

MSM MALAYSIA HOLDINGS BERHAD

29 May 2023 - MSM 1Q 2023 Analyst Briefing



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A large white cylindrical tank with a green oval logo containing the text 'GULA MSM PRAI' in black capital letters.

**GULA
MSM
PRAI**

EXECUTIVE SUMMARY

FINANCIAL REVIEW

OPERATIONAL REVIEW

A safety sign on a building with text in Indonesian and English: 'UTAMAKAN KESELAMATAN SAFETY FIRST', 'DILARANG MEROKOK NO SMOKING', and 'JAGA KEBERSIHAN KEEP CLEAN'.

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

EXECUTIVE SUMMARY



1



- MSM recorded lower revenue of RM588 million in 1Q 2023 versus RM591 million in 1Q 2022, a 1% decline, due to lower total sales volume.
- Overall in 1Q 2023, the Group recorded a **Loss After Tax (LAT) of RM36 million** versus a Loss After Tax of RM28 million in 1Q 2022 due to overall higher production costs.

2



- The sugar industry is faced with prolonged high input costs environment owing to the rise in cost of raw sugar, freight, natural gas and volatility of Ringgit Malaysia.
- Other input costs such as packaging materials, utilities and inland logistics have also increased significantly.

3



- Despite stronger demands seen in the local markets, the high input costs continue to impede the improvement of the Group's financial performance.
- The Group remains focused on improving average selling price and minimising costs.

4



The local Sugar Industry requires urgent Government's intervention by way of price increase or subsidy in-lieu in ensuring food security and long-term sustainability of the Sugar Industry amidst these challenges.



FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS



FINANCIAL PERFORMANCE	1Q 2023	1Q 2022	Variance
Revenue (RM mil)	588	596	▼ 1%
Gross Loss (RM mil)	(11)	(5)	▼ >100%
GP Margin (%)	(2)	(1)	▼ 1%
(LBT)/PBT (RM mil)	(33)	(25)	▼ 32%
(LAT)/PAT (RM mil)	(36)	(28)	▼ 29%
EPS/(LPS) (sen)	(5)	(4)	▼ 25%
FINANCIAL POSITION	1Q 2023	FY 2022	Variance
Total Assets (RM mil)	2,794	2,812	▼ 1%
Total Liabilities (RM mil)	1,316	1,297	▲ 1%
Cash and Cash Equivalents (RM mil)	206	221	▼ 7%
Net Asset/Share (RM)	2.10	2.15	▼ 2%

