

# MSM MALAYSIA HOLDINGS BERHAD



23 February 2023 – MSM 4Q 2022 Analyst Briefing



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A large white cylindrical storage tank with a green oval logo containing the text 'GULA MSM PRAI' in black capital letters. The tank is part of an industrial facility with other buildings and a palm tree visible in the background.

**GULA  
MSM  
PRAI**

**EXECUTIVE SUMMARY**

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**FINANCIAL REVIEW**

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**OPERATIONAL REVIEW**

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

# EXECUTIVE SUMMARY



1

MSM recorded higher revenue of RM678 million in 4Q 2022 versus RM642 million in 4Q 2021, a 6% increase and RM2,566 million in FY2022 versus RM2,260 million in FY2021, a 14% increase respectively, supported by **improved Average Selling Price (ASP)** and **higher sales volume**.

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

Despite stronger demands seen in the local and export markets, the high input costs continue to impede the improvement of the Group's financial performance. The Group remains **focused on improving ASP, minimizing costs** and **continues to improve domestic sales volume** through widening of new channels and increasing Consumer Reach Points.

4

The local Sugar Industry requires **urgent Government intervention** by way of price increase or subsidy in-lieu in ensuring food security amidst these high input costs impacting financial performance. In addition, **immediate regulation** is required on the importation of Low Quality Whites (crystal sugar) from India.

5

Overall in 4Q 2022, the Group recorded a **Loss After Tax (LAT) of RM44 million** versus a Loss After Tax of RM16 million in 4Q 2021. For the FY2022, the Group recorded a **Loss After Tax (LAT) of RM179 million** versus a Profit After Tax (PAT) of RM125 million in the previous year.



# FINANCIAL REVIEW

# GROUP FINANCIAL HIGHLIGHTS



| FINANCIAL PERFORMANCE                     | 4Q 2022 | 4Q 2021 | Variance | FY2022    | FY2021    | Variance |
|---|---------|---------|----------|-----------|-----------|----------|
| Revenue (RM million)                      | 678     | 642     | ▲ 6%     | 2,566     | 2,260     | ▲ 14%    |
| Gross Profit (RM million)                 | 32      | 27      | ▼ 19%    | (46)      | 161       | ▼ >100%  |
| GP Margin (%)                             | 5%      | 4%      | ▼ 1%     | (2%)      | 7%        | ▼ 9%     |
| (LBT)/PBT (RM million) – cont. operations | (47)    | (6)     | ▼ >100%  | (179)     | 81        | ▼ >100%  |
| (LAT)/PAT (RM million) – cont. operations | (44)    | (16)    | ▼ >100%  | (179)     | 37        | ▼ >100%  |
| PAT (RM million) – discont. Operations    | -       | -       | -        | -         | 88        | -        |
| (LAT)/PAT (RM million)                    | (44)    | (16)    | ▼ >100%  | (179)     | 125       | ▼ >100%  |
| EPS/LPS (sen)                             | (6)     | (2)     | ▼ >100%  | (25)      | 18        | ▼ >100%  |
| FINANCIAL POSITION                        |         |         |          | FY 2022   | FY 2021   | Variance |
| Total Assets (RM million)                 |         |         |          | 2,812     | 2,871     | ▼ 1%     |
| Total Liabilities (RM million)            |         |         |          | 1,297     | 1,158     | ▲ 12%    |
| Cash and Cash Equivalents (RM million)    |         |         |          | 221       | 195       | ▲ 13%    |
| Net Asset/Share (RM)                      |         |         |          | 2.15      | 2.44      | ▼ 12%    |
| Gearing Ratio / Overall & Term Loan (%)*  |         |         |          | 31% (17%) | 26% (18%) | ▲ 5%     |

## 4Q 2022

- Higher revenue from 11% improvement in ASP.

## FY 2022

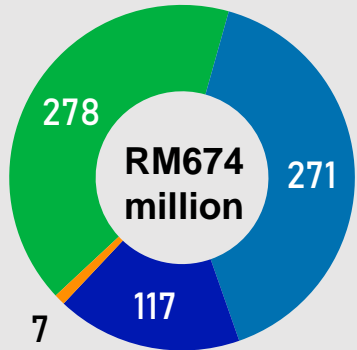
- Higher revenue from improved ASP of 11% and 2% higher total sales volume.
- Incurred losses due to higher rate of increase in production cost compared to the increase in ASP.

