

MSM Malaysia Holdings Berhad

Friday | 27 May 2022 - MSM Analyst Briefing 1Q 2022



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AGENDA OF TODAY'S FINANCIAL RESULTS BRIEFING - 1Q 2022



Executive
Summary



Group Financial
Highlights



Sales
Performance



Operational
Updates



MSM Johor
6 Key Initiatives
Updates



Forex and Sugar
Markets Overview



1Q 2022
Key Highlights



MSM Step-Up
ESG Updates



2022/2023 Outlook &
FY 2022 Prospects



EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

-  MSM recorded higher revenue of 16% (1Q 2022 RM596 million) versus 1Q 2021 RM515 million supported by higher Average Selling Price (ASP). However, the production volume is lower by 8% largely due to annual planned shutdown at MSM Johor.
-  Amidst a prolonged challenging business environment and global inflation including freight which affected our margins in 1Q 2022, MSM had hedged most of our raw sugar for Wholesale and Industrial segment.
-  The recent Ukraine war has caused the strong increase in Brent Crude oil, natural gas and plant-based oils. Natural gas contributes approximately 35% of the Group's refining cost.
-  During 1Q 2022, USD/MYR traded within the range of 4.16 and 4.24 levels before closing the quarter at 4.20, within budget. USD is expected to further strengthen due to expectation of higher interest rate in the US. A weaker Ringgit Malaysia impacts our cost of raw sugar purchase.
-  Overall, the Group has recorded a Loss Before Tax (LBT) of RM25 million. MSM had series of engagements with the Government on the ceiling price review for the Wholesale segment in view of the rising input cost for the Industry.





GROUP FINANCIAL HIGHLIGHTS



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FINANCIAL PERFORMANCE	1Q 2022	1Q 2021	Variance
Revenue (RM million)	596	515	▲ 16%
Gross Profit (RM million)	(5)	68	▼ >100%
GP Margin (%)	(1%)	13%	▼ >100%
(LBT)/PBT (RM million) – cont. operations	(25)	43	▼ >100%
(LAT)/PAT (RM million) – cont. operations	(28)	30	▼ >100%
PAT (RM million) – discont. Operations	-	1	▼ 100%
(LAT)/LAT (RM million)	(28)	31	▼ >100%
EPS/LPS (sen)	(4)	4	▼ >100%
FINANCIAL POSITION	1Q 2022	FY 2021	Variance
Total Assets (RM million)	2,863	2,871	▼ <1%
Total Liabilities (RM million)	1,178	1,158	▲ 2%
Cash and Cash Equivalents (RM million)	225	195	▲ 16%
Net Asset/Share (RM)	2.40	2.44	▼ 2%
Gearing Ratio (%)*	27	26	▲ 1%

1Q 2022

- **Higher revenue** from higher ASP for Wholesale, Industry and Export. Higher Industry and Export ASP driven by higher NY11 prices.
- **Profitability affected** due to higher production cost driven by **higher NY11, freight, gas costs** and **higher refining cost** from **lower Utilization Factor (UF)**.
- Rate of increase in production cost elements is higher than 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.