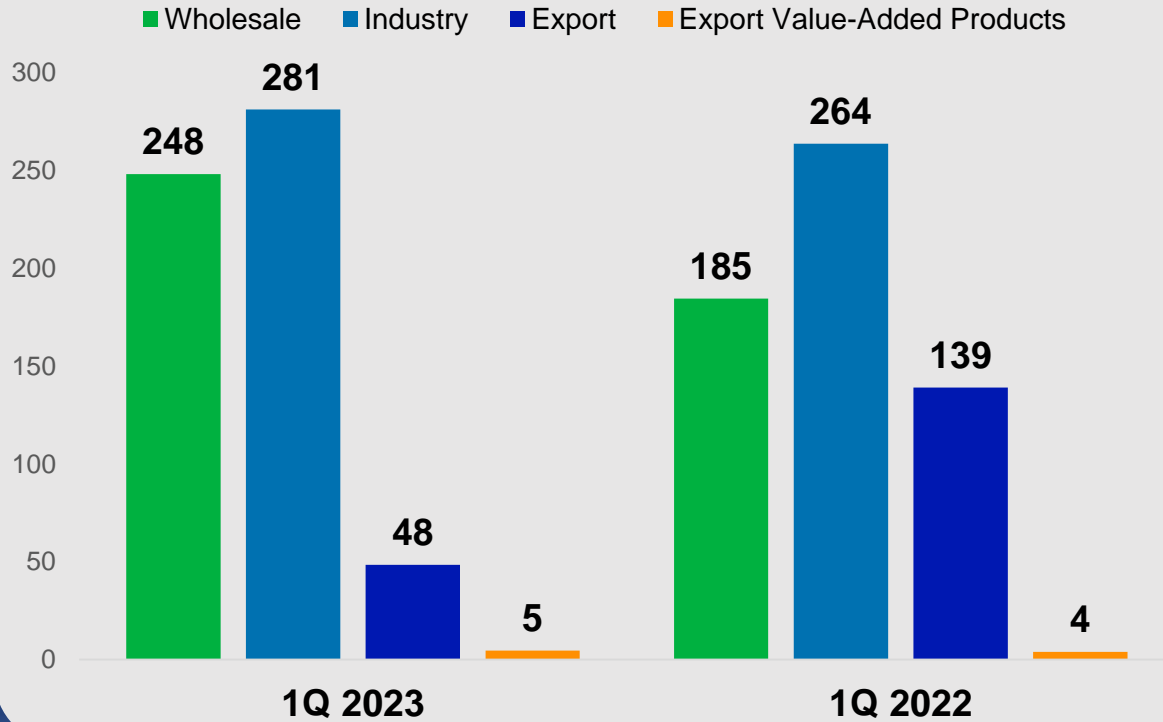
1Q 2023

- Higher negative Gross Profit due to compressed margin for all sales segments due to higher production cost driven by higher Forex and refining cost.
- Recorded higher LAT compared to 1Q 2022.

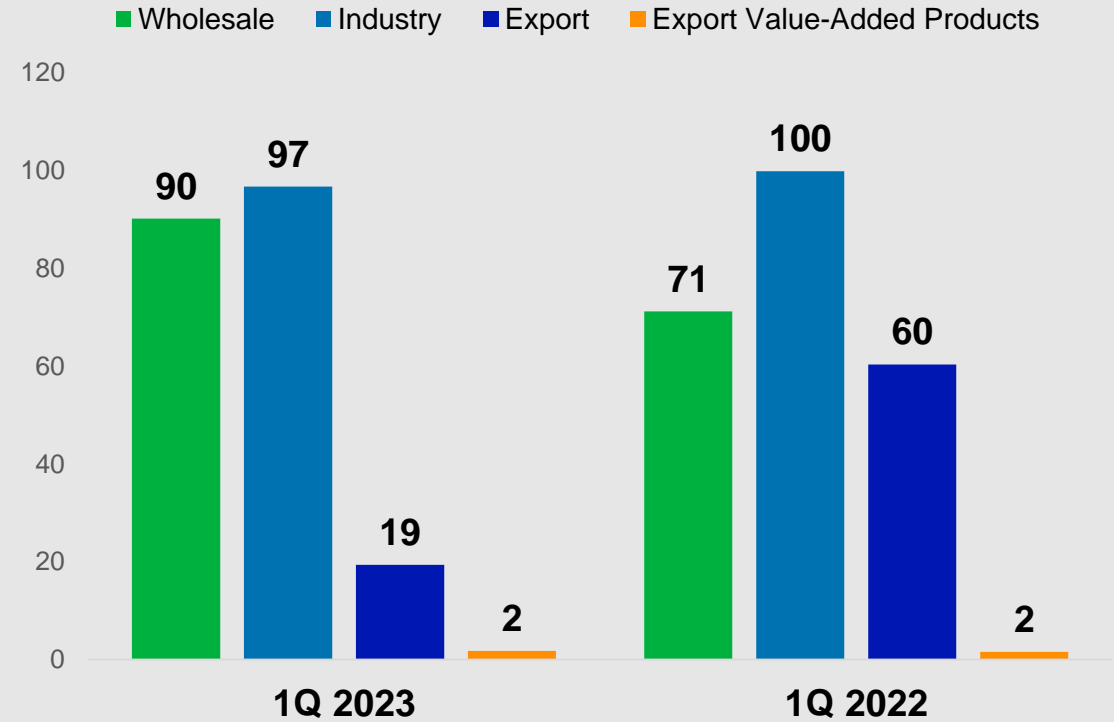
SALES PERFORMANCE



Sales Revenue



Sales Volume



1Q 2023

- Group sales volume decreased by 11% from lower Exports.
- Total sales revenue declined by 1% from lower sales volume.

