MSM MALAYSIA HOLDINGS BERHAD

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1Q FY2024 FINANCIAL RESULTS BRIEFING

23 MAY 2024

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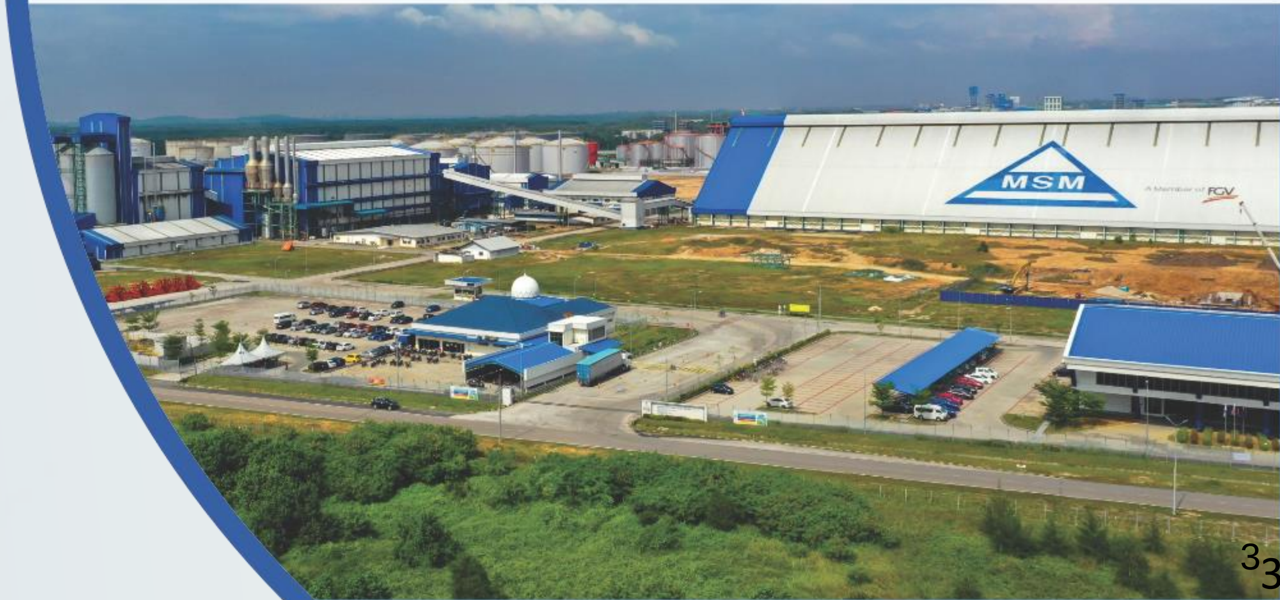
TODAY’S AGENDA



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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

MSM recorded 54% higher revenue of **RM907 million** in 1Q 2024 versus RM588 million in 1Q 2023, from **improved Average Selling Price (ASP)** contributed by **higher premiums and sales volume**. Overall in 1Q 2024, the Group recorded a **Profit Before Tax (PBT)** of **RM66 million** versus **Loss Before Tax (LBT)** of **RM33 million** in 1Q 2023 from improved margins despite higher production costs.

MSM continues to face prolonged high input cost with freight remains volatile compounded by Red Sea crisis since 1Q 2024. In addition, natural gas cost remains elevated while Raw Sugar imports are affected by weak Ringgit. Nevertheless, Raw Sugar price is trending lower due to better production forecast from Brazil.

The Group continues to reinforce our domestic and export markets amidst **steady demand** and explore other **regional market opportunities.** The growth in export segment is in line with the initiative to optimise the utilisation rate of MSM Johor refinery and improve overall Group production volume.

MSM remains cautious on the risks of heightening geopolitical tension which may affect the prices of our key input cost and impede our financial performance. The Group is focused on **improving ASP, minimising costs** including hedging optimisation and **growing sales volume** through widening of distribution channels and increasing Consumer Reach Points.

The Joint Sugar Industry is engaging with the Government to finalise a sustainable pricing mechanism for the domestic retail segment in ensuring food security and long-term sustainability of the industry.