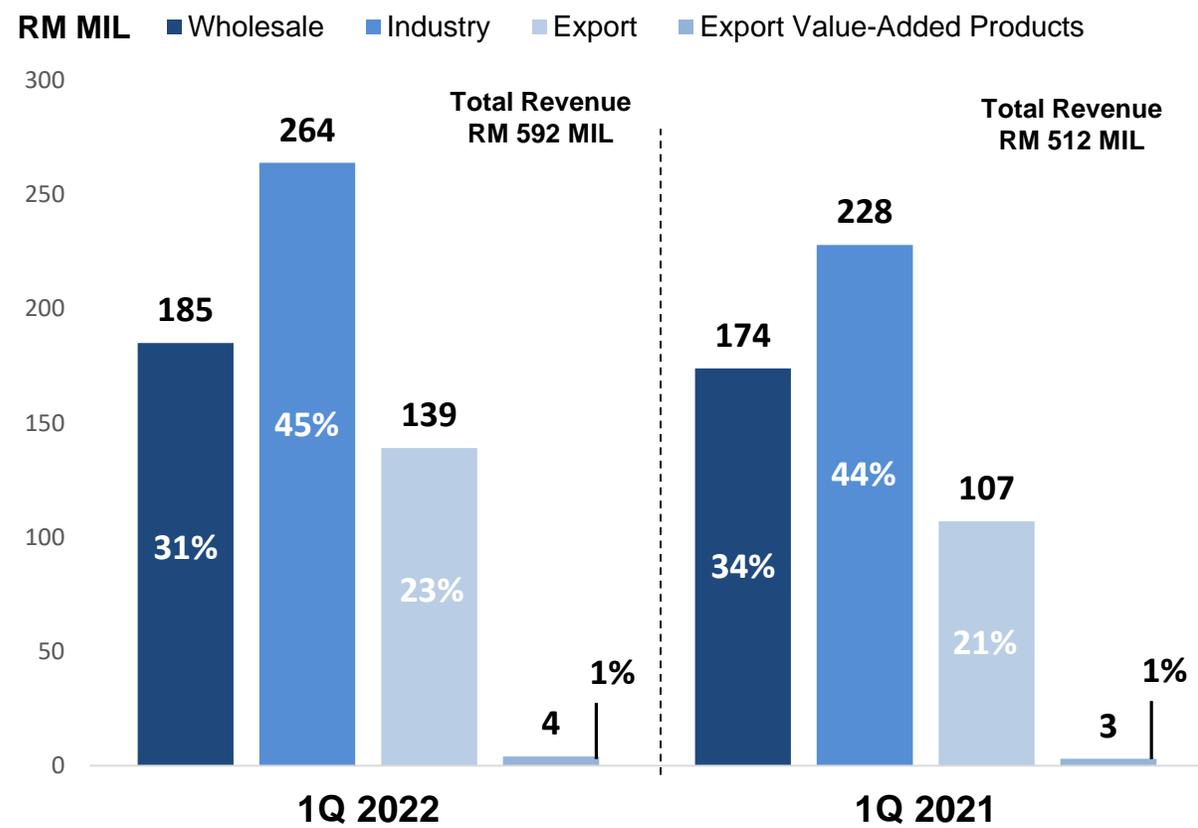


SALES PERFORMANCE

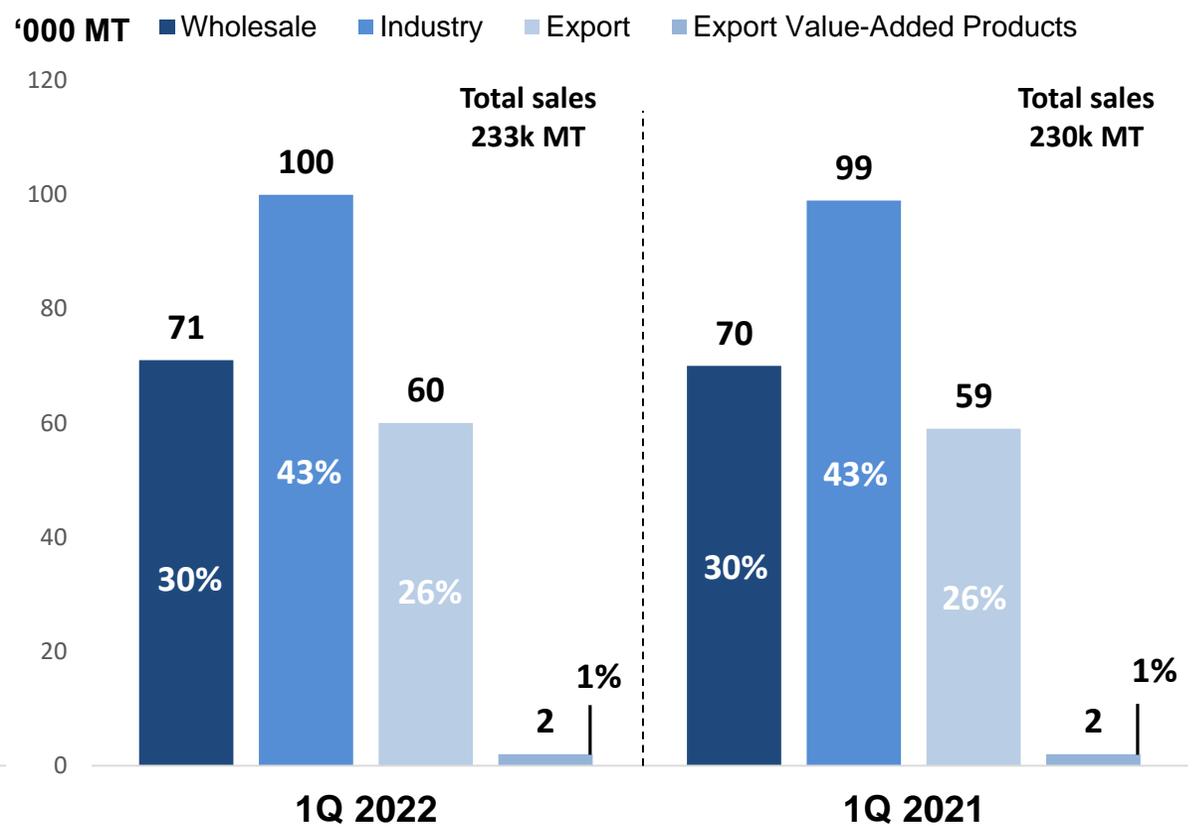


SALES PERFORMANCE - 1Q 2022 vs. 1Q 2021

Sales Revenue



Sales Volume



- Total sales revenue rose by 16% from 14% increase in ASP.
- Group sales volume increased by 1%, whilst volume remains in line with prior year.

** Note: Sales figure is based on sales of refined sugar and after consolidation adjustment*





OPERATIONAL UPDATES



OPERATIONAL UPDATES - 1Q 2022



Production Volume

Recorded 218,665 MT in 1Q 2022 vs. 238,458 MT in 1Q 2021, lower by 8% largely due to annual planned shutdown at MSM Johor.



Refining Cost Per MT

Higher by 28% compared to 1Q 2021 due to higher input costs and lower production volume.



Utilisation Factor

Group UF in the period is 43% vs. 47% in 1Q 2021, resulted from lower production volume.



Yield

Achieved Group Yield of 95% vs. 96% in 1Q 2021.





MSM JOHOR 6 KEY INITIATIVES



Yield improvement and reduced production losses

- Various process optimization identified and ongoing implementation.
- Established Yield improvement task team focusing to optimize production yield and minimize losses.

Increase value added products sales

- New liquid sugar facility at **100% capacity**.
- Premix facility enhancement (**100% completed**).
- Both expects 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 (**100% completed**).
- Additional refined sugar warehouse under construction phase and target completion by December 2022.

Execute detailed ramp-up plan focusing on the bottleneck areas

- **Boiler 2 in operation. Boiler 1 under permanent improvement works.**
