

MSM PROGRESSING TOWARDS TURNAROUND, REVENUE RISES TO RM 510.84 MILLION FOR 1Q 2020

KUALA LUMPUR, MAY 27, 2020 – MSM Malaysia Holdings Berhad (MSM) recorded a total revenue of RM510.84 million for 1Q 2020, an increase of 5% compared to RM485.44 million in the previous corresponding quarter. This was attributable to the steady improvement in average selling price (ASP) and total sales volume over the period. Stronger selling price since October 2019 had resulted in an increase of 8% and 1% in ASP for the wholesale and export segments respectively. Meanwhile, total sales volume increased by 5%, due to newly launched export products in 2H2019, such as premix and liquid sugar. The shipment of fine syrup in February 2020 also contributed to increased sales volume.

MSM Group Chief Executive Officer, Dato' Khairil Anuar Aziz said, "The improvement in revenue reflects the Group's sustainable growth strategies which include product diversification to penetrate export markets and a strategic shift which aims to increase margins by raising the average selling price (ASP) of refined sugar."

Although revenue increased for the period, a number of factors contributed to the company posting a net loss (loss after tax or LAT) of RM 34.70 million for the period under review, compared to LAT of RM7.06 million for 1Q2019. The higher net loss was largely due to provisions for higher finance cost amounting to RM 7.54 million and the recognition of depreciation of RM 8.6 million following the commercialisation of MSM Sugar Refinery Sdn Bhd (MSM Johor) in April 2019. In 1Q 2019 the cost was capitalised, as the new refinery was still in the testing and commissioning stage. Additionally, there was a provision of RM7.48 million for increase in operational cost in MSM Johor due to lower plant utilisation together with a one-off provision of RM5.38 million for operational rationalisation exercise.

Despite the weakening Ringgit, MSM recorded an 8.5% lower average raw sugar cost against the same quarter last year due to lower average price of NY#11, and a 30% reduction in total raw sugar purchased, following the implementation of the "Just-In-Time" mechanism in January 2020, to optimise raw sugar stocks.

Khairil Anuar added: "We were able to introduce the 'Just-In-Time' mechanism for the procurement of raw sugar to enhance the Group's cash flow and reduce storage costs, since unfavourable contracts that had locked in price at a high level expired in December 2019."



On the operational front, MSM produced a total of 234,037 tonnes of refined sugar for 1Q 2020, 7% higher than 217,880 tonnes in the same quarter last year. Refining costs for the same period increased by 20% however, as a result of increased capacity for the Group, higher depreciation in MSM Johor and the increase in gas tariffs from January 2020.

Going forward, MSM expects some impact as a result of the Covid-19 with reduced demand, mainly in the domestic market, although this may be mitigated by increased exports especially the newly launched products.

“MSM remains resilient against the unprecedented economic impact in the first half of 2020 following the COVID-19 outbreak. Our refineries have been operating at normal capacity despite the reduction in domestic sugar demand due to the temporary closure of business premises, mainly in the hospitality as well as food and beverages (F&B) sectors. However, the slow demand in the domestic front was mitigated by the increase in export enquiries. MSM has exported more than 9,000 tonnes of refined and liquid sugar with an estimated return of RM18.95 million as at April 2020,” Khairil stated.

Moving forward, domestic sales are projected to improve in tandem with the gradual lifting of Movement Control Order (MCO) and the expected increased demand during the festive season. However, the Group remains cautious due to persistent uncertainties resulting from currency fluctuations caused by COVID-19 related concerns, the global economic environment and charged diplomatic relations between US and China.

MSM also announced its rationalisation plan to relocate the Group’s refining operations in MSM Perlis Sdn Bhd (MSM Perlis) to its new refinery, MSM Johor, which is located in Tanjung Langsat, Johor. The exercise, which has been communicated to staff over the last few months, involves redeploying manpower and resources to MSM Johor, where utilisation levels are to be ramped up. Qualified members of staff from Perlis have also been offered opportunities to relocate to the Group’s facilities in Prai, Penang and Sungai Buloh in Selangor.

“As Malaysia’s largest producer of sugar, it is absolutely critical, at this time especially, that we ensure adequate production and supplies of sugar, to ensure the needs of the *rakyat* are met, and for domestic consumption. Thus, the seamless transfer of operations from Perlis to Johor is crucial to ensure there are no supply disruptions,” said Khairil Anuar. “Having said that, we also want to safeguard the interests of our employees in Perlis. The redeployment plan would allow all of current Perlis-based employees to continue working with MSM, if they agree to relocate.”



MSM Perlis, due to its unfavourable location 130 km away from the nearest port, and low production capacity, is a high cost facility. MSM's other two refineries in Johor and Prai are well positioned near Tanjung Langsat Port and Penang Port respectively, and able to efficiently connect to Malaysia's market centres.

In lieu of the rationalisation plan, MSM has been working closely with its parent company, FGV Holdings Berhad to develop a new agriculture growth area on MSM's assets at Chuping, Perlis called FGV Agro Food-Valley. This new development will offer more than 300 employment opportunities to the local community and provide business prospect for the local and agro youth farmers especially among the B40 group through the farming contract as well as secondary industries such as logistics and supplies.

When this rationalisation exercise is completed, MSM will be better positioned to balance its production capacity and costs.

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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.

At present, MSM's annual production capacity is up to 2.25 million tonnes of refined sugar. In 2018, MSM produced 1,073,888 tonnes of refined sugar, of which 83,341 tonnes are catered for the export market. Currently, MSM corroborates up to 61% 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 618.6 million as at 31 December 2019. 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.

For media enquiries, please contact:

Siti Noorbaya Mohd Yunus
+603 2181 5018 ext. 158
+6016 677 6118
noorbaya.my@msmsugar.com

Ahmad Izwan Osman
+603 2181 5018 ext. 154
+6017 440 1027
ahmadizwan.o@msmsugar.com