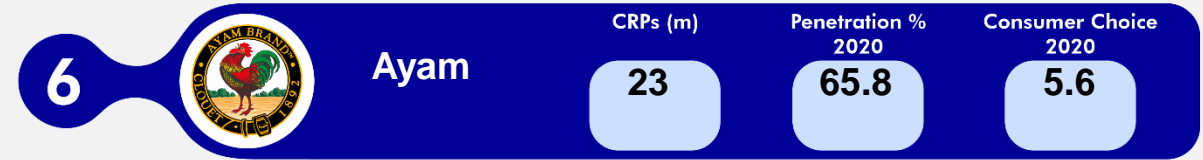
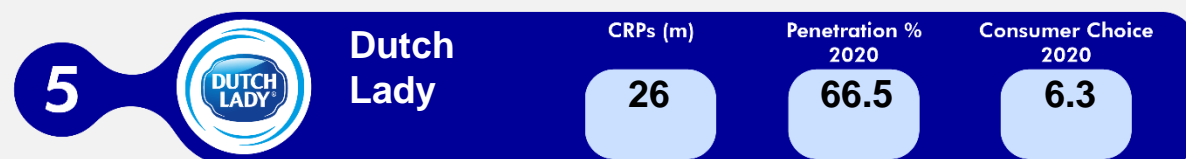
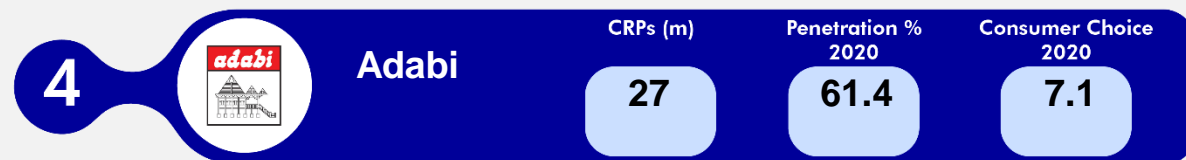
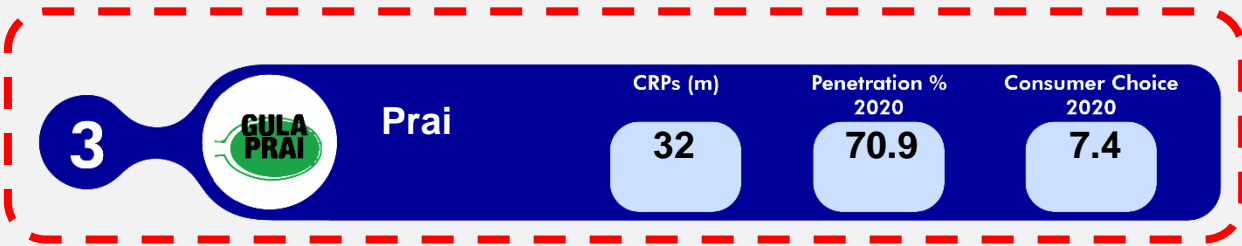
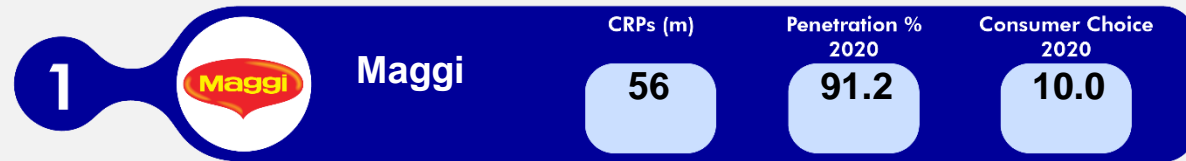
PEPSICO

Suntory PepsiCo Vietnam Beverage



TOP 10 HOUSEHOLD FMCG F&B BRANDS FY2020

Report by **KANTAR**, a leading UK based data insights consultant with 30,000 people across 100 countries



MSM GULA PRAI REINFORCEMENT CAMPAIGN



Livery

- Target: Jan 2022
- Estimated cost: RM500,000



Out-of-Home (OOH)

- Target: Jan 2022
- Estimated cost: RM1,000,000



POS

- Target: Dec 2021 – Jan 2022
- Additional 100 stores nationwide



New Retail Packages

- Target: 1Q 2022
- Sizes: 500gm, 700gm and 750gm
- To be promoted via social media



Aidilfitri Webfilm "ABAH"

- Target: Apr 2022
- Media channels: Main TV stations and YouTube

Ramadhan "Buka Puasa" Greeting

- Target: Mar/Apr 2022
- Media channel: TV3 (10 secs)

Social Media Influencer Engagement

- Target: Mar/Apr 2021 (Ramadhan)
- KOL:
 1. Khairulaming
 2. Cik Nom
 3. Adikfood
 4. Danish Harraz

MSM Foldies Club

- Target: Jan 2022
- Celebrities cycling with open invitation to public

FY2022 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.



On the domestic front, the positive development of the National Recovery Plan has provided strong impetus for greater economic recovery and socio-economic activities leading to more product consumption including sugar.



On the export market, barring unforeseen circumstances, FY 2022 poses good opportunities within the Asia Pacific region that has a strong and growing demand.



The Group will remain focused towards higher yield and capacity utilisation which will result in lower refining and production costs.

**GULA
PRAI**

Janji...



gula peket
hijau!



THANK YOU

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