RAW SUGAR (NY11) PRICES (AS AT 26 MAY 2023)



SUGAR NO. 11 FUTURES, 1D, ICEUS O24.95 H25.64 L24.71 C25.37 +0.54 (+2.17%)

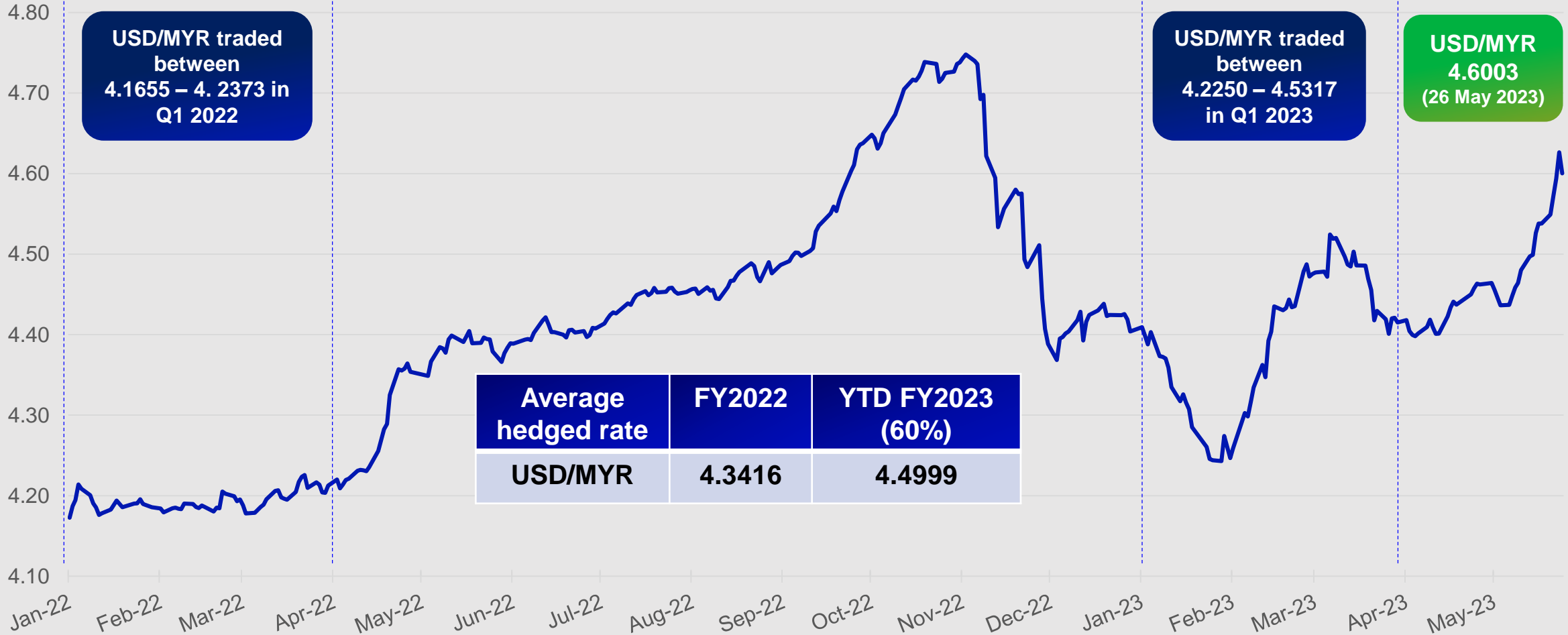
Source : TradingView
NY11 Continuous Historical Chart



