

MSM Malaysia Holdings Berhad

22 November 2022 – MSM 3Q 2022 Analyst Briefing



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EXECUTIVE SUMMARY



1

MSM recorded higher revenue of RM668 million in 3Q 2022 versus RM549 million in 3Q 2021, a 22% increase supported by improved Average Selling Price (ASP) and higher sales volume. However, the Group recorded a Loss After Tax (LAT) of RM73 million in 3Q 2022 versus a Profit After Tax of RM97 million in 3Q 2021.

2

The Group continues to face prevailing challenging environment amidst persistent high input costs mainly raw sugar, freight, natural gas and weakening of Ringgit Malaysia. Other input costs such as packaging materials, wages and inland logistics have also increased significantly.

3

The ongoing Ukraine-Russia war and high global demand resulted in significant rise in energy prices impacting cost of natural gas which makes up approximately 35% - 40% of the Group's refining costs, a 55% increase against the same period last year.

4

During 3Q 2022, USD/MYR traded within the range of 4.40 and 4.64 levels before closing the quarter at 4.64. Moving forward, MYR is expected to continue to weaken (vs. the USD) as the Fed remains committed to hike interest rate to tame inflation. However, recent easing of the CPI in the US and somewhat reduction in geopolitical risk have provided a restraint for further bullishness in the USD. If this nascent trends continue, it will bode well for MSM going into 2023, at least from FX perspective.

5

YTD Sep 2022, MSM recorded a LAT of RM135 million. MSM continues to engage for support from the Government to alleviate the increase in input cost. MSM as a joint industry with CSR is awaiting government decision of either an increase of the gazetted ceiling price or subsidy in-lieu.

6

The domestic and export markets are seeing stronger demands which provide growth opportunities and recovery of product consumption including sugar across Consumer and Industrial segments. The Group remains focused in meeting these demands by improving our operations particularly focused on MSM Johor ramp up to attain lower refining cost with higher efficiency. MSM will ensure consistent supply of sugar is made available to the market and ensure food security.



FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS



FINANCIAL PERFORMANCE	3Q 2022	3Q 2021	Variance	9M 2022	9M 2021	Variance
Revenue (RM million)	668	549	▲ 22%	1,888	1,618	▲ 17%
Gross Profit (RM million)	(66)	24	▼ >100%	(78)	134	▼ >100%
GP Margin (%)	(10%)	4%	▼ >100%	(4%)	8%	▼ >100%
(LBT)/PBT (RM million) – cont. operations	(72)	22	▼ >100%	(132)	87	▼ >100%
(LAT)/PAT (RM million) – cont. operations	(73)	9	▼ >100%	(135)	53	▼ >100%
PAT (RM million) – discont. Operations	-	88	-	-	89	-
(LAT)/PAT (RM million)	(73)	97	▼ >100%	(135)	142	▼ >100%
EPS/LPS (sen)	(10)	14	▼ >100%	(19)	20	▼ >100%
FINANCIAL POSITION				9M 2022	FY 2021	Variance
Total Assets (RM million)				2,842	2,871	▼ 1%
Total Liabilities (RM million)				1,284	1,158	▲ 11%
Cash and Cash Equivalents (RM million)				309	195	▲ 58%
Net Asset/Share (RM)				2.22	2.44	▼ 9%
Gearing Ratio (%)*				29%	26%	▲ 3%

3Q 2022

- Higher revenue from improved ASP of 11% and 10% higher total sales volume.

9M 2022

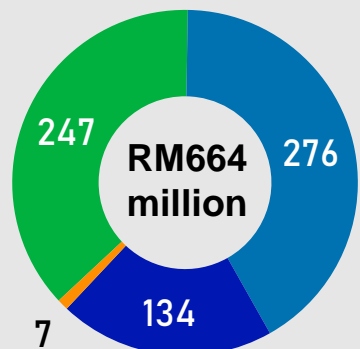
- Higher revenue from improved ASP of 12% and 5% higher total sales volume.
- Incurring losses despite improved ASP and volume due to increases in production costs and lower production in MSM Johor.

* 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.