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FINANCIAL REVIEW

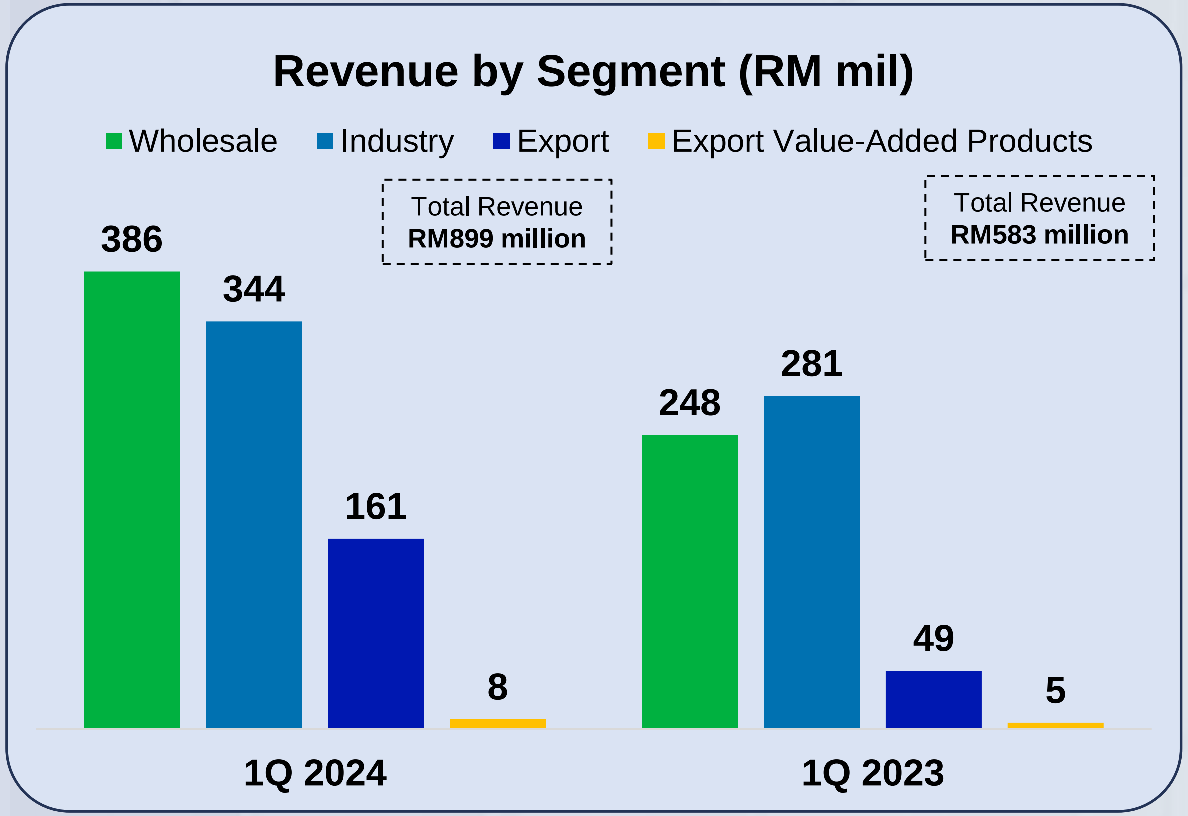
GROUP FINANCIAL HIGHLIGHTS

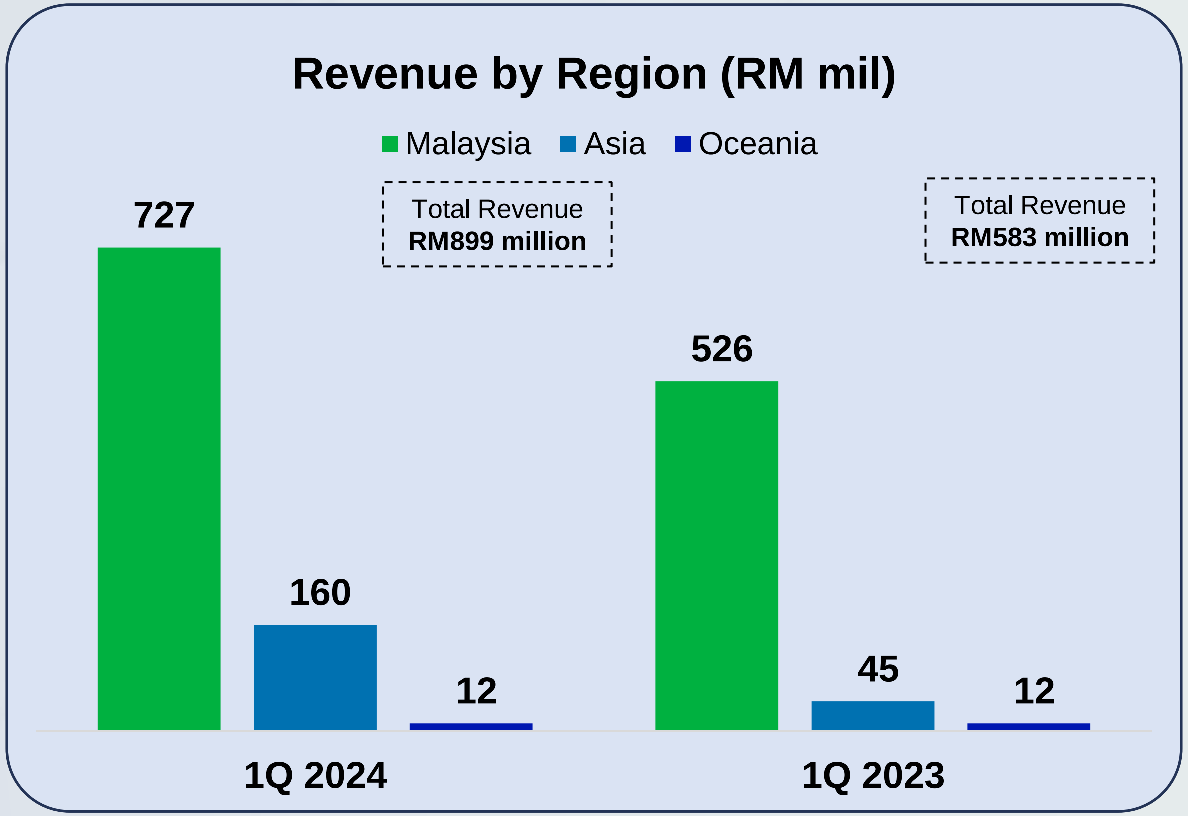
FINANCIAL PERFORMANCE	1Q 2024	1Q 2023	Variance
Revenue (RM mil)	907	588	54%
Gross Profit/(Loss) (RM mil)	89	(11)	>100%
GP Margin (%)	10	(2)	12%
Profit/(Loss) from Operations (RM mil)	74	(25)	>100%
Profit/(Loss) Before Tax (PBT/LBT) (RM mil)	66	(33)	>100%
Profit/(Loss) After Tax (PAT/LAT) (RM mil)	42	(36)	>100%
Earnings/(Loss) Per Share (sen)	6	(5)	>100%
FINANCIAL POSITION	**1Q 2024**	**FY2023**	**Variance**
Total Assets (RM mil)	3,107	2,891	7%
Total Liabilities (RM mil)	1,601	1,426	12%
Cash and Cash Equivalents (RM mil)	188	278	(32%)
Net Asset/Share (RM)	2.14	2.08	3%

1Q 2024

- Recorded higher revenue from higher ASP and sales volume.
- Recorded PBT of RM66 million compared to RM33 million LBT in the same quarter last year from higher margins and better capacity utilisation.
- Higher usage of internal funds for raw sugar purchase to manage our finance costs.
- **Gearing:** Term Loan 11%, Overall 39%.

SALES PERFORMANCE





The above represents sales to customers including incentives

1Q 2024

- 54% increase in total sales revenue from higher overall sales volume and increased Industry and Export Premiums.
- 22% higher group sales volume from higher wholesale and export volumes.

RAW SUGAR (NY11) PRICES (AS AT 21 MAY 2024)

2024/25 Raw Sugar Price (NY11) Outlook

Bullish factors

Thailand:
- **Thailand's heatwave** may damage the nation's sugarcane crops. More than 36 of Thailand's 77 districts reported record-high temperatures in April, with new highs beating records as far back as 1958 *[Thailand's Meteorological Department, 13 May 2024].*

India:
- **India** had **ruled out allowing exports in the 2023/24 season** ending October provided some support for NY11 prices. India's **2023/24 sugar production** from Oct-Apr **fell -1.6% y/y to 31.4 million MT** as more sugar mills closed for the year and ended their crush of sugarcane *[Indian Sugar and Bioenergy Manufacturers Association].*

Bearish Factors

Weather:
- The **El Nino weather event will end**, and the **tropical Pacific will transition into neutral conditions**, which should benefit weather patterns in South America and Asia and **support global sugar crops** *[National Oceanic and Atmospheric Administration (NOAA), May 2024].*

Speculator:
- Weekly Commitment of Traders (COT) report showed funds boosted their net-short positions in NY sugar by 24,857 in the week ending May 14 to a nearly 4-year high of **72,541**.

Brazil:
- **Brazil's 2024/25 sugar production** in the second half of April rose +84.0% y/y to 1,843 million MT**.** Mills **increased cane crushing for sugar** at the expense of ethanol production this year, crushing **46.96%** of sugarcane, up from 41.42% previous year. **Brazil's 2024/25 sugar production** will climb +1.3% y/y to a record **46.292 million MT** as 2024/25 sugar acreage in Brazil increases by +4.1% to **8.7 million hectares**, the most in seven years *[Conab, 25 Apr 2024]*.

