# SOUTHERN ACIDS (M) BERHAD

## 37TH ANNUAL GENERAL MEETING

## 30 AUGUST 2018

## SHAREHOLDERS BRIEFING

# Shareholders Briefing Information

**This information contained in this briefing are mainly derived from the following:-**

- **The Company's 2018 Annual Report; and**
- **All other information that are available from Bursa Malaysia's website.**

# Presentation Contents

1. **Southern Acids (M) Berhad & Its Subsidiaries ("the Group/SAB Group") Key Financial Highlights For the financial year ended 31 Mar 2018 ("FY2018")**

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# SOUTHERN ACIDS (M) BERHAD

## GROUP FINANCIAL HIGHLIGHTS FOR FY2018

# SELECTED GROUP FINANCIAL HIGHTLIGHTS

| | FY2018 (RM'000) | FY2017 (RM'000) | Changes |
|---|---|---|---|
| Revenue | 763,104 | 740,091 | ↑ 3.1% |
| Profit before tax | 51,386 | 73,929 | ↓ 30.5% |
| Profit for the year | 37,406 | 57,442 | ↓ 34.9% |
| Earnings per share | 24.05 sen | 35.58 sen | ↓ 32.4% |
| Dividend (net) | 5.0 sen | 5.0 sen | No change |
| Dividend pay-out ratio | 18.3% | 11.9% | ↑ 53.8% |

# SELECTED GROUP FINANCIAL HIGHLIGHTS

| | FY2018 (RM'000) | FY2017 (RM'000) | Changes |
|---|---|---|---|
| Total Assets | 716,766 | 704,296 | ↑ 1.8% |
| Total Liabilities | 79,744 | 77,175 | ↑ 3.3% |
| Net Current Assets | 271,992 | 273,534 | ↓ 0.6% |
| Equity attributable to Shareholders of the Company | 586,541 | 568,459 | ↑ 3.2% |

# The Group Financial Results

| | FY2018 RM'000 | FY2017 RM'000 | Changes RM'000 | Changes % |
|---|---|---|---|---|
| Revenue | 763,104 | 740,091 | 23,013 | 3.1% |
| PBT | 51,386 | 73,929 | (22,543) | (30.5%) |

**Highlights:-**

- **The decrease in PBT by RM22.5 million was mainly due to the following:-**
  - **Lower contribution by Oleochemical Segment (RM15.5 million);**
  - **Lower contribution by and Milling & Estate Segment (RM13.6 million); and**
  - **Cushioned by higher contribution by Healthcare Segment (RM2.9 million) and Investment & Services Segment (RM3.7 million).**

- **Analysis of the PBT:-**
  - **Core operating profit – RM48.2m (FY2017 – RM59.9m); and**
  - **Non-core profit – RM3.2m (FY2017 – RM14.0m) which was mainly contributed by interest income and proceeds from disposal of palm oil shell and scrap, and after netting net loss from foreign exchange (both realised and unrealised).**