\* 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.

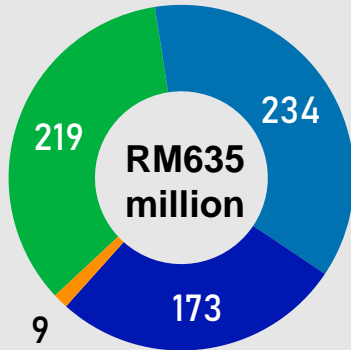
# SALES PERFORMANCE



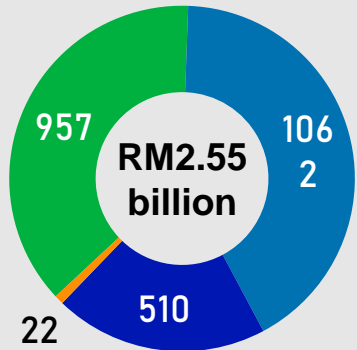
## Sales Revenue



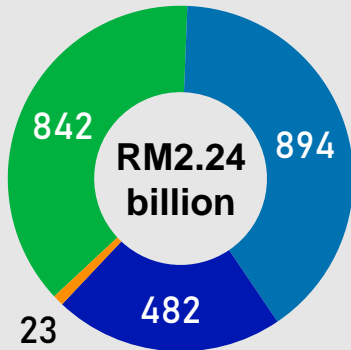
**4Q 2022**  
**+6% yoy**



**4Q 2021**

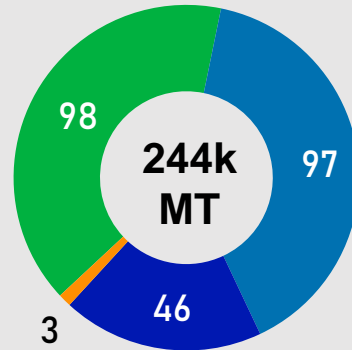


**FY 2022**  
**+14% yoy**

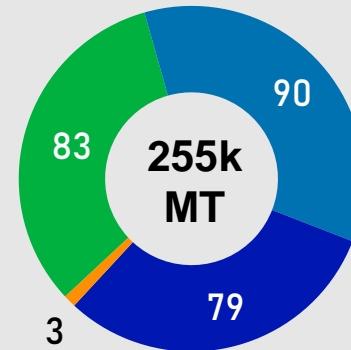


**FY 2021**

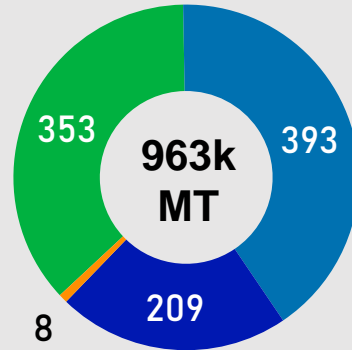
## Sales Volume



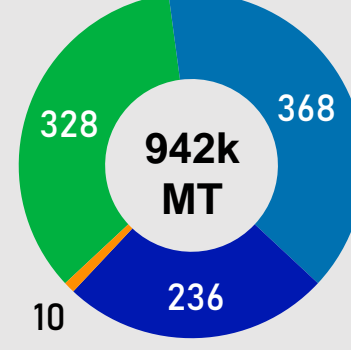
**4Q 2022**  
**-5% yoy**



**4Q 2021**



**FY 2022**  
**+2% yoy**



**FY 2021**

■ Wholesale   
 ■ Industry   
 ■ Export   
 ■ Export Value-Added

### 4Q 2022

- Group sales volume decreased by 5% from lower Exports as priority was given to local orders.

### FY 2022

- Total sales revenue rose by 6% and 14% in 4Q 2022 and FY2022, respectively from 11% increase in ASP driven by higher NY11 and Industry & Export premium.
- Group sales volume increased by 2% in line with improved consumer demands.