Thailand:
- **Thailand's 2023/24 sugar production** from Dec-Apr 2024 was **8.77 million MT**, which is higher than 7.5 million MT which estimated by Thai Sugar Millers Corp in February *[Thailand's Office of the Cane and Sugar Board, 22 Apr 2024]*.

India:
- **India's 2024 (Jun-Sep) monsoon period** is expected to be 106% of a long-term average of 87 centimeters *[India Meteorological Department]*.

Summary

- The global sugar market is expected to shift into surplus during the current season (2024/25) which start in April 2024, the NY11 price is projected to be around **USD 17.50 – USD 20.00 c/lbs** (around RM 1,813 – RM 2,072 per MT). All eyes will now be on the weather pattern in Centre-South Brazil, the world's largest cane growing region.

USD/MYR MOVEMENT 1 JANUARY 2023 – 21 MAY 2024

USD/MYR 2024 Outlook

- USD/MYR forecast for the remaining of 2024 is between 4.60 – 4.75 *(source: Bloomberg – 21 May 2024)*

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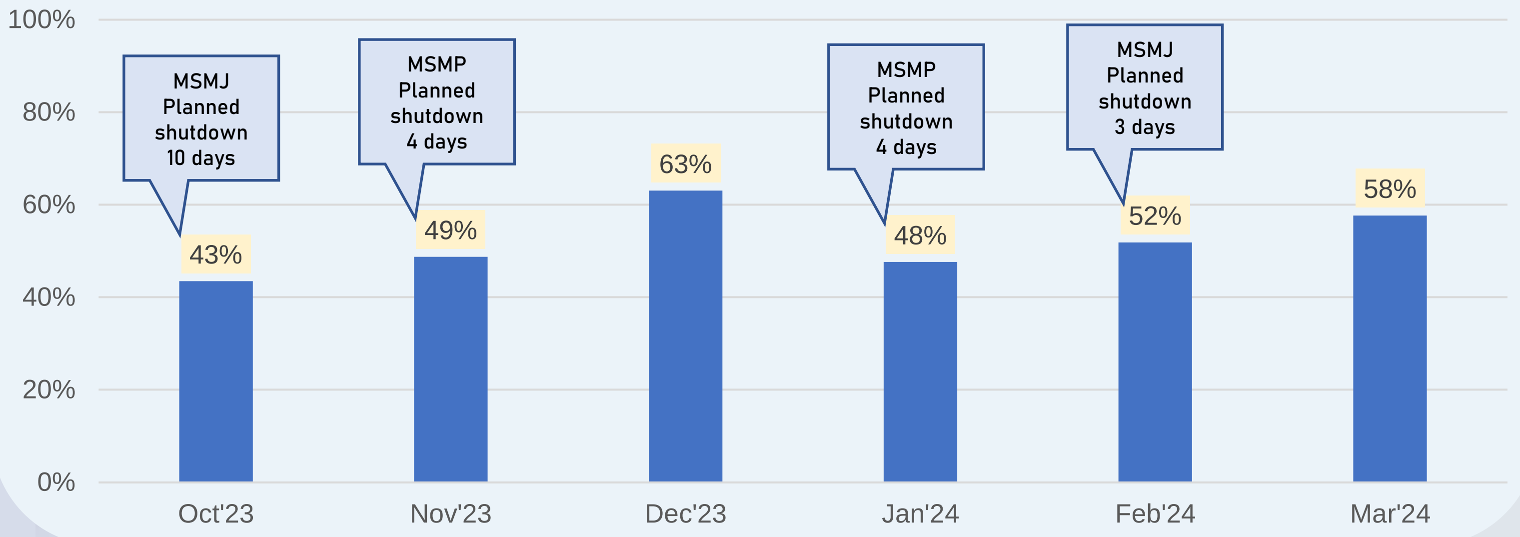
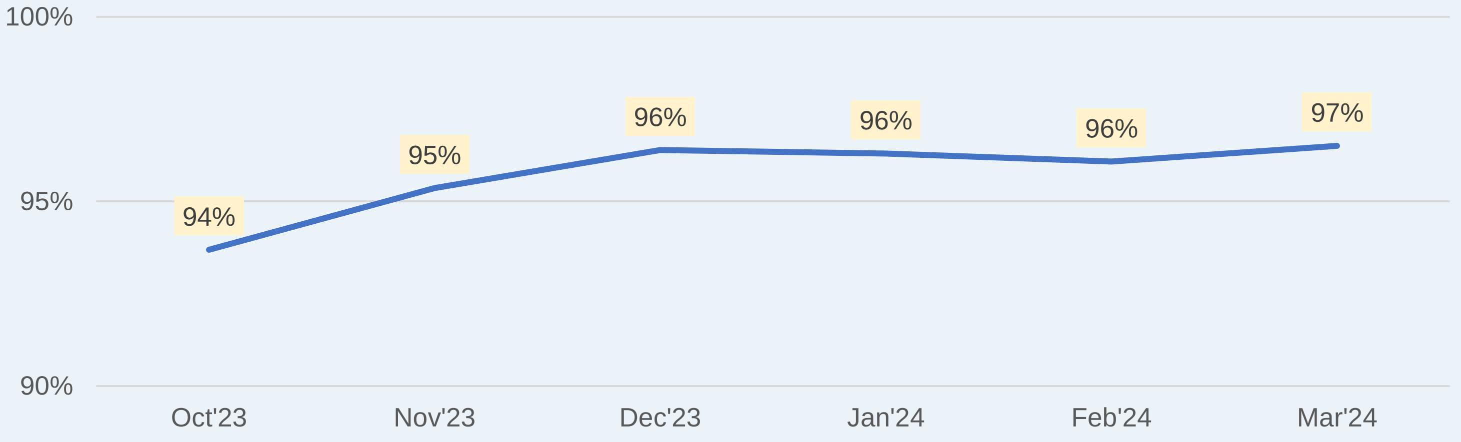
OPERATIONAL REVIEW

