

MSM REMAINS STEADFAST DESPITE CHALLENGES, LOOKING AHEAD TO A STRONGER 2020

KUALA LUMPUR, NOVEMBER 20, 2019 – The deteriorating average selling price (ASP) of sugar and the reduction in export volumes affected MSM Malaysia Holdings Berhad’s (MSM) profitability for its third quarter ended 30 September 2019. For these reasons and other disruptive domestic factors, MSM expects 2019 to remain challenging but looks forward to an improved 2020.

“Certain extraneous factors may be beyond our control, but we are taking several measures to utilise our excess capacity and to secure the best price for raw sugar on the international market, since previously locked in positions will be expiring at the end of December,” MSM’s Group Chief Executive Officer, Dato’ Khairil Anuar Aziz said. “For these reasons, and the expectation of a global and growing sugar deficit, we expect 2020 to be more favourable for MSM”.

For the quarter under review, MSM posted a 5% decline in revenue to RM 531.42 million compared to the previous corresponding quarter’s revenue of RM 561.68 million. The Group registered a net loss (LAT) of RM 185.10 million, compared to a net profit (PAT) of RM 15.88 million in the same period last year due to the provision of RM137.35 million for the impairment of certain equipment and machinery following the change in Group strategy and future synergistic plan of certain assets in response to the challenging business and economic conditions.

The ASP dropped by 3% and 4% for Domestic and Industry segments respectively, as a result of disruptions in the domestic market and a 40% cutback in export volumes due to stiff competition in the export market. Besides that, production costs escalated by 39% for two main reasons, namely, the commercialisation of MSM Sugar Refinery Johor Sdn Bhd (MSM Johor) in April this year that include its lower capacity utilization and depreciation, as well as increase in gas tariffs in January 2019 and July 2019.

The Ringgit continue to weaken against USD following the on-going US-China trade war. Despite the overall Ringgit weaknesses, RM 4.1592 against the greenback, compared to RM



4.0737 in the previous year, MSM recorded a lower average raw sugar cost of 5.6% as the NY#11 price is relatively in our favour.

“All sugar players around the world have been enduring the volatility of raw sugar prices and currencies over the last two years. The situation has been further exacerbated by the implementation of sugar taxes and the increase in global anti-sugar campaigns,” Khairil Anuar said. “However, on a positive note, the International Sugar Organization (ISO) has forecasted a global sugar deficit of about 3.5 million tonnes in 2019-2020, which is expected to increase to nearly 6 million tonnes in the period between 2020-2021, mainly due to lower production in major producing countries including Brazil, Thailand and Europe.”

The deficit is expected to unlock opportunities for MSM, which is Malaysia’s leading producer of refined sugar. “We will take this opportunity to grow our export market, which will result in a corresponding increase in the utilisation rate of MSM Johor and a reduction in cost,” Khairil Anuar added.

In June 2019, MSM Johor started shipping a new premix blend of sugar and in October 2019, it added a new liquid sugar product to its complement to Asian region.

MSM Johor is also capitalising on its proximity to the Singapore market. MSM has passed stringent audits and approval processes conducted by multinational food & beverage companies and industrial users in Singapore triggering increasing demand.

“MSM aims to export more than 100,000 tonnes of its sugar products to the Asian region by 2021. We intend to penetrate the large sugar premix and syrup markets mainly in Asian region, where current total estimated demand is between three million tonnes and four million tonnes a year respectively. This would be the starting point for MSM to expand its global footprint, also allowing us to diversify revenue streams through product diversification and new product development,” Khairil Anuar said.

To address the increase in the cost of gas, MSM has invested in Biomass Boilers, by leveraging on shredded empty fruit bunch (SEFB) as the boiler feedstock through FGV Group’s renewable energy initiatives. Significantly, it will reduce refining cost, particularly in the raw sugar melting process as it will diminish dependence on natural gas by an estimated 50% - 60% a year. This renewable energy initiative is an important move for MSM as Natural Gas Tariffs have increased by 60% since 2015. MSM is the only sugar refiner in Malaysia that will be using the technology.



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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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