2023 Raw Sugar Price (NY11) Outlook

- The USDA bi-annual report projects global 2023/24 sugar production will climb +6.0% y/y to a record 187.881 MMT and that global 2023/24 human sugar consumption will increase +2.3% y/y to a record 180.045 MMT. The USDA is forecasting that 2023/24 global sugar ending stocks will fall -15.2% y/y to a 5-year low of 33.455 million MT.
- Sugar prices have support from changing weather patterns that could undercut global sugar production. The U.S. Climate Prediction Center raised the likelihood of an El Nino weather pattern emerging between August and October to 94% from the 74% forecast last month. If that El Nino pattern occurs, it could bring heavy rains to Brazil and drought to India, negatively impacting sugar crop production.
- India's Food Secretary said India might not allow additional sugar exports this year due to lower-than-expected sugar production. India has allowed only 6.1 million MT of sugar exports in 2022/23 after permitting 11.2 million MT in 2021/22, down -46% year-on-year.
- In Thailand, 2022/23 were expecting more than 100 million MT of cane to be harvested but the actual figure was around 94 million MT of cane only.
- We are of the view that NY11 price to be around USD 22.50 – USD 26.50 c/lbs (RM 2,247 – RM 2,646 per MT) until Q3, 2023.

USD/MYR MOVEMENT 1 JANUARY 2022 - 26 MAY 2023



Forex Rate 2023 Outlook

- Market's USD/MYR forecast for remaining 2023 is between 4.45 – 4.75 (source: Bloomberg - 26 May 2023)



OPERATIONAL REVIEW

MSM JOHOR – COMPLETED TARGETED RECTIFICATIONS



BOILER RECTIFICATION

Defects of both boilers since 2019 disrupted continuous operations and refinery reliability.



Status : COMPLETED

- **Boiler 1** : Works completed April 2023 and in operation.
- **Boiler 2** : in operation (with full CF until November 2023).

PRESSURE REDUCING DESUPERHEATER SYSTEM (PRDS)

- Existing PRDS is under capacity (40 TPH).
- Unable to supply sufficient low pressure steam to Process.



Status : COMPLETED

- March 2022.
- Debottlenecked with added PRDS 40 + 60 TPH.

STEAM TURBINE STG 1 & 2

- STG #2 : 1st, 5th & 6th blade damaged.
- STG #1 : 1st blade damaged.



Status : COMPLETED

- STG#2 : April 2022.
- STG#1 : Feb 2023.

IETS UPGRADING

Under capacity & final discharge not meet Sch A under DOE regulation.



Status : ONGOING

- Expected to complete by end of July 2023.

MSM JOHOR 7 KEY INITIATIVES PLAN



BREAKBULK

OBJECTIVE

To increase sales of bulk 50kg volume to a wider export market and support Johor ramp-up.



GULA SUPER 1KG

OBJECTIVE

To provide customer with option for premium products.

PRODUCT DIFFERENTIATION

- Refined to an exceptional level
- Pure uniform white colour
- Pure cane granulated sugar
- Exceptionally sweet
- Perfect choice for culinary, confectionary to baking and beverages



GULA 500G

OBJECTIVE

To provide customer with option for smaller quantity.



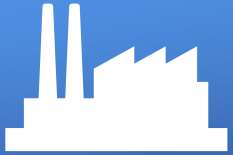
NEW WAREHOUSES, CGS PACKING & CONVEYOR SYSTEM

OBJECTIVE

Additional storage of approximately 10,000MT (Minimise external warehouse rental & support plant ramp up).



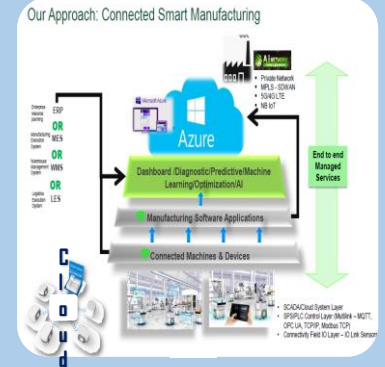
MSM JOHOR 7 KEY INITIATIVES PLAN



SMART MANUFACTURING

OBJECTIVE

Transformation of industry through the intelligent networking of machines and processes with the help of information and communication technology.