- **Boiler 3 & Package Boiler** - Under procurement for long term reliability.
- **Wilmar Technical Team** are on site since January 2022 for operational support.



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.



FOREX & SUGAR MARKETS OVERVIEW



RAW SUGAR (NY11) PRICES (AS AT 26 MAY 2022)

SUGAR NO. 11 FUTURES (CONTINUOUS: CURRENT CONTRACT IN FRONT), 1D, ICEUS O19.40 H19.62 L19.27 C19.54 -0.14 (-0.71%)

Source : TradingView
NY11 Continuous Historical Chart



2022 Raw Sugar Price (NY11) Outlook

- Higher energy and grains prices tend to lift the price of ethanol. This can tempt cane mills in Brazil to produce less of sugar and more of the biofuel as evidenced by the recent strengthening of NY11 prices.
- Ethanol parity in Brazil is currently at USD 21.77 c/lbs. Market rumor that Brazil will cut the ICMS state tax in a bid to lower gasoline prices. This would weigh on ethanol price and in turn, sugar, as output of the sweetener would rise.
- Indian mills have signed contracts to export 8.2 million to 8.3 million MT of sugar in the current year without government subsidies. Mills have so far produced 34.2 million MT of sugar in the current 2021/22 year, up from last year's 30 million MT, the Indian Sugar Mills Association said. The strong export from India shall serve as a price hedge as India will only export whenever the global market price is attractive.
- **Raw sugar uptrend will be expected to continue with recent heavy buying from net speculators and high Brent crude oil prices.**

USD/MYR MOVEMENT JAN 2021 - 26 MAY 2022



Forex Rate 2022 Outlook

- Market's USD/MYR forecast for remaining of 2022 is between 4.28 - 4.45.