MSM GROUP PERFORMANCE

UTILISATION FACTOR



YIELD

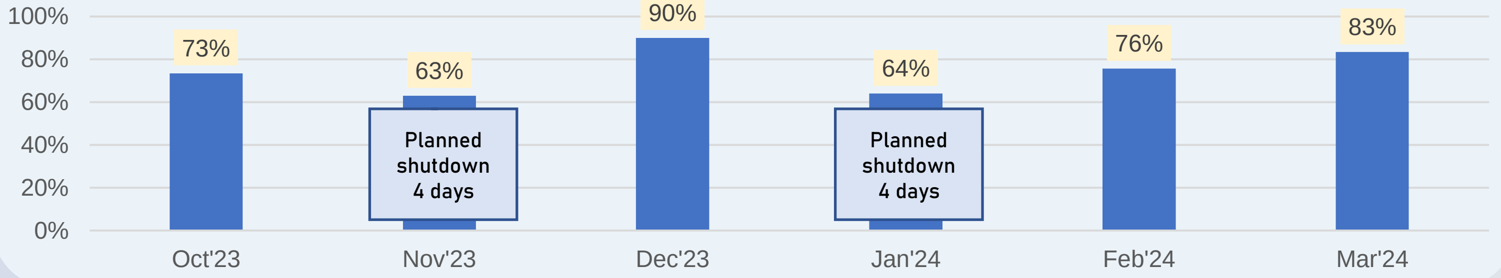


UTILISATION FACTOR (UF) – Highest UF in 2023 recorded in December with 63% UF mainly contributed by high UF at MSM Prai. Target UF for 2024 is 61%

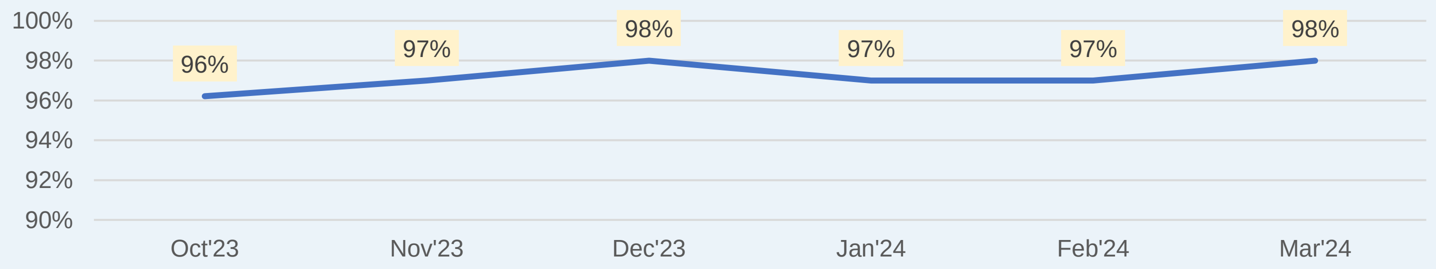
YIELD – Overall Yield in 2023 was 94.6%. The Group achieved Yield of 96.3% in Q1’24 with overall 2024 target of 95%.

