



MSM MALAYSIA HOLDINGS BERHAD

2nd Quarter FY2023 Financial Results Briefing

25 August 2023, Friday



Janji...
gula peket
hijau!
SWEETENING LIVES SINCE 1964

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TODAY'S AGENDA

1

EXECUTIVE SUMMARY

2

FINANCIAL REVIEW

3

**OPERATIONAL
REVIEW**



1

EXECUTIVE SUMMARY

The logo consists of a blue triangle with a white border. Inside the triangle, the letters 'M S M' are written in white, bold, sans-serif font. Below the letters is a white horizontal bar.

MSM

EXECUTIVE SUMMARY



MSM recorded higher revenue of **RM746 million** in 2Q 2023 versus RM624 million in 2Q 2022, a **20% increase** supported by **improved Average Selling Price (ASP)** and **3% higher sales volume**. Overall in 2Q 2023, the Group recorded a narrowing **Loss After Tax (LAT)** of **RM21 million** versus LAT of RM36 million and RM34 million in 1Q 2023 and 2Q 2022, respectively from improved margins despite higher production costs.



The Group continues to face **prolonged high input costs** owing to rising raw sugar cost, high freight and natural gas prices as well as volatility of Ringgit Malaysia.



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**, **minimising costs** and **continuing to improve sales volume** through widening of distribution channels and increasing Consumer Reach Points.



As a first step, the Government has **approved to float the price of premium sugar (Gula Super)** which is differentiated by the quality of the sugar. However, the Joint Sugar Industry still requires **urgent Government intervention** to increase sugar price or subsidy in-lieu in ensuring food security and long-term sustainability of the Sugar Industry amidst its challenges.

2

FINANCIAL REVIEW

The logo consists of a large blue triangle pointing upwards. Inside the triangle, the letters 'M S M' are written in white, bold, sans-serif font. Below the letters is a white horizontal bar that tapers at the ends, matching the width of the triangle's base.

MSM

GROUP FINANCIAL HIGHLIGHTS



| FINANCIAL PERFORMANCE | 2Q 2023 | 2Q 2022 | Variance | 1H 2023 | 1H 2022 | Variance |
|------------------------------------|---------|---------|----------|---------|---------|----------|
| Revenue (RM mil) | 746 | 624 | ▲ 20% | 1,335 | 1,220 | ▲ 9% |
| Gross Loss (RM mil) | (8) | (7) | ▼ 14% | (19) | (12) | ▼ 58% |
| GP Margin (%) | (1) | (1) | - | (1) | (1) | - |
| Loss Before Tax (LBT) (RM mil) | (14) | (35) | ▲ 60% | (47) | (60) | ▲ 22% |
| Loss After Tax (LAT) (RM mil) | (21) | (34) | ▲ 38% | (57) | (62) | ▲ 8% |
| Loss Per Share (sen) | (3) | (5) | ▲ 40% | (8) | (9) | ▲ 11% |
| FINANCIAL POSITION | | | | 1H 2023 | FY 2022 | Variance |
| Total Assets (RM mil) | | | | 2,977 | 2,812 | ▲ 6% |
| Total Liabilities (RM mil) | | | | 1,519 | 1,297 | ▲ 17% |
| Cash and Cash Equivalents (RM mil) | | | | 237 | 221 | ▲ 7% |
| Net Asset/Share (RM) | | | | 2.07 | 2.15 | ▼ 4% |

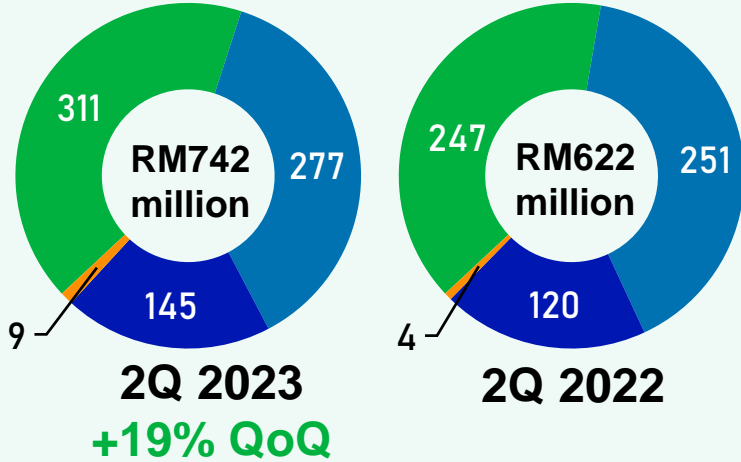
2Q 2023

- Recorded higher revenue and lower LBT from higher ASP and sales volume.
- Profitability impacted by prevalent high input cost; NY11, Forex, gas cost have all increased compared to previous period.
- Gearing:** Term Loan 14%, Overall 37%.