# RAW SUGAR (NY11) PRICES (AS AT 21 FEBRUARY 2023)



SUGAR NO. 11 FUTURES (CONTINUOUS: CURRENT CONTRACT IN FRONT), 1D, ICEUS O21.48 H21.65 L21.27 C21.45 +0.07 (+0.33%)

Source : TradingView  
NY11 Continuous Historical Chart

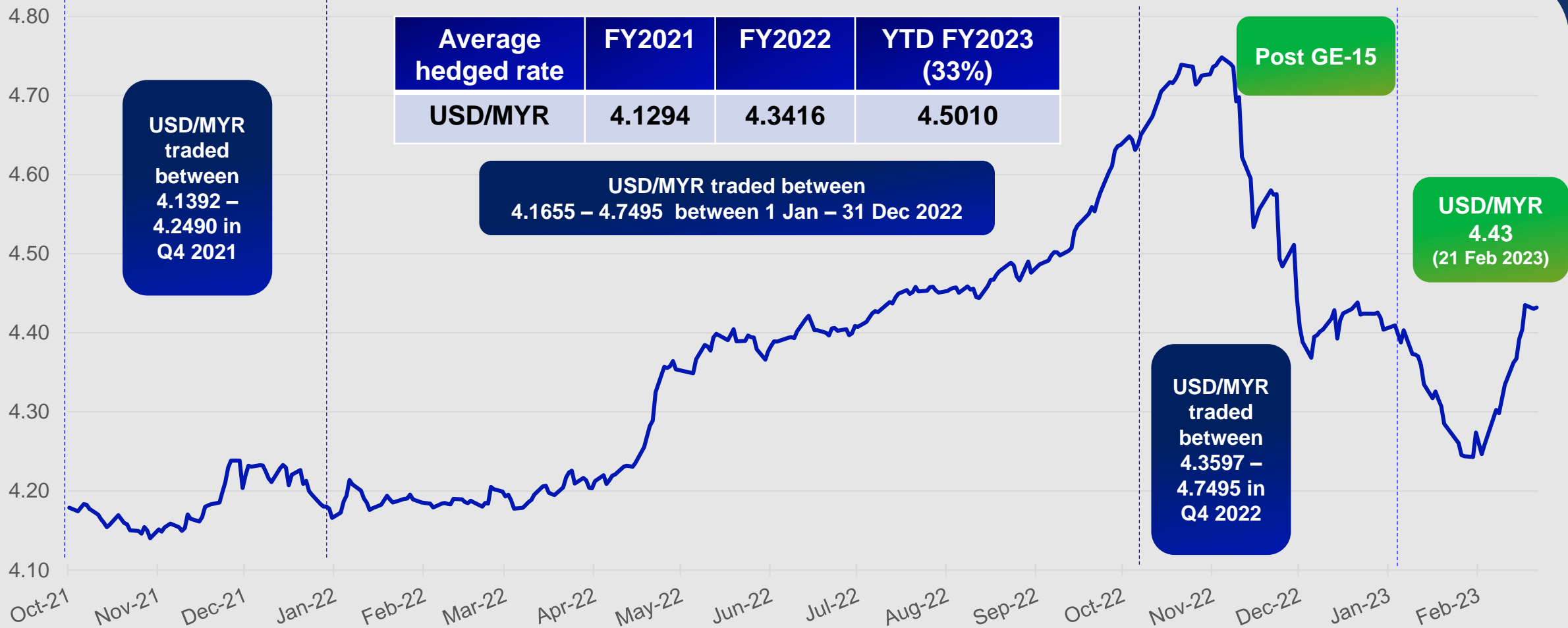


## 2023 Raw Sugar Price (NY11) Outlook

- Global production for 2022/23 is estimated up 2.8 million MT to 183.2 million MT according to the latest USDA November Sugar Report as higher production in Brazil, China, and Russia is expected to more than offset declines in the European Union, India, and Ukraine. Global consumption for 2022/23 is anticipated to rise to a new record of 176.4 million MT due to growth in markets such as China, Indonesia, and Russia.
- Ethanol parity in Brazil is currently at USD 16.98 c/lbs since the Petrobras gasoline price increase by 7.4% in end of January 2023, meaning mills will still be well served producing and selling sugar rather than ethanol with the spot raw sugar price is currently over USD 21.00 c/lbs .
- India is not looking at allowing more sugar exports, government and industry officials said, dampening speculation that the world's biggest producer of the sweetener would permit a second tranche of overseas shipments. However, the authorities had said they could take a view on a second tranche of sugar exports after getting a clearer idea about local production.
- We are of the view that NY11 price to be around USD 18.50 – USD 21.50 c/lbs (RM 1,804 – RM 2,096 per MT) for first half of 2023.



