

MSM ANCHORING STRENGTH THROUGH RATIONALISATION, EXPORT & DOWSTREAM SEGMENT AHEAD OF ITS TURNAROUND JOURNEY

KUALA LUMPUR, JUNE 17, 2020 – MSM Malaysia Holdings Berhad (MSM) managed a challenging 2019 as its turnaround plan started to bear fruit, following the successful implementation of several initiatives as a result of the Group’s sustainable growth strategies. Although performance for FY2019 was impacted by intense price competition, far lower refinery utilisation, weak average selling price (ASP) of sugar, higher finance cost and decline in export values, the Group has taken a positive approach to the commercialisation of MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) in April 2019. MSM Johor presents the Group with new opportunities to develop new products and expand its global market presence. The strategic transformation strategy, which kicked off in the second half of FY2019 with the aim to maximise the potential of MSM Johor, involved an aggressive product diversification plan into premix, liquid sugar and fine syrup, to cater to industrial demand in the Asian region.

“We realised that the challenge of optimising the expanded capacity required us to swiftly adjust our strategies. Thus, the production between all refineries had to be strategically balanced as we need to optimise utilisation and manage costs efficiently. The product diversification into the non-refined sugar segment includes value-added sugar products and the anticipated entry into new healthier variants in 2Q FY2020. This is expected to bolster our earnings and increase capacity utilisation in MSM Johor,” said MSM Group Chief Executive Officer, Dato’ Khairil Anuar Aziz, in the 9th Annual General Meeting that was held online today at Wisma FGV.

He further added, “MSM has secured 200,000 tonnes of sugar products export until end of this year. As at May 2020, MSM has exported more than 73,000 tonnes of refined, liquid sugar and fine syrup, with an estimated revenue of about RM157 million. We are also targeting to increase sales penetration and boost our exports up to approximately 350,000 tonnes of sugar products for FY2020. This is expected to contribute close to RM 600 million in revenue to the Group.”

Currently, MSM Johor has reached its highest utilisation rate at 34%, since its commercialisation in April 2019. This is expected to increase further with the growth of domestic and export demand, as well as the Group’s rationalisation plan to consolidate its



production capacity. The rationalisation of operations from Perlis to Johor, as recently announced, will reduce the risk of supply disruptions significantly and reduce operational and refining costs. At the same time, MSM has also been working closely with its parent company, FGV Holdings Berhad (FGV), to maximise the potential in MSM's assets in Chuping, Perlis. This involves the development of a new agriculture growth area called FGV Agro Food-Valley, which is expected to contribute towards the national food agro sector, whilst enhancing the local socio-economic landscape that includes business and employment opportunities.

The Group continues to redefine opportunities in order to mitigate the impact from overcapacity in the refined sugar industry through export segment and product diversification. The current focus on diversification includes possible collaborations with reputable food and beverages (F&B) players and downstream product development such as flavoured syrup and condensed milk. MSM also seeks to expand its global footprint to the Middle East and North Africa (MENA) region.

For the financial year ended 31 December 2019, MSM posted a total revenue of RM 2.0 billion, a 9% reduction compared to RM 2.2 billion in the previous year. It recorded a net loss (LAT) of RM 299.77 million, further strained by a combination of factors that include commercialisation of MSM Johor and loan modification cost of RM 26 million. In addition, assets impairment of RM 139 million further impacted the financial performance of the Group for the year.

"The steady improvement in ASP and total sales volume has resulted in Group revenue increasing by 5% in 1Q FY2020, compared to the same quarter last year. The improvement corresponds to the increase in selling price since October 2019 and the export of newly launched products. Additionally, due to the implementation of the "Just-in-Time" mechanism in January 2020, we also managed to reduce 30% of total raw sugar volume purchased in 1Q 2020 compared to the same quarter last year. The previous locked in contract that expired in December 2019, had given us the opportunity to strategically manage our raw sugar procurement to enhance the Group's cash flow, and reduce storage cost," Khairil stated.

Moving forward, MSM will continue to prioritise and focus on cost saving initiatives and enhance operational capabilities to attain balance on three fronts - operations, cash flow and production. MSM is committed to its transformation strategy and will seek opportunities to extract and create greater value for shareholders.

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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 2019, 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.

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