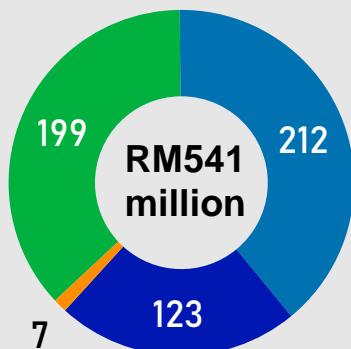
SALES PERFORMANCE



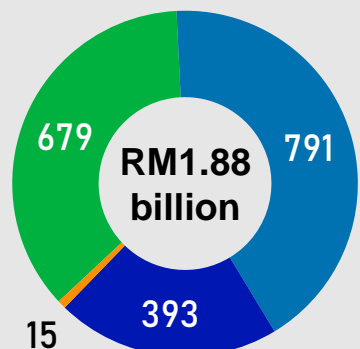
Sales Revenue



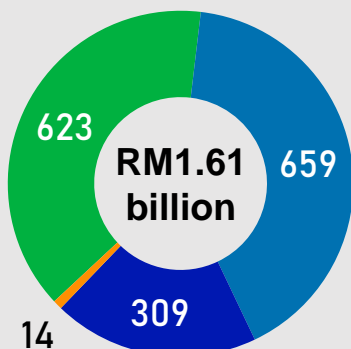
3Q 2022
+23% yoy



3Q 2021

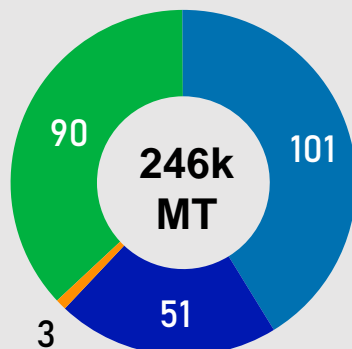


9M 2022
+17% yoy

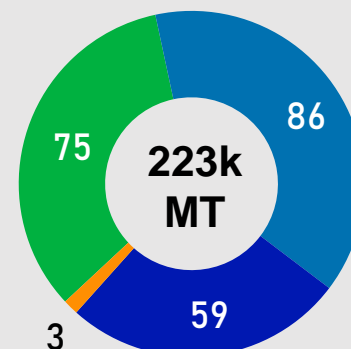


9M 2021

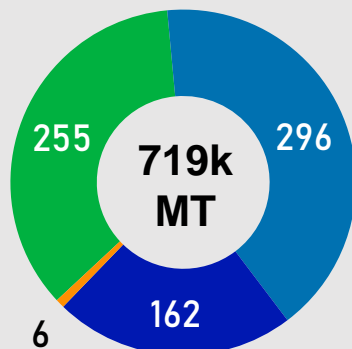
Sales Volume



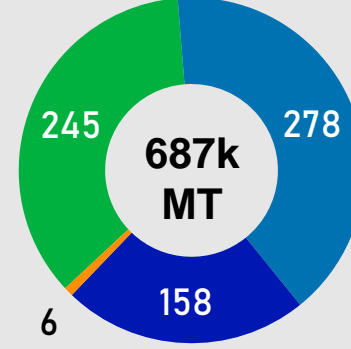
3Q 2022
+10% yoy



3Q 2021



9M 2022
+5% yoy



9M 2021

■ Wholesale
 ■ Industry
 ■ Export
 ■ Export Value-Added

3Q 2022

- Total sales revenue rose by 23% from 11% increase in ASP, driven by higher NY11, foreign exchange and Export premium.
- Group sales volume increased by 10% from higher Domestic (Wholesale & Industry) sales.

9M 2022

- Total sales revenue rose by 17% from 12% increase in ASP.
- Group sales volume increased by 5% in line with improved consumer demands.