MSM PRAI PERFORMANCE

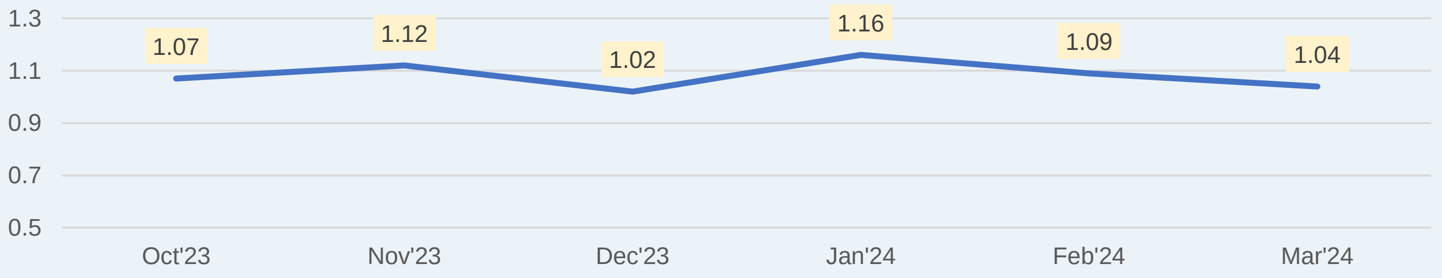
UTILISATION FACTOR



YIELD



ENERGY EFFICIENCY (Ts/Tr)



UTILISATION FACTOR (UF) – MSM Prai showed a consistency of UF >75%. Next target between 80% - 85%.

YIELD – Yield was maintained above target of 96.5%. Prai demonstrates good standard of sugar refining.

ENERGY EFFICIENCY – Higher production and utilisation resulted in better energy efficiency

MSM PRAI IMPROVEMENTS

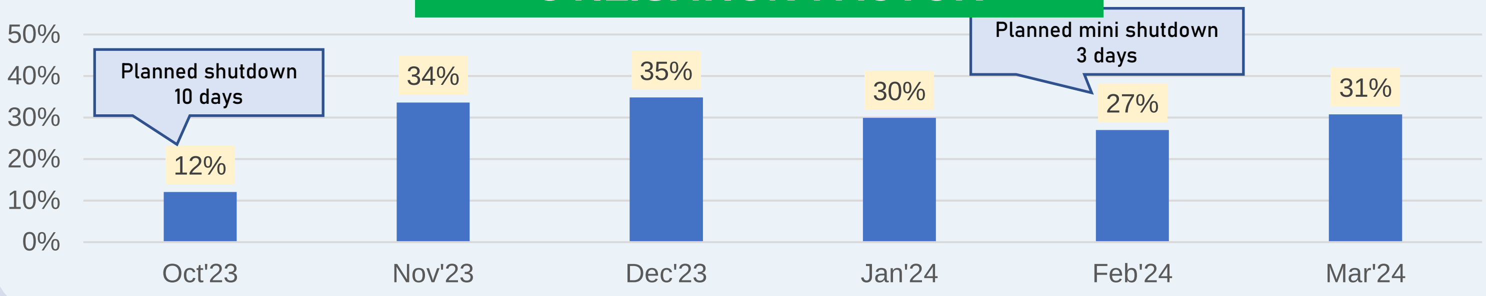
IETS LAUNCHING BY TYT PENANG
5 MARCH 2024

MSM PRAI REJUVENATION 2024-2026

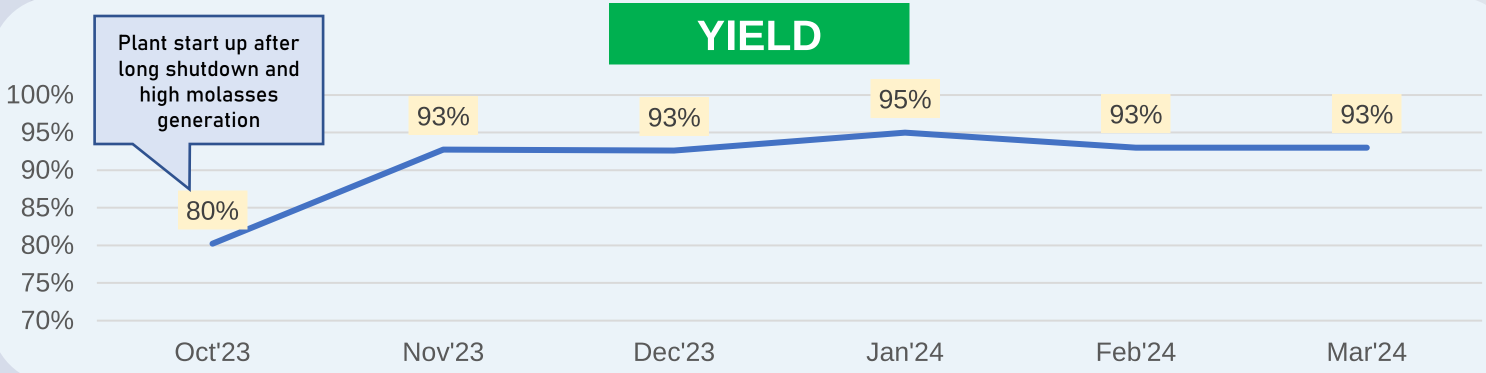
- New Industrial Effluent Treatment System for **improved environmental management** target for higher refining utilisation.
- Energy efficiency – improved Ts/Tr, **Renewable energy** based on solar rooftops reduces energy costs and Scope 2 carbon footprint.
- **Refinery Rejuvenation Programme** – in phases with scheduled minimal shutdown and planned shutdown. Life extension target of 30 years