# SOUTHERN ACIDS (M) BEHAD

# FY2018 – Review of the Group's core businesses

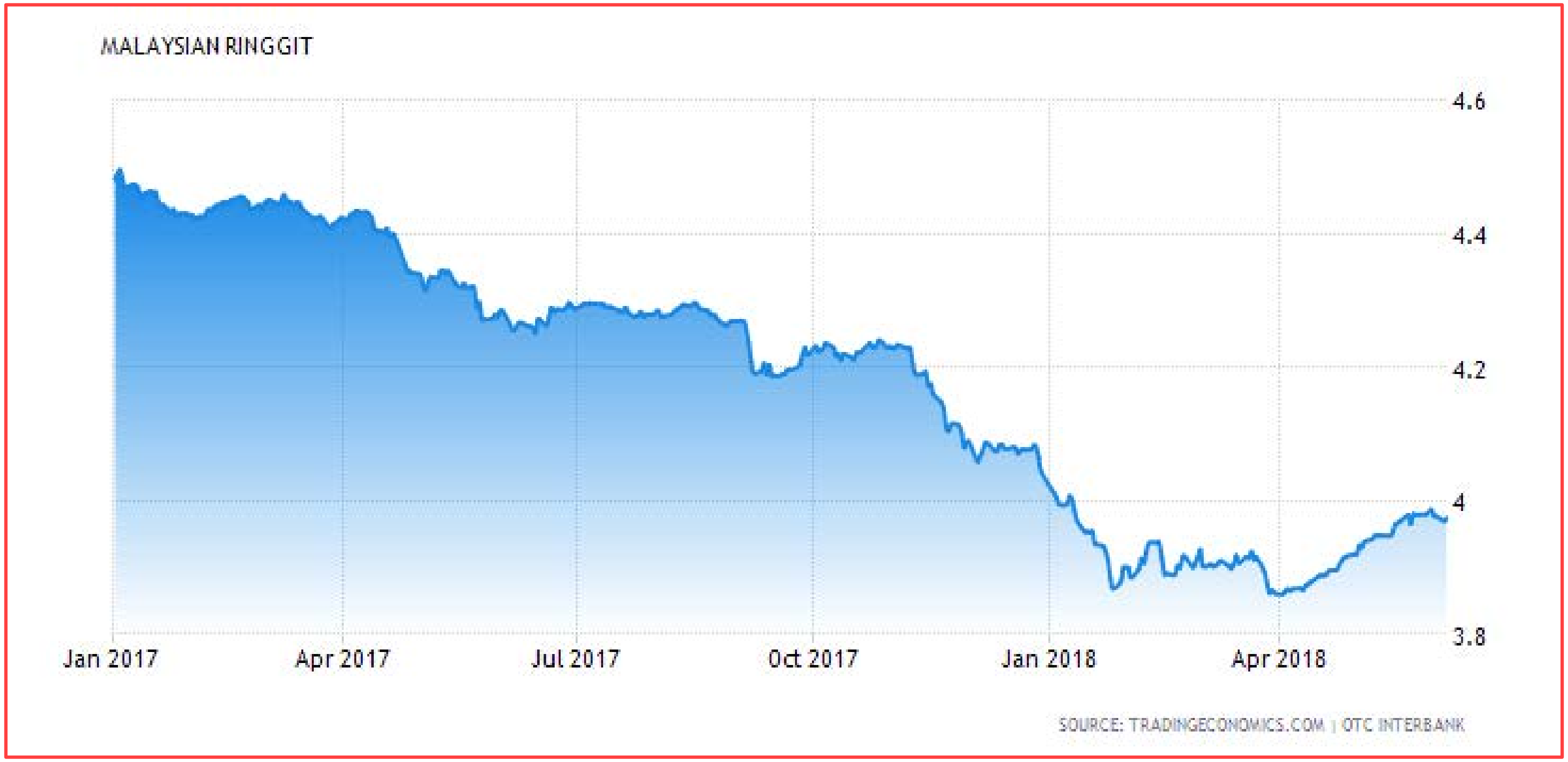
# Review of Oleochemical Segment

| | FY2018 RM'000 | FY2017 RM'000 | Changes RM'000 | Changes % |
|---|---|---|---|---|
| Revenue | 383,869 | 365,158 | 18,711 | 5.1% |
| PBT | 5,889 | 21,409 | (15,520) | (72.5%) |

**Highlights:-**

- **The increase in revenue was contributed by higher average selling price for fatty acids (2.7%) and glycerine (35.7%) while the sales volume remained about the same; and**
- **Analysis of the PBT:-**
  - **Core operating profit – RM9.5m (FY2017 – RM17.7m); and**
  - **Non-core loss – RM3.6m (FY2017 – RM3.7m Non-core PBT) which was due to losses from foreign exchange (both realised and unrealised).**

# USD/MYR Chart




| | Beginning of FY2018 | End of FY2018 |
|---|---|---|
| USD/MYR | 4.4275 (3 Apr 2017) | 3.8635 (30 Mar 2018) |

# FY2019's Prospects - Oleochemical Segment

**This segment continues to remain challenging, the key uncontrollable factors are as follows:-**

- **External factor; Keen competition in the international markets as well as competing with competitors with better cost advantage;**
- **Domestic factor; Higher operating costs such as regulated prices (utilities prices and minimum wages) and foreign labor policy;**
- **Both external and domestic factors would likely impact our sales quantity and gross margin; and**
- **Volatility in USD/MYR exchange rates.**

# FY2019's Plan - Oleochemical Division

**Our existing plant has been in operation of more than thirty years. Hence, our plan is to upgrade our ageing plant in order to maintain and enhance the plant's manufacturing efficiency and improve cost efficiency.**

# Review of Milling & Estate Segment

| | FY2018 RM'000 | FY2017 RM'000 | Changes RM'000 | Changes % |
|---|---|---|---|---|
| Revenue | 275,802 | 283,092 | (7,290) | (2.6%) |
| PBT | 20,113 | 33,735 | (13,622) | (40.4%) |

**Highlights:-**

- **In FY2018, the lower average selling price of CPO (6.0%) and PK (12.8%) had resulted a substantial lower PBT; and**
- **As for the revenue, the impact was lesser as it was mitigated by higher sales volume of CPO (3.9%) and PK (10.8%).**

- **Analysis of the PBT:-**
  - **Core operating profit – RM16.2m (FY2017 – RM27.0m); and**
  - **Non-core profit – RM3.9m (FY2017 – RM6.7m) which mainly consists of proceeds from disposal of palm oil shell and scrap, and interest income.**

# CPO Price


| | Beginning of FY2018 | End of FY2018 |
|---|---|---|
| CPO Price Per MT | 2,662 (3 Apr 2017) | 2,425 (30 Mar 2018) |

# FY2019's Prospects – Milling & Estate Segment

**The outlook of this segment is expected to be less exciting mainly due to its bearish outlook for CPO price. The reasons are as follows:-**

- **Softer demand from key markets which triggered by the increase in import duty on CPO by India and high inventory level;**
- **Expected a higher production of CPO; and**
- **Uncertainty of the on-going US-China trade war.**

**The lowest CPO price for 2018 was RM2,142 (24 July 2018) and it was closed at RM2,232 yesterday (data from MPOC's website).**

# FY2019's Plan - Milling & Estate Segment

**The main objective of this segment is to maximize our palm oil mills utilization rate with the following plans:-**

- **To source adequate external FFB at competitive pricing; and**
- **To look into the prospect of increasing our plantation estate in order to reduce the reliance of external supply.**

# Review of Healthcare Segment

| | FY2018 RM'000 | FY2017 RM'000 | Changes RM'000 | Changes % |
|---|---|---