BOILER 3 (3Q 2024)

OBJECTIVE

Ensure reliable & continuous steam supply.



BIOMASS BOILER (2025/2026)

OBJECTIVE

Biomass Boiler will reduce natural gas consumption up to 49% reducing the overall cost of raw sugar melting by 15 – 20%.



MSM ONGOING SALES INITIATIVES

NEW PRODUCT LAUNCH – APPROVED MAY 25 BY KPND



PREMIUM GRAIN SUGAR

SUPER SUGAR FOR A SUPER USER LIKE YOU!

PRODUCT DIFFERENTIATION

- Introducing super premium 1kg sugar to provide high purity option to consumers
- ICUMSA 45 or better

KEY HIGHLIGHTS

- Refined to an exceptional level
- Pure uniform white colour
- Pure cane granulated sugar
- Exceptionally sweet
- Perfect choice for culinary, confectionary to baking and beverages

PRODUCT PRICING

- Refinery price: RM 4.20/KG
- Wholesale price: RM 4.40/KG
- Super Premium Sugar Recommended Retail Price: **RM4.60/KG**

MSM ONGOING SALES INITIATIVES



NEW MARKET EXPANSION - NEAR REGION

OBJECTIVE



Market expansion



Higher margin
than export segment



Capacity
optimisation

TARGET MARKETS



Sumatera
(Population: 50 mil)
RM4.20 – RM4.50/kg



Southern Philippines
(Population: 30 mil)
RM8.50 – RM9.50/kg



Kalimantan
(Population: 17 mil)
RM4.50/kg



Singapore
(Population: 4 mil)
RM6.11 – RM6.79/kg

Retail Selling Price

MSM ENVIRONMENT, SOCIAL & GOVERNANCE 1Q 2023 UPDATES



... DEC 2022



Digitalisation on Smart Sales Contract Auto Generation

... MAR 2023



Penang Business Excellence Award

... JAN 2023



Strengthening Sustainable Sugar Commitment with WILMAR on NDPE Policy

... MAR 2023



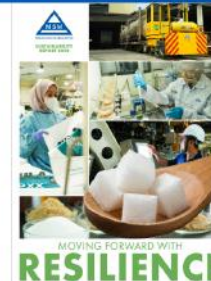
Earth Hour 2023

... FEB 2023



Adopted Women's Empowerment Principles

... APR 2023



Stand-alone Sustainability Report 2022

STAGING FY2023/FY2024



OPERATIONS

- MSM Prai UF **70%** - **80%** and optimise MSM Johor **30%** – **50%**. Group's UF **50%** – **60%**.
- MSM Prai Rejuvenation 30 year life extension plan program FY2024-FY2027.
- Optimising operational yield Prai 97% and Johor 92%
- Exploring cheaper and greener form of energy i.e. Solar and Biomass based on EFB palm oil.

FINANCE & CORP STRATEGY

- Further improve product margins and Average Selling Price (ASPs).
- Cost saving initiatives and CAPEX rationing.
- Fundraising to strengthen balance sheet.
- Reduce finance costs i.e. pare down term loan. Gearing: Term Loan 14%, Overall 33%.
- Continue seeking Government support on price increase.

SALES

- Wholesale NY11 hedged below market for FY23/24 & better freight cost mgmt.
- Develop sales of Gula Super 1kg & Near Region (NR) wholesale / retail market i.e. Singapore, Kalimantan, Sumatra and South Philippines.
- Enhance breakbulk export and VAPs (liquid sugar and premix).
- Increase Industrial and Export (ASP).

MARKET DISTRIBUTION

- Wider and deeper 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 warehouses in new regions.

THANK YOU

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