

MSM POSTS 1H 2019 REVENUE OF RM 959.84 MILLION, REMAIN CAUTIOUS FOR 2H 2019

KUALA LUMPUR, AUGUST 21, 2019 – MSM Malaysia Holdings Berhad (MSM) posted a 14% decline in revenue to RM 959.84 million for 1H 2019, compared to the previous corresponding period's revenue of RM 1.12 billion. This was largely due to a combination of factors, especially the reduction in the average selling price (ASP) of refined sugar, the lower ringgit resulting in increased raw material costs, stiff competition in the market and costs associated with MSM's refinery in Johor.

During 1H 2019, MSM recorded a decrease in the ASP for Domestic and Industry sectors of 9% and 13% respectively, due largely to a glut in the supply of sugar. This is mainly attributable to the issuance of new Approved Permits (AP) in the industrial sector, which resulted in price competition. Meanwhile, the heightened competition in the export market has resulted in reductions, in overall ASP and sales volume of 3% and 21% respectively.

For the period under review, the Group registered a net loss of (LAT) of RM 74.39 million, compared to a net profit (PAT) of RM 30.14 million in the same period last year. This can be partly attributable to higher finance cost and commercialisation cost of MSM Johor that includes depreciation. Barring these two major costs, MSM recorded earnings before interest, tax, depreciation and amortisation (EBITDA) for the period of RM 27.5 million. The increase in raw sugar cost for 1H 2019, as a result of the weakening of the Ringgit to RM 4.1269 against the greenback, compared to RM 3.9614 in the previous year, further impacted performance.

MSM's Group Chief Executive Officer, Dato' Khairil Anuar Aziz said, "We expected 2019 to be challenging for the Group, due to the glut of refined sugar in the domestic market, and the weakening ringgit."

The refining cost increased by 15% due to higher fuel costs, as a result of the increase in gas tariffs from January 2019. Financial performance was further strained by lower capacity utilisation rate in MSM Johor, which came on line in April this year.



Moving forward, the market has forecast a stronger ringgit, which would be positive for MSM over the next few months. However, MSM will remain cautious for 2H 2019.

“We are constantly monitoring world sugar trends and prices,” Khairil Anuar said. “MSM expects to capitalise on the anticipated lower average cost per MT of raw sugar, as the slide in the benchmark NY#11 and relatively favourable Ringgit are in our favour,” Khairil Anuar added.

However, other factors such as the imposition of the sugar tax for sugared beverages, the possible issuance of even more APs and potential liberalisation of the local sugar market may also affect MSM’s bottom-line negatively.

Thus, MSM is engaging with relevant authorities and customers to discuss further, industry related matters, especially the issuance of APs. “We will continue to monitor and practice strategic hedging mechanism to mitigate our exposure to global raw sugar prices and currency volatility”.

“Although we expect more challenges for the year ahead, MSM intends to focus on execution,” Khairil Anuar said. “In line with our continued commitment to ease cash flow, MSM’s primary focus areas for 2019 include the possible disposal of non-core assets, reducing stock levels and improving efficiency to lower refining cost. We are also looking to diversify into value-added sugar products for exports and aim to accelerate strategic growth through possible commercial collaborations with reputable industry players to pave the way for global market presence,” added Khairil Anuar.

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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 964,739 tonnes of refined sugar, of which 109,613 tonnes are catered for the export market. Currently, MSM corroborates up to 59% 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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