# USD/MYR MOVEMENT 1 OCTOBER 2021 - 21 FEBRUARY 2023



## Forex Rate 2023 Outlook

- Market's USD/MYR forecast for 2023 is between 4.20 – 4.60 (source: Bloomberg - 21 Feb 2023)



# OPERATIONAL REVIEW

# MSM JOHOR RECENT DEVELOPMENT & GROWTH PLAN



1

## BOILER

- **Boiler 2** – in operation (with full CF until mid 2024).
- **Boiler 1** – under permanent improvement works. Recommissioning plan for **March 2023**.
- **New Boiler 3** – Project awarded in November 2022. For redundancy and flexibility to suit changing production levels.

2

## OPERATIONAL MANAGEMENT IMPROVEMENT

- **Wilmar Technical Team** continued on site (1 process expert) and remote online support (3 Wilmar's Subject Matter Experts and contributed to MSM Johor improvement).
- Technical audit performed by Wilmar Technical demonstrated that Johor plant is able to achieve its intended design capacity.
- Technical assessment of single Boiler can achieve 40% UF.
- New refined sugar warehouse completion by May 2023.
- Liquid Sugar - To double up the volume to 6,000 MT per month.
- Premix line sugar/cocoa 1,000 MT per month in operation with trial shipments to China.

3

## YIELD IMPROVEMENT INITIATIVES

- Various process optimisation identified and ongoing implementation.
- Ongoing yield improvement task team focusing to optimize production yield to 92% for FY23 and future 94% – 96%.

4

## SMART MANUFACTURING

- Optimising system in selected area including process line, boilerhouse, steam turbine, QA and packing to enable the team for quicker root cause identifying and execute improvement action in time.
- System integrated, collaborative manufacturing systems that respond in real time.

5

## BIOMASS ENERGY

### Reducing Natural Gas Consumption

- MSM – 5<sup>th</sup> largest industrial natural gas consumer in Malaysia.
- Biomass Boiler will reduce natural gas consumption up to 49% reducing overall cost of melting by 15% - 20% in 2025.
- Energy is a main input cost for sugar refining process and high reliance on fossil fuel is not financially and environmentally sustainable.

# SUSTAINABILITY FY2022 – ONGOING GROWTH PURSUITS



**Diversity, Equity & Inclusion** is an ethos that recognizes the value of diverse opinions, upholds on inclusivity & employee well-being as central facets of success.

**Stand-alone Sustainability Report Practice**

**Create team cohesiveness of Senior Management Committee & new hiring of ESG lead**

**Participation in Industrial Coalition on Sustainability as the key focus**

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

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

**Internal And External Social Compliance Audit**

Expected to be published by Q2 2023

Q1 2023

Lead by GCEO

ESG Talk Series

To complete in Q3 2023

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

# STAGING FY2023/FY2024



- Sweat the asset MSM Prai **80%** and optimise MSM Johor **30%** – **42.5%**. Group's UF **53%** – **61%**.
- MSM Prai Rejuvenation 30 year life extension plan program FY2023-FY2025.
- Optimising operational yield and utilisation factor.
- Implement cheaper and greener form of energy i.e. Biomass based on EFB palm oil.



- Cost saving initiatives and CAPEX rationing.
- Further improve product margins and ASPs.
- Fundraising to strengthen balance sheet.
- Reduce finance costs i.e. pare down term loan.
- Continue seeking Government support on price increase.



- Wholesale NY11 hedged below market for FY23/24 & better freight cost mgmt.
- Develop sales of 1kg & 50kg SKU into Near Region (NR) wholesale/retail market i.e. Singapore, Kalimantan, Sumatra and South Philippines.
- Enhance VAP, liquid sugar and premix.
- Increase Industrial and Export Average Selling Prices (ASP) to absorb higher input costs.



- Widening and deepening of sugar retail Consumer Reach Points & distribution channels.
- Stretch target market share from 65% to 70%.
  - 1) Last Mile, HORECA and small SKUs 500g.
  - 2) Increase industry customer base and volumes.
- Optimise Supply Chain i.e. strategic warehouse in new regions.



- Digitalisation and Data Analytics towards IR 4.0 e.g. Smart Manufacturing, Smart Logistics, Smart Contracts and Customer Sales.
- Continued with ESG practices, initiatives and disclosure e.g. ESG Talk series, refining Sustainability Policy, enhancing DEI, increase waste to recovery, continuous community outreach.

# THANK YOU

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