RAW SUGAR (NY11) PRICES (AS AT 18 NOVEMBER 2022)



SUGAR NO. 11 FUTURES (CONTINUOUS: CURRENT CONTRACT IN FRONT), 1D, ICEUS O19.60 H20.34 L19.59 C20.05 +0.32 (+1.62%)

Source : TradingView
NY11 Continuous Historical Chart

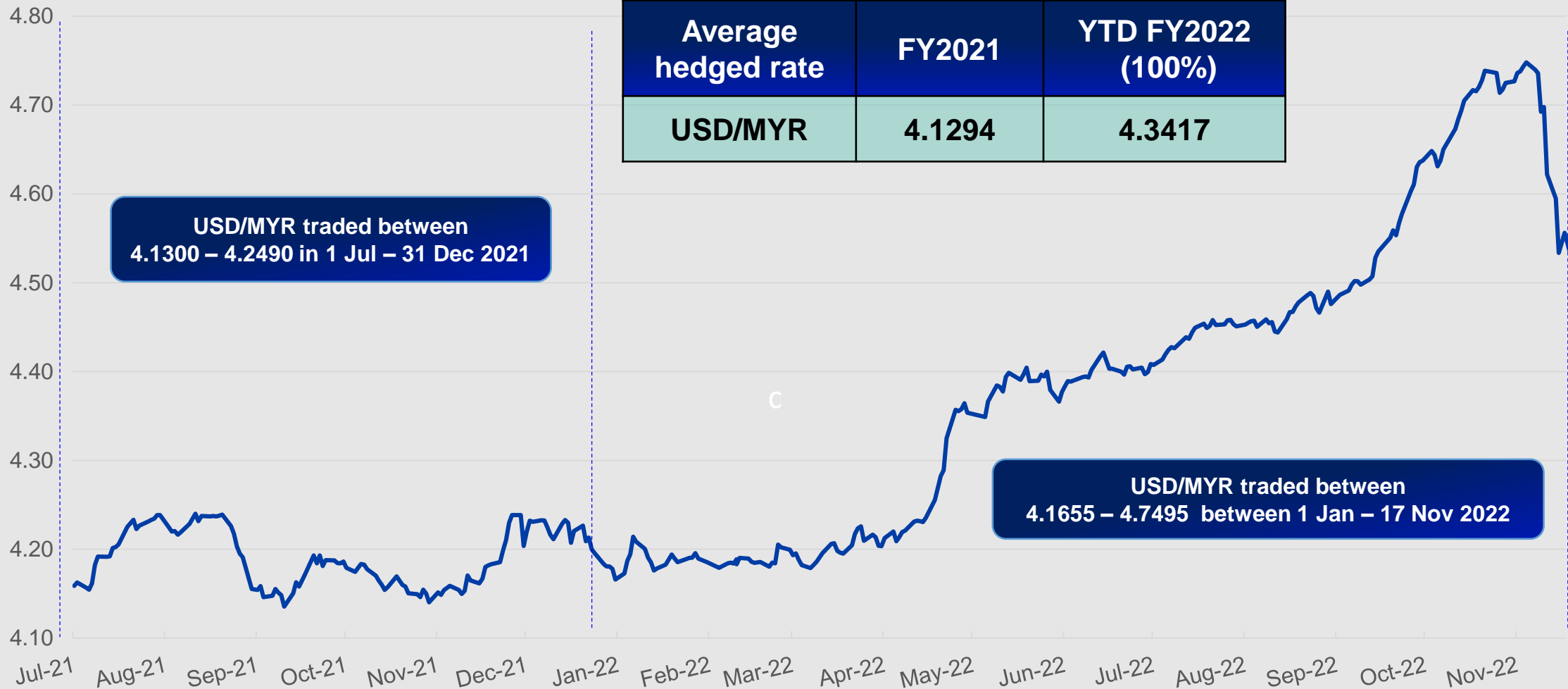


2022 : 100% Covered @ USD 16.00 – 17.00 c/lbs
2023 : 51% Covered @ USD 16.00 – 17.00 c/lbs
2024 : 27% Covered @ USD 16.00 – 17.00 c/lbs