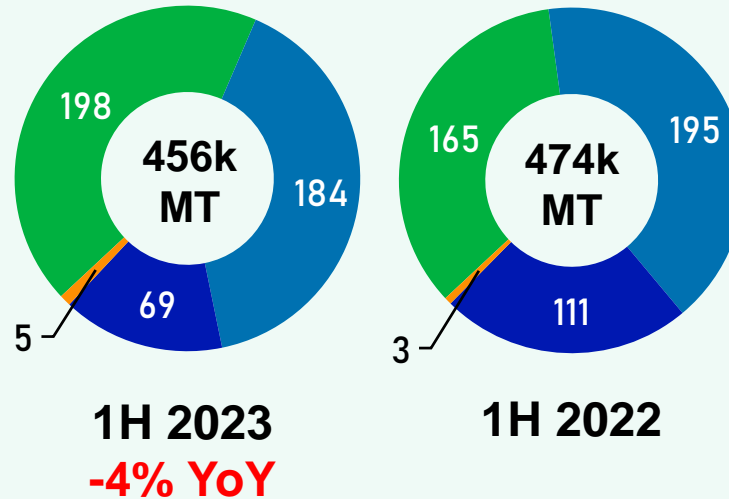
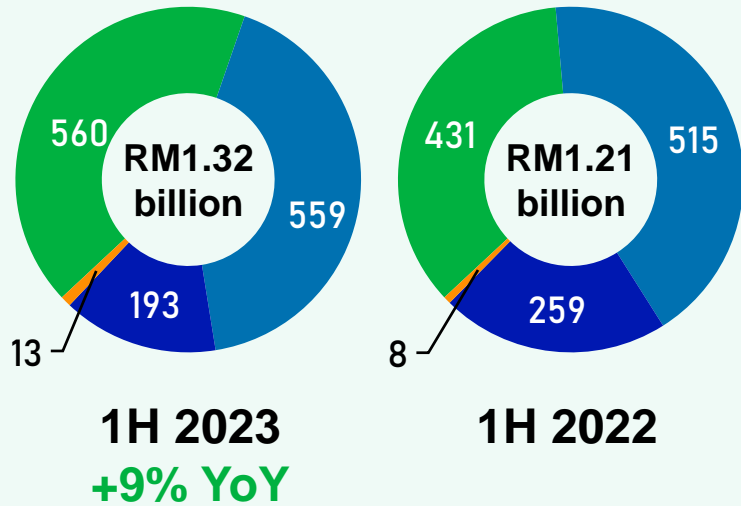
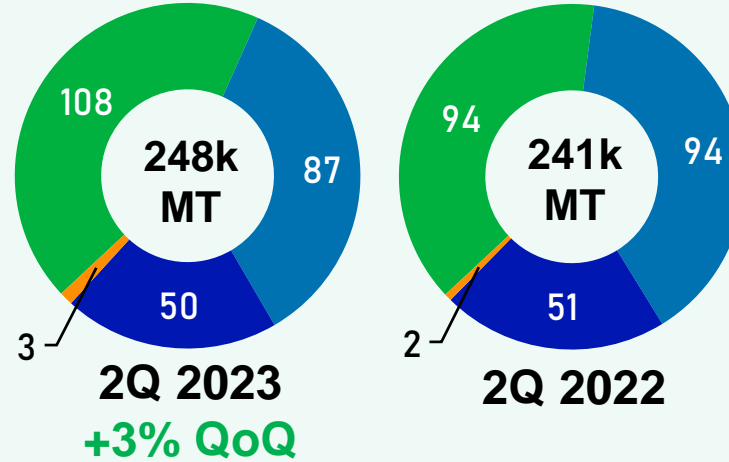
SALES PERFORMANCE



Sales Revenue



Sales Volume



■ Wholesale
 ■ Industry
 ■ Export
 ■ Export Value-Added

2Q 2023

- 19% increase in revenue from higher Wholesale volume.