MSM JOHOR PERFORMANCE

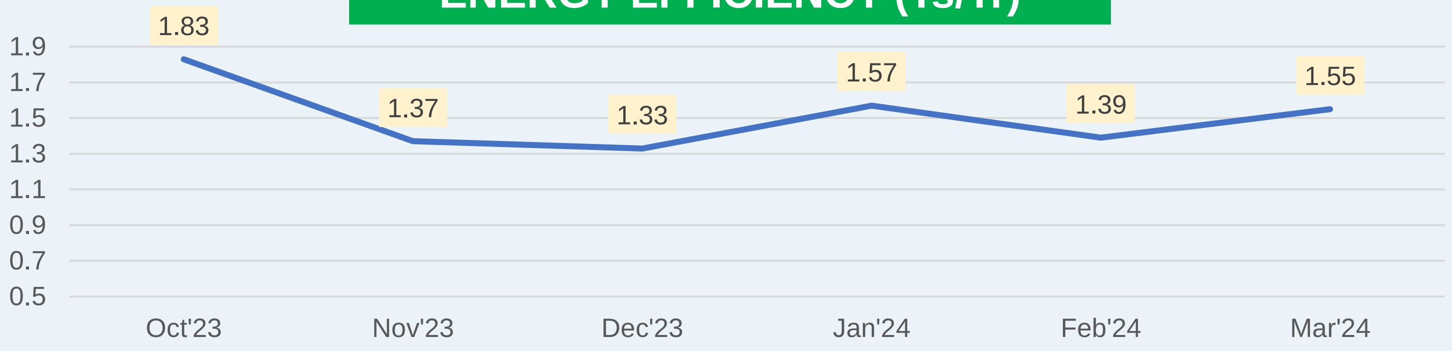
UTILISATION FACTOR



YIELD



ENERGY EFFICIENCY (Ts/Tr)



REMARKS

UTILISATION FACTOR (UF) - UF showed a continuation of the trend from late 2023 of UF >30%. Next level target of UF >40% in 2H 2024.

YIELD – Yield was maintained above 93%. A big improvement vs 2023 with better fine-tuning in the process to maintain the yield. Next level target of >93% in 2H 2024.

ENERGY EFFICIENCY – Higher production and utilisation resulted in better energy efficiency vs the same period in 2023. Next level target of 1.2 Ts/Tr.

MSM JOHOR IMPROVEMENTS

MSM JOHOR MEDIA OPEN DAY
16 JANUARY 2024

MSM JOHOR CUSTOMER OPEN DAY
28 FEBRUARY 2024

- With 2 boilers, **capacity headroom is unconstrained.** Highest daily melting in Q1 2024 recorded in February at 1,309MT, **UF of 42%, average 30%.**
- Expansion and upgrades – **new warehouse storage capacity** of 10,000MT for refined sugar. **Breakbulk shipping** for large volume shipment, **SMART manufacturing** by Maxis/MDEC.
- Product optimisation – value added product expansion of **Liquid Sugar** and **Premix.**
- Planned **Brown Sugar** varieties for yield improvement and **Renewable energy** based on biomass PKS.

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ESG UPDATES

ESG JOURNEY

HEALTH & SAFETY

Zero Lost Time Incident

SBTi and Net Zero

10th Corporate UNGC and pledge target FY2024

FTSE4Good

Bursa Malaysia Index and Shariah Index

WASTE MANAGEMENT

Linear to Circular Economy, 4R Reuse, Recycle, Reduce, Recover

CEO ACTION NETWORK

Climate Action and Sustainability

QUALITY

Customer Satisfaction, Food Safety, Brand Loyalty

ENHANCING GOVERNANCE

Best practices and a culture of integrity

STAKEHOLDER ENGAGEMENT

Regular engagement with authorities, regulators and shareholders. SR 2023.