2022 Raw Sugar Price (NY11) Outlook

- The latest global sugar forecast for 2022/23 in October will see the global surplus to 3.7 million MT, a reduced surplus much lower than anticipated. Strong growth in consumption since 2021/22 means this is just over half the size of the surplus of 6.4 million MT observed in 2021/22, despite similar production. In 2022/23 market expert think the world will consume over 176 million MT of sugar, this will be the highest on record and represents almost 3 million MT more than the Covid-19 affected 2021/22 season.
- Ethanol parity in Brazil is currently at USD 17.40 c/lbs, meaning mills will still be well served producing and selling sugar rather than ethanol. However, the long waiting days in Brazil terminals (average 1 month waiting time) lead to the long line-up tightens spot demand.
- India gets caught by the delayed export announcement and this has caused issues such as the currency firmed up and the quota price jumped.
- We are of the view that NY11 prices will hover between USD 17.50 – USD 20.50 c/lbs (RM 1,775 – RM 2,079 per MT) until end of 2022.

USD/MYR MOVEMENT 1 JUL 2021 – 17 NOV 2022



Forex Rate 2022 Outlook

- Market's USD/MYR forecast for remaining of 2022 is between 4.53 – 4.72 (source : Bloomberg)



OPERATIONAL REVIEW

OPERATIONAL UPDATES - 3Q 2022



Production Volume

Recorded 235,269 MT in 3Q 2022 vs. 224,339 MT in 3Q 2021, supported by higher production in MSM Prai.



Utilisation Factor

Group UF in the period is 46% vs. 44% in 3Q 2021, resulted from higher Group production volume.



Production Cost

Higher by 20% compared to 3Q 2021 largely due to higher input costs including NY11, freight, fuel (natural gas), packing materials and weakening MYR.

Yield improvement and reduced production losses

- Various process optimization identified and ongoing implementation.
- Ongoing yield improvement task team focusing to optimize production yield and minimise losses.

Increase value added products sales

- Both liquid sugar facilities in operation.
- Premix facility enhancement with trial shipments.
- Both are expected 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.
- Additional refined sugar warehouse under construction phase and target completion by March 2023.

Execute detailed ramp-up plan focusing on the bottleneck areas

- **Boiler 2 in operation (with full CF) Boiler 1 under permanent improvement works (Feb 2023)**
- **New Boiler 3 – Under procurement and target to complete mid-2024.**
- **Wilmar Technical Team** are on site (1 process expert) and remote online support (3 Wilmar’s Subject Matter Experts and contributed to MSM Johor 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.



3Q 2022 - KEY HIGHLIGHTS



OPERATIONS



Strive for
Operational
Excellence

UF Optimisation

Group's UF 3Q 2022 = 46%,
resulted from higher Group
production volume.

Higher Production Volume

Supported by **higher production** in
MSM Prai.



FINANCIALS



Strategic
Financial
Management

Financial Performance

Higher revenue of **RM668** million,
Group LBT is **RM72 million** and
total Group LAT is **RM73 million**.

Paring Down Debts

Continued efforts in paring down
borrowing maintaining healthy
gearing of **17%** for **term loan** and
overall **gearing of 29%**.



GROWTH



Explore
domestic and
export growth
opportunities

Domestic Market

Widened with **new channels** in
Last Mile, HORECA and **small
SKUs 500g**.

Market Share & Export

Increase **domestic market share**
>60%, improve Sales & Distribution
and export i.e. Singapore.

SUSTAINABILITY FY2022 – ONGOING GROWTH PURSUITS



**Diversity,
Equity and
Inclusion
Policy**

Expected to be
published by Q1
2023



**Refreshed
Stakeholder
Engagement**

Stakeholders
engagement in
December 2022



**ESG
Management
Committee**

Consists of
senior
management



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

- Member of CEO Action Network.
- Preparing a paper on UNGC membership



**Revise
Sustainability
Policy to include
these 4 Lenses Of
ESG Framework –**

- Sustainable Value Creation
- Better Planet
- Positive Social Impact
- Good Governance