1H 2023

- Total sales revenue rose 9% from 16% increase in ASP driven by higher NY11, Forex and Industry & Export premium.
- Group sales volume reduced by 4% from lower Export volumes in 1Q 2023.

RAW SUGAR (NY11) PRICES (AS AT 22 AUGUST 2023)



2023 Raw Sugar Price (NY11) Outlook

Bullish Market

- **Global:** 2023/24 global sugar production is projected to fall -1.2% y/y to 174.8 million MT; the global sugar market in 2023/24 will fall into deficit by -2.12 million MT. [*International Sugar Organization (ISO), 10 Aug 2023*]
- **India:** Lower sugar production precipitated in India, the world's second-largest sugar producer. India's 2023/24 sugar production would decline -3.4% y/y to 31.68 million MT. [*Indian Sugar Mills Association (ISMA), 2 Aug 2023*]
- **Thailand:** Excessive dryness in Thailand, the world's third-largest sugar producer, which may curb the country's sugar production. Thailand 2023/24 sugar production is projected to drop -31% y/y to a 17-year low of 7.4 million MT due to dry weather. Rainfall in Thailand is 28% below this year compared to the same period last year. [*Czarnikow, 7 Aug 2023*]
- **Weather:** Changing of weather patterns could undercut global sugar production. Sea surface temperatures across the equatorial Pacific Ocean had risen 0.5 degrees Celsius above normal, and wind patterns have changed to the point where El Nino criteria have been met. [*U.S. Climate Prediction, 8 Jun 2023*]

Bearish Market

- **Brazil:** Brazil's recent favorable weather conditions prompted Conab to raise its Brazil 2023/24 sugar production estimate to 40.9 million MT from 38.8 million MT.

Other

- NY11 price is projected to be around USD 22.50 – USD 26.50 c/lbs (around RM 2,306 – RM 2,715 per MT) until 3Q of 2023.

USD/MYR MOVEMENT 1 JANUARY 2022 – 23 AUGUST 2023



Forex Rate 2023 Outlook

- Market's USD/MYR forecast for remaining 2023 is between 4.65 – 4.80 (source: Bloomberg – 23 Aug 2023)

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OPERATIONAL REVIEW

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M S M

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 : **ON GOING**

- Expected to complete by end of Aug 2023. Testing & commissioning in Sept 2023.

MSM JOHOR 6 KEY INITIATIVES PLAN



BREAKBULK

OBJECTIVE

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

- Target for first shipment in November 2023.



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.



NEW WAREHOUSES, CGS PACKING & CONVEYOR SYSTEM

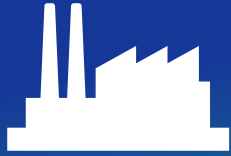
OBJECTIVE

Additional storage of approximately 10,000MT.

- Minimise external warehouse rental & support plant ramp up.



MSM JOHOR 6 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.

- Alliance MSM-Maxis-MDEC.
- Target to kick off in 3Q 2023 and roll out in 4Q 2024.



BOILER 3

OBJECTIVE

Ensure reliable & continuous steam supply.

- Target to complete in 3Q 2024.



BIOMASS BOILER

OBJECTIVE

Biomass Boiler will reduce natural gas consumption up to 50% reducing the overall cost of raw sugar melting by 15 – 20%.

- Target to begin in 2025/2026.



LAUNCHED GULA SUPER @ FLOATING PRICE



APPROVED ON 25 MAY 2023 BY KPDN

PREMIUM REFINED 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 color
- Pure cane granulated sugar
- Exceptionally sweet
- Perfect choice for culinary, confectionary to baking and beverages

PRODUCT PRICING

- Refinery price: RM4.20/kg
- Wholesale price: RM4.40/kg
- Super Premium Sugar Recommended Retail Price: RM4.60/kg

