

MSM FINDS ITS SWEET SPOT

- Leading refiner chalks up 145.7% higher profits in Q1

KUALA LUMPUR, MAY 23, 2018 – MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of Felda Global Ventures Holdings Berhad (FGV), swings back to the black in its first quarter ended 31 March 2018 (Q1FY18), as it delivers a net profit of RM15.81 million against a net loss of RM34.62 million recorded in the prior year comparable period.

Earnings per share for the quarter under review stood at RM2.25 against RM4.93 in loss per share in Q1FY17. The much-improved performance in the current quarter was attributable mainly due to lower raw material costs and favorable foreign exchange rate. Also boosting MSM's performance is the reduction of administrative expenses, down 33.0% quarter-on-quarter or RM9.1 million from RM23.8 million.

Revenue dipped by 15.4% compared to the same quarter last year of RM648.97 million, impaired by a decrease in the average selling price and a 7.0% reduction in overall tonnage sold - mainly from a reduction in export sales.

"While the circumstances were unfavourable in 2017, the first quarter performance shows encouraging signs towards a healthy balance sheet. It certainly is a continuous turn-around process and on this positive note, MSM's direction is firm to reinforce its leading role in this business," said MSM's Executive Director, Dato' Khairil Anuar Aziz.

MSM continues to strengthen its operational focus by marking down its raw sugar cost by 23.1% against Q1FY17. This however was hampered by an increase in the average refining cost due to higher fuel cost which resulted from an upward revision of the gas tariff in January by 16.0%.

The Ringgit Malaysia currency continues to strengthen, with a quarterly comparison between 2017 and 2018 at an average market rate of approximately 12.70%. However, MSM's average currency rate is relatively higher than the market by about 1.91%.



For the past year, MSM has been marked by prudent cost management initiatives to ease pressure on its margins. The current quarter's Profit Before Tax (PBT) of RM20.94 million is considered a feat as it shows a steady recovery and outperforms the corresponding quarter last year.

“The cost management initiatives are now sustainably embedded across the Group to stabilise the balance sheet. Ideally, we plan to maintain discipline in cost and operational efficiency while focusing investment on our profitable assets to maximise cashflow generation,” added Dato' Khairil.

The Johor refinery is slated for commissioning in the first half of 2018 and continues to be budget prudent and in accordance to the timeline. The capacity growth is focused towards producing better margin and revenue via export sales improvement, particularly in South East Asia (SEA) and Middle East and North Africa (MENA) markets.

Industry-wise, sugar yields have improved significantly mainly aided by favourable Asian monsoon rains leading into a global sugar glut. Additionally, global supply is estimated to beat demand by 10.4 million metric tonnes in the current season, 26.0% more to erase shortages/deficit for the past two seasons.

Set to a positive motion in 2018, MSM looks to further improve inventory management, supply and distribution efficiency and operating expenditure optimisation to remain resilient for the remaining quarters in driving business forward. Most importantly, MSM continues to monitor its cashflows and working capital requirements to enable visibility of red flags and pro-active actions continues to be exercised to remain financially healthy.

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About MSM Malaysia Holdings Berhad (MSM)

MSM Malaysia Holdings Berhad (MSM) is Malaysia's leading refined sugar producer involved in producing, marketing and selling refined sugar products under the Gula Prai brand. The company conducts its business principally through two operating subsidiaries, MSM Prai Berhad and MSM Perlis Sdn. Bhd. which were established in 1959 and 1971 respectively. 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 production capacity is up to 1.25 million tonnes of refined sugar per annum. In 2017, MSM produced 1,024,931 tonnes of refined sugar, of which 139,540 tonnes are catered for the export market. Currently, MSM corroborates up to 58% of the domestic market share.

Incorporated on 10 March 2011, MSM was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2011 with a market capitalisation of RM2.88 billion (as at December 2017).

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.

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