

MSM REGISTERS RM 60.71 MILLION FULL YEAR PRE-TAX PROFIT

KUALA LUMPUR, FEBRUARY 20, 2019 – MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad), capped a steady turnaround by registering RM 60.71 million profit before tax (PBT) – a positive increase of 400.0 % for the financial ended 31 December 2018 (FY2018) in comparison to a loss before tax (LBT) of RM 19.57 million in the previous year.

Year-on-year (YoY) net profit increased by 197.0 % to RM 35.62 million against a loss making year in 2017 due to lower raw sugar cost (12M 2018: USD 13.94 cents/lb \ 12M 2017: USD 18.76 cents/lb) and a 7.0 % improvement of the Ringgit against the greenback (12M 2018: RM 4.04 \ 12M 2017: RM 4.36) which corresponds to the lower average selling price (ASP).

Full-year revenue recorded a 16.0 % dip to RM 2.215 billion impaired by a 7.0 % decrease in sales volume for Wholesalers segment, 17.0 % reduction for Industries ASP due to issuance of Approved Permits (APs) and 21.0 % decline in export sales due to heightened competition.

For 4Q 2018, MSM recorded profit before tax (PBT) of RM 0.5 million against the previous corresponding quarter of RM 23.3 million on the back of a higher finance cost in servicing loans and administrative expenses for MSM Johor.

“As we continue our turnaround journey, MSM is a much stronger company built on a year of solid progress. We continued to strengthen our business and set a strong foundation for growth. A foundation that includes a refreshed portfolio of disciplined strategy, prudent cost management and improved productivity as well as efficiency across the Group,” said MSM's Executive Director, Dato' Khairil Anuar Aziz.

For the full-year under review, earnings per share (EPS) strengthened at 5.07 sen against loss per share of 5.17 sen and net assets value per share increased to RM 2.79 compared to RM 2.74 compared to the previous financial year. This bodes well for MSM as it continues to bolster its dominance in the domestic market share and paving way towards sustainable business.



In tandem with the Year-on-Year strength of Ringgit against the US Dollar, MSM average raw sugar cost per metric tonne (MT) improved by 30 % with the average USD buying rate lowered to RM 4.0422 compared to RM 4.3611 in 2017.

He added, “On average we spend around USD 406 million on raw sugar purchase in 2018. This exposes us to price fluctuations in the commodity and currency market. In a bid committed to the Government to ensure an adequate sugar supply for the country, our risk mitigation elements have been improved significantly via sound policies in place to hedge strategically, average out our losses, avoid loss-making contracts as a pro-active measure to ensure our overall financial standing remains robust.”

In a bid to ramp up production and sales, MSM Johor has successfully conformed to HALAL, MS (Malaysian Standard), QMS ISO 9001:2015, KOSHER, FSSC22000, ISO22000, HCCP and GMP certifications ensuring the safety and quality of the sugar products. As at December 2018, the yield had increased significantly from 80% to 94% and has produced 12,804.2 tonnes of ICUMSA 45 sugar grade which conforms to international standards and delivered to major international food and beverage (F&B) customers.

He added, “Generating revenue in 2019 will be another challenge due to the excise duty (soda tax) for sugar beverages of RM0.40 sen/litre beginning 1 April 2019. Although too early to draw any conclusions, the impact potentially reflect MSM’s bottom-line. Nonetheless, MSM remain optimistic in its performance in the sugar business alongside the support of the Board Members, Management, employees and positive synergies from Shareholders and Stakeholders.”

“We are reshaping the way we do our business to ensure that we remain competitive. Currently, we are exploring the downstream business that will give us more values as the product can go further down the value chain and potentially improve our bottom-line. We are open to talk to local as well as international F&B companies for possible partnership especially those who use sugar or sweetener as their main ingredient,” he added.

Local refiners have been operating within a challenging business environment with the cost of doing business escalating steadily over the last several years. The industry has borne the increase in minimum wage, rising gas and electricity tariffs, while the ceiling price of refined sugar reduced at RM2.85 per kg in September 2018. In contrast, F&B manufacturers are able to transfer increased costs to consumers should their operational cost increase. Thus, MSM



seeks the government's support to protect the local refiners by not issuing new sugar import permits because sugar is considered as strategic commodity in most part of the world.

The sugar industry has endured a challenging 2018, as global raw sugar prices dropped to a single digit mark to USD 9.91 c/lb for the first time in a decade as production soared in Thailand, India and the European Union (EU). The price of white sugar is experiencing pressure as Indian production touched 35.6 million tonnes for 2017-2018, oversupplying the domestic market and leading the Indian government to announce export subsidy thereby squeezing the market further.

Moving forward in the 2019/20 season, as Brazil diverts its sugarcane harvest into ethanol production and EU switching from sugar beet into more profitable crops, world sugar prices are forecasted to rise with the market swinging into deficit season.

A clear direction for 2019, MSM is optimistic to solidify its leadership role in the sugar industry, improve its earnings, deliver core financial values and long-term profitable growth.

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About MSM Malaysia Holdings Berhad (MSM)

MSM Malaysia Holdings Berhad (MSM) is Malaysia's leading refined sugar producer and one of the biggest sugar refiner in Asia. MSM is involved in producing, marketing and selling refined sugar products under the Gula Prai brand. The company conducts its business principally through three operating subsidiaries, MSM Prai Berhad, MSM Perlis Sdn Bhd, and MSM Sugar Refinery (Johor) Sdn Bhd. In addition, MSM also operates a logistics company – MSM Logistics Sdn Bhd and a trading company – MSM Trading International DMCC, based in Dubai, United Arab Emirates.

At present, MSM's annual production capacity is up to 2.25 million tonnes of refined sugar. In 2018, MSM produced 987.467 tonnes of refined sugar, of which 109,613 tonnes are catered for the export market. Currently, MSM corroborates up to 58% of the domestic market share. MSM has been listed on the Main Market of Bursa Malaysia since 2011 and has a market capitalisation of RM 1.83 billion as at 31 December 2018. MSM combines economic success with environmental protection and social responsibility for a sustainable future.

MSM offers a variety of products ranging from white refined sugar of various grain sizes to soft brown sugar. These are marketed and sold in a variety of packaging options under its flagship brand - Gula Prai. MSM also sells molasses, a by-product of the refining process, to distilleries and producers of ethanol, animal feed and yeast, among other products. Aside from household consumers, MSM sells to a wide range of customers in Malaysia and in other countries directly and indirectly through traders, wholesalers and distributors. Its customers include major companies in the beverage and confectionery industries, hotels, restaurants and food outlets.

For more information, please visit www.msmsugar.com

Forward Looking Statements

Certain statements in this media release regarding MSM's operations may constitute forward-looking statements. These statements can be identified by key words such as "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "outlook" and other words of similar meaning in connection with a discussion of future operating or financial performance. These statements relate to the plans, objectives, goals, strategies, future operations and performance of MSM. Actual results and outcomes may differ materially from those projected in any forward looking statements due to various events, risks, uncertainties and other factors. We neither intend to nor assume any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.



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