TARGET SALES VOLUME MINIMUM 10,000 MT PER MONTH

NEW MARKET – NEAR REGION

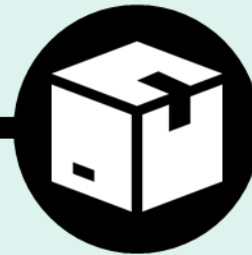


Capitalizing on higher retail selling prices, high demand with >100 million population

OBJECTIVE



Market Expansion

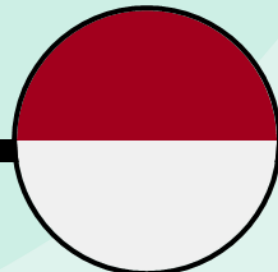


Higher margin than export segment



Capacity Optimisation

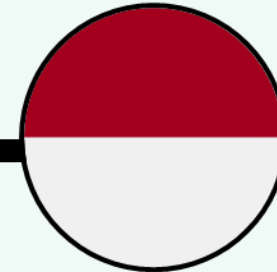
TARGET MARKETS



Sumatera
(Population: 50 mil)



Southern Philippines
(Population: 30 mil)



Kalimantan
(Population: 17 mil)



Singapore
(Population: 4 mil)

Retail Selling Price

RM4.20 – RM4.50/kg

RM8.50 – RM9.50/kg

RM4.50/kg

RM6.11 – RM6.79/kg

TARGET SALES VOLUME MINIMUM 5,000 MT PER MONTH

MSM KEY FOCUS AREAS IN ESG



NET ZERO PATHWAY

- Identify, Evaluate, Engage and Deliver (IEED).
- Lower carbon footprint via efficiency improvement.
- Replace energy efficient critical equipment.
- Efficient fleet management.
- RE: Solar and biomass.
- Carbon sequestration solutions.

CIRCULARITY & PROTECT BIODIVERSITY

- Establish biodiversity management plans on high environmental risk activities.
- Convert by-product/waste to green economy.

BUILDING SUSTAINABLE SUPPLY CHAIN

- Develop supplier sustainability management programmes.
- Programme and onboarding in phases according to supplier categories.
- Main supplier onboard with 100% traceability via NDPE sustainable raw sugar.

ESG ACTIVITIES IN 2Q 2023



10 MAY



Male Allyship

GCEO was invited as a panelist, advocacy for DEI

15 MAY



Commitment to Community

“Payung RAHMAH Bersama Giant” at Batu Caves

15 MAY



HAWANA 2023

MSM sponsored event in recognition & appreciation for media practitioners

18 MAY



Raya Celebration

Creating impactful, cohesive and interactive workforce

19 MAY



UTM # MSMJ

Understanding sugar refinery process

20 MAY



Graduan Aspire Career Fair, KLCC

Create job opportunity

24 MAY



Stakeholder Engagement

Felda Chairman, DG and FGV in MSMJ's business development

ESG ACTIVITIES IN 2Q 2023



29 MAY



Health & Environmental Safety Week 2022

Promote sustainability & raise environmental awareness

10 JUNE



Food Distribution Program

Homeless transit center, Jalan Pahang

12 – 13 JUNE



Employee Engagement

Happiness and Harmony Index

21 JUNE



Employee Engagement

Synergy & collaboration of Top management & production

21 JUNE



Corporate Social Responsibility

Back to local community



Employee Engagement

Well-being

11 AUGUST



Sugar Donation

Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah (RACTAR)

STAGING FY2023/FY2024



OPERATIONS

- 2H 2023 - MSM Prai UF **80% – 85%** and optimize MSM Johor **30% – 40%**. Group's UF **50% – 55%**
- MSM Prai Rejuvenation 30-year life extension plan program FY2024-FY2027
- Optimising operational yield Prai 97% and Johor 92%, Group yield 95%
- 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 (ASP)
- 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 37%
- Continue seeking Government support on price increase