To complete in
Q4 2022



**Internal And
External Social
Compliance
Audit**

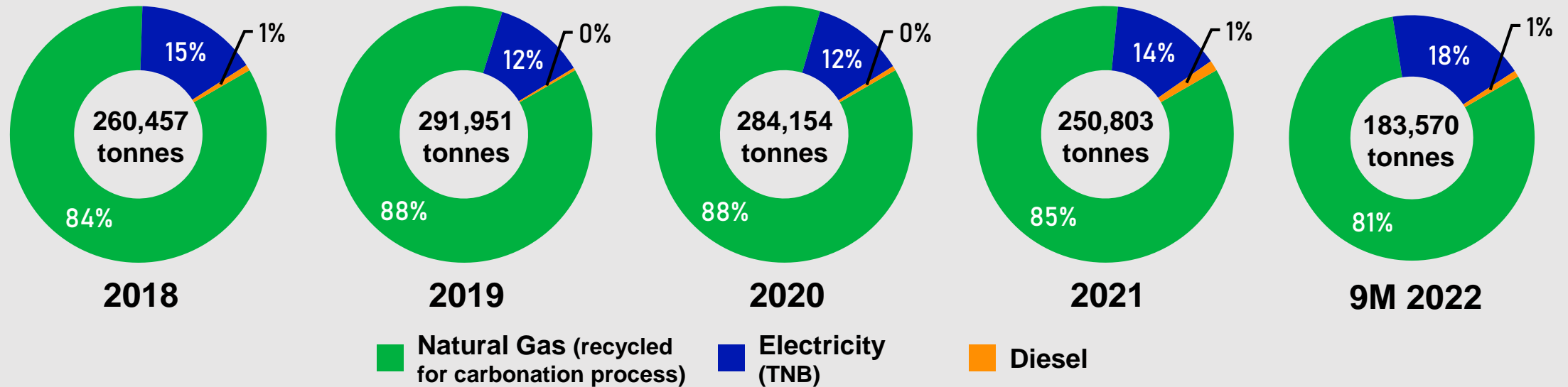
An internal team will
be formed to look
into this matter.
To get external
consultant by 2023

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.

CO₂ EMISSIONS



MSM is **10th corporate** and **2nd food** based company to subscribe and in the 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)

TURNAROUND RECOVERY FY2022



- Expected Group's UF to achieve up to 51%.
- MSM Prai
To achieve a UF 77% in 2H 2022.
- MSM Johor
To achieve a UF of 28% - 30% in Q4 2022.



- Insurance cover claims for Business Interruptions for Q1-Q3 for 2022 and Q4 for 2023 (maximum coverage of RM 50 million).
- Other insurance claims under IAR for 2022 (RM 9 million).



- Reversals of NRVs and Onerous with better MSM Johor performance.
- Potential RM 28 million NRVs with consumption of raw sugar stockpile.
- Potential RM 34 million of Onerous contracts with improved parameters.



- Increase Wholesale controlled ceiling price or subsidy in-lieu subject to Government approval. RM 1.00 – 1.50/kg.
- New Selling Price Premiums for Big Industry, SMIs and Exports.



- Continue to divest non-core assets (RM8.5 million).
- C2R Initiatives in cost savings, cash conservation and revenue generation.
- Strategic Johor partnership opportunity – being assessed.

STAGING FY2023/FY2024



- Expected Group's UF to achieve up to 75% - 80% 2023/24.
- MSM Prai
To achieve 85% in 2023/24.
- MSM Johor
To achieve 65% in 2023 (2 boilers) and 70% in 2024 (2 + 1 boilers).



- Reduce borrowing from capital raising proceeds (e.g. rights issue/private placement).
- Reduce finance costs from capital borrowing interest servicing.
- Strategic Johor partnership opportunity – being assessed.



- Raw sugar hedged
2023: 51% @ USD16.00-17.00 c/lbs
2024: 27% @ USD16.00-17.00 c/lbs.
- Export and Industry growth derisking NY11 & Forex.
- Lower trade line cost initiatives.



- Higher Average Selling Prices for all segments into full effect.
- Widening and deepening of sugar retail touchpoints & distribution channels.
- Increase domestic market share circa 70%.



- Digitalisation and Data Analytics towards IR 4.0 e.g. Smart Manufacturing, Smart Logistics, Smart Contracts and Customer Sales.
- Step-up ESG practices, initiatives and disclosure.

THANK YOU

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