NDPE

Collaboration with Wilmar on No Deforestation, People Exploitation

TCFD

Task Force on Climate-related Financial Disclosure

DIGITALISATION

Smart Sales Contract, HR Digital, Budgeting

DIVERSITY, EQUITY & INCLUSION

Female Representation – 37.5% in EXCO, 35% in executive roles and above

ESG KEY EVENT HIGHLIGHTS TO DATE

MSM Prai Food Safety & Quality Week
8 & 9 JANUARY 2024

UUM: Go Green Symposium 2024
9 JANUARY 2024

MSM Contribute to WWF for Tiger Reserve Conservation
24 FEBRUARY 2024

EARTH DAY 2024 : One Million Trees Planting Programme in a Day in Penang
22 APRIL 2024

MSM Johor Beach Cleaning Programme - 3 MARCH 2024

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MOVING FORWARD

STAGING FY2024 – OPERATIONS & BUSINESS

OPERATIONS

- FY2024 - MSM Prai UF **80% – 85%** and MSM Johor to achieve **breakeven at min 40% UF**
- MSM Prai Rejuvenation **30-year life extension** plan program FY2024-FY2027
- Optimising operational yield Prai **97%** and Johor >**93%**, Group yield 95%
- Exploring cheaper and greener form of energy i.e. Solar and **Biomass** based on EFB palm oil
- Focus on **Reliability** programs and Process improvements

FINANCE & CORPORATE STRATEGY

- Further improve product **margins** and Average Selling Price (ASP) supported by Industry incentive
- Continuous **cost saving initiatives** and CAPEX rationing
- Prudent **hedging** of NY11 and FX rate to optimise raw sugar costs
- Strengthening balance sheet with prudent capital management
- Reduce finance costs i.e. **pare down term loan**. Gearing: Term Loan 11%, Overall 39%

STAGING FY2024 – COMMERCIAL

GULA SUPER 1KG

- In 2024, PGS volume has been moderated to a minimum of 2,000MT per month.
- Gula Super has contributed approximately **RM30 million** revenue in 1Q2024.
- Gula Super to grow organically in the Domestic market with added introduction of **500g SKU**.

CGS & FGS RETAIL PACKS (WHOLESALE SEGMENT)

- Industry incentive of RM1.00/kg for CGS 1kg/2kg and FGS 1kg to continue until wholesale/retail price normalization.
- MSM awaits the announcement on the implementation of price increase mechanism for 2024.
- Widen domestic market share further (65% to 70%).

SALES & MARKET DISTRIBUTION

- Optimise the **Industrial and Export** margins.
- **Near Region (NR)** 100 million people wholesale/retail market i.e. Singapore, Kalimantan, Sumatera, South Philippines, Myanmar with a focus in the Indonesian market.
  - Initiated two deliveries to Singapore in March and May with ongoing initiatives to **increase the retail volume progressively over time.**
- Expand **Consumer Reach Points** and distribution channels through Gula Super promotion.
- **Scale-up supply and demand (S&D) capability for sales execution through end-to-end** of Supply Chain optimisation.
  - EV delivery of PGS 1kg and CGS 1kg to Petromart and Last Mile outlets starting April 2024.

EXPORT – GROW APAC & DEVELOP AFRICA MARKET

Export volume FY2023 ('000 MT)

Africa - Future whites demand rests heavily on Africa
- **Est. continent deficit of > 8 mil MT**

Total Export Sales Volume 2023

>240,000 MT

*including molasses

- **Main Export market of 17 countries in ASIA PACIFIC AND SOUTH ASIA**
- **TOP 5 MARKETS > 60% VOLUME**
- **TARGET 300,000 MT FY2024 to 25 COUNTRIES**

Local Sales Reps – Singapore (operational), China (planned), Indonesia (in progress)

FY2024

As of 1Q 2024, **>62,000 MT** of export volumes have been delivered to various countries including new markets such as **New Caledonia, Canada and Samoa.**

CONCLUSION: KEY TAKEAWAYS

- Sustaining financial performance since 4Q 2023 and presently strong start YTD FY2024
- Turnaround and transformation of MSM on track towards sustainability
- 7th Most Performing Stock in 2023 with **+94.1%** on KLSE (<RM10 billion market capitalization) *[Bloomberg, 27 December 2023]*
- FY2024 **+85%** - RM1.61 (1 Jan 2024) to RM2.98 (21 May 2024)
- NY11 bearish is bullish for MSM being largest input cost
- Opportunity to return as dividend paying stock with sustainable performance // Dividend policy
- Defensive stock as essential food producer and ensuring food security

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