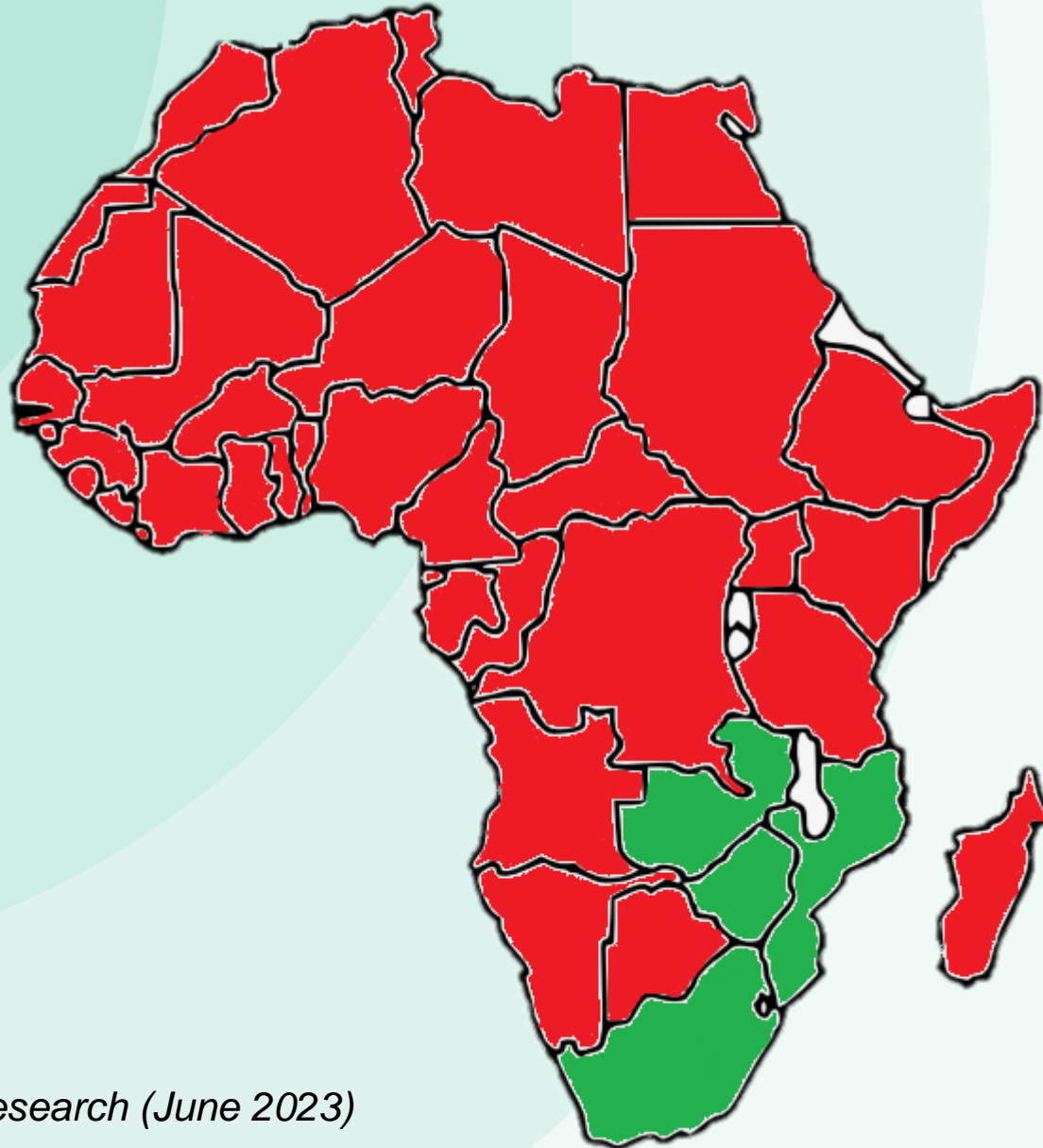
SALES

- 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, South Philippines, Myanmar
- Enhanced shipping options for Export – breakbulk shipping
- Increase Industrial and Export ASP

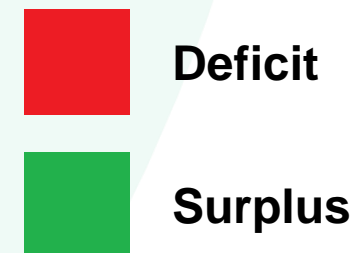
MARKET DISTRIBUTION

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

NEW MARKET - FUTURE WHITES DEMAND RESTS HEAVILY ON AFRICA



- New market opportunity in African Region with breakbulk initiative
- Growing regional S&D deficit (currently > - 10 mil MT)
- African consumption grew 2.8% in the past 10 years VS flat productions



Source: ED&F Man Research (June 2023)



THANK YOU

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