1Q 2022 KEY HIGHLIGHTS



1Q 2022 - KEY HIGHLIGHTS



OPERATIONS



Strive for Operational Excellence

UF Optimisation

Group's UF 1Q 2022 = 43%, largely due to annual plant shutdown in MSM Johor.

Yield

Achieved refined sugar processing yield of 95%.



FINANCIALS



Strategic Financial Management

Financial Performance

Higher revenue of RM596 million, Group LBT for continuing operations is RM25 million and total Group LAT is RM28 million.

Paring Down Debts

Continued efforts in paring down borrowing resulting in gearing of 17% for term loan and overall gearing of 27%.



GROWTH



Explore domestic and export growth opportunities

Market Share & Export

Increase domestic market share >60% and growth in export volume fulfilling full year of 250,000 MT.

Sustainable Sourcing of Raw Sugar

Sustainable sourcing of raw sugar under No Deforestation, No People Exploitation (NDPE).





MSM STEP-UP ESG UPDATES



MSM STEP-UP ENVIRONMENT, SOCIAL & GOVERNANCE (ESG)

ENVIRONMENT

- Renewable energy – **Solar**
- Energy management and savings – **Neutral**
- **Mudcake** waste to fertilizer, cement and animal feed
- Tree & **mangrove** planting
- Sustainable raw sugar procurement **NDPE**
- **Resource** care - water use efficiency and discharge
- **3R** Recycle, Reduce and Reuse
- Climate change carbon neutral - **SBTI and Net-Zero.**

SOCIAL

- **Charity and education** via Zakat and CSR budget.
- Recognized **Employer Brand**
- Youth support e.g. **Prodigy** programme
- **DEI** - Diversity, Empowerment and Inclusiveness
- **FLA** - Fair Labour Association worker rights and practices
- **Consumer Protection and Benefit** – Nutrition, Food Safety and Product Choice
- **Membership sustainability organisations** – CEO Action Network, UNGCMYB
- **Vendors and suppliers** - shared sustainable values

GOVERNANCE

- Policies, SOPs and internal controls **step-up**
- Accounting standards and regulations.
- Protecting shareholder and minority interest.
- Board structure, composition and conflicts of interest.
- **Integrity** Pledge and programs.
- Anti-Bribery and **Anti-Corrupt** Practices.
- **Transparency** and disclosures.
- **Risk** Management



Renewable Energy



Mangrove Tree Planting



Charity & Food Banks



Education Sponsorship & Prodigy Graduate Employment

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.

CO ₂ emission (tonnes)	2018	%	2019	%	2020	%	2021	%	1Q 2022	%
Natural Gas (recycled for carbonation process)	218,386	84%	257,813	88%	249,622	88%	212,963	85%	42,334	82%
Electricity (TNB)	40,146	15%	33,165	11%	32,901	11%	34,535.8	14%	8,860	17%
Diesel	1,925	1%	973	1%	1,631	1%	3,304	1%	707	1%
Total	260,457	100%	291,951	100%	284,154	100%	250,803	100%	51,901	100%

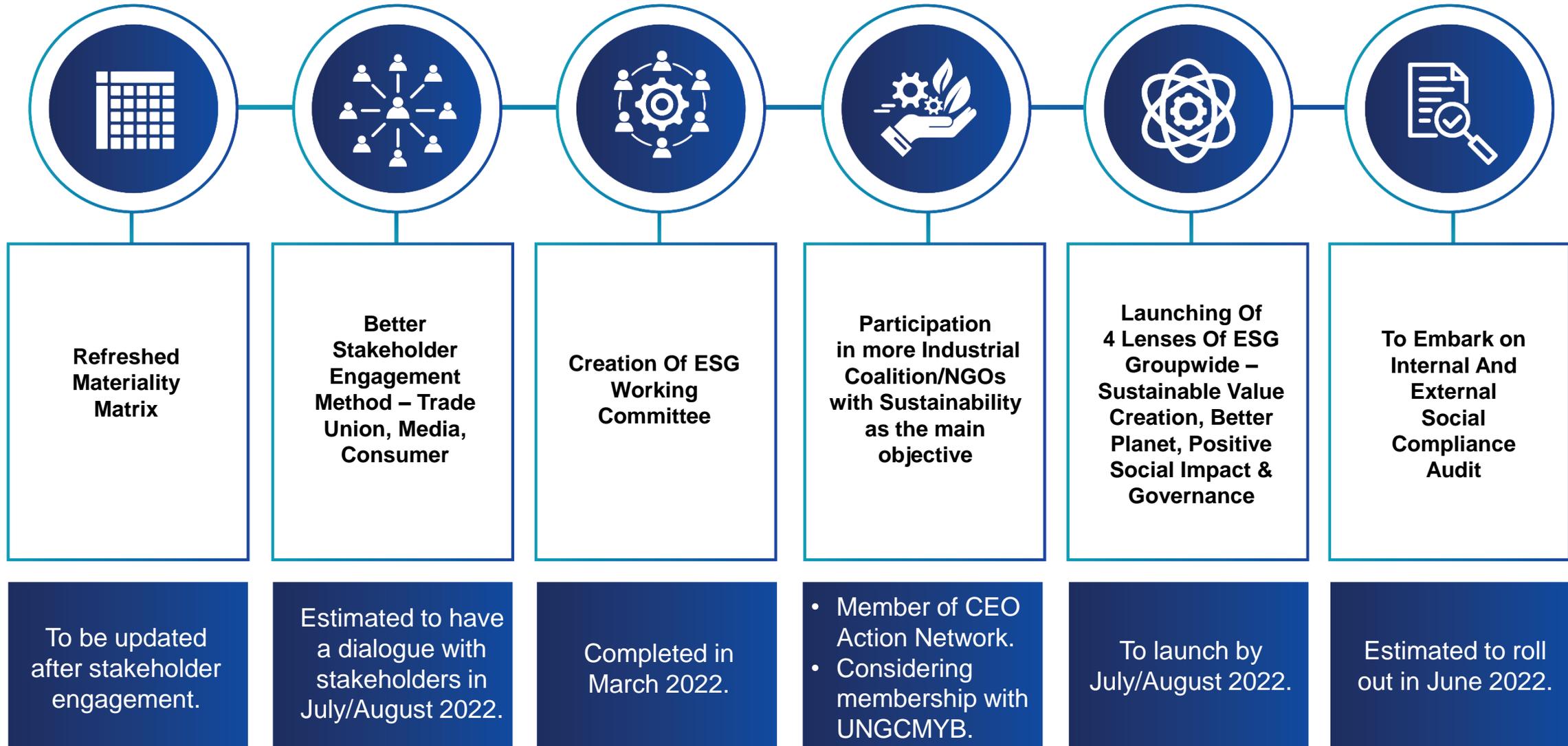
MSM is in the process to submit its 2-year target commitment to UN Global Compact on SBTi and Net Zero.

Scope 1 : CO₂ emission from the own generated energy (Natural gas and Diesel)

Scope 2 : Purchased energy (Electricity TNB)



SUSTAINABILITY FY2022 - ONGOING GROWTH PURSUITS





2022/2023 OUTLOOK & FY 2022 PROSPECTS



ACCELERATING TURNAROUND AND STAGING FY2022/2023



- Expected Group's UF to achieve up to **53%**.
- **MSM Prai**
2022: 80%,
2023: 82%
- **MSM Johor**
2022: 30%,
2023: 70%.

- Continue to **divest non-core assets**.
- **Reduce borrowing** from proceeds.
- **Strategic Johor partnership** opportunity in- progress.

- Raw sugar hedged
2022:
92% @ USD16.00-17.00 c/lbs
2023:
28% @ USD15.00-16.00 c/lbs
- Export and Industry growth derisking NY11 & Forex.

- Increase Wholesale Average Selling Price (ASP) **subject to Government approval**.
- Increase domestic market share >60%

- Strengthen market presence with ongoing Gula Prai brand reinforcement campaign.
- **New markets** - Last mile Singapore retail and small SKUs

- Digitalisation and Data Analytics towards IR 4.0.
- Step-up ESG practices, initiatives and disclosure.



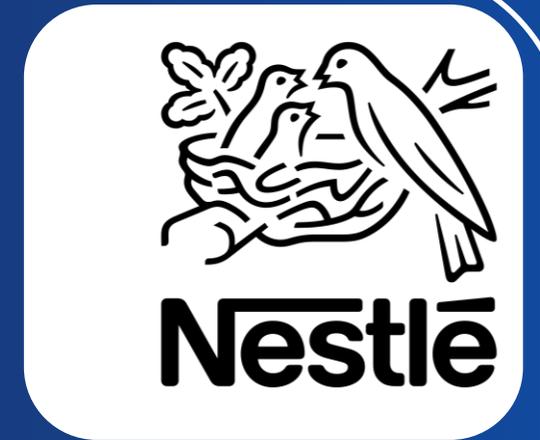
MARKET SHARE GROWTH THROUGH BETTER MARKET PENETRATION

Domestic Market

- Improved distribution of premium and sustainable sugar in East Malaysia.
- Extended markets with new 500g and 700g size packets and new revamped packaging.
- Introducing the last mile initiative and the HoReCa (Hotel, Restaurant and Catering) segment.

Export Market

- MSM is currently supplying PepsiCo, Coca-Cola, Nestle and Mondelez in Vietnam, which is MSM's largest export market.
- Singapore is a growing export market for MSM besides Vietnam, China and South Korea.
- MSM is also pursuing Australia and New Zealand for Value-Added Products.



GULA PRAI BRAND REINFORCEMENT ONGOING CAMPAIGN



Generic TVC – 3 versions (20 seconds)

- Duration: 21 Mar – 17 Apr 2022
- Media channels: RTM1, TV3 and Astro



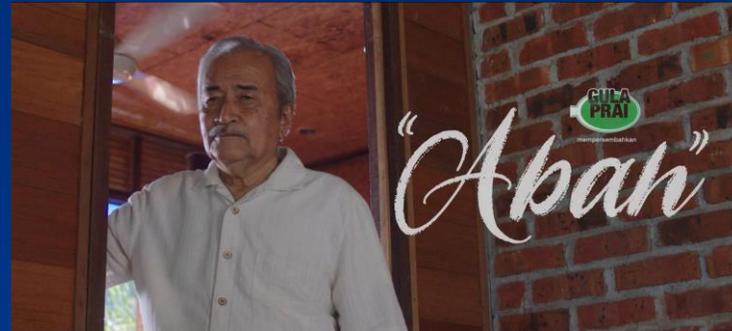
POS

- Duration: Dec 2021 – Jul 2022
- 207 stores nationwide



Livery

- Target: Apr 2022



Aidilfitri Webfilm “ABAH”

- Premier: 26 Apr 2022.
- Media channels: Main TV stations and Youtube.

Ramadan “Buka Puasa” Greeting

- Duration: Mar/Apr 2022.
- Media Channel: TV3 (10 secs).

Social Media Influencer Engagement

- Target: 22 Apr 2022 (Ramadan).
- KOL: Khairulaming.



New Retail Packages

- Target: 2Q 2022
- New sizes to be launched for CGS – 500g and 700g.
- Target outlet: 7-Eleven, Eco Shop, KK Mart etc.

FY2022 PROSPECT



The Group recognises the current challenging environment amidst rising raw sugar prices, increase in freight & natural gas costs and volatility of foreign exchange but remains cautiously optimistic on its Turnaround Plan.



On the domestic front, the positive development of the National Recovery Plan leading to the endemic phase will continue to provide strong impetus for greater economic recovery and socio-economic activities leading to more product consumption including sugar. MSM will ensure consistent supply of sugar is made available to the market.



On the export market, barring unforeseen circumstances, FY 2022 poses good opportunities within the Asia Pacific region that has a strong and growing demand. The Group will remain focused towards higher yield and capacity utilisation to attain lower refining and production costs.



**GULA
PRAI**

Janji...



gula peket
hijau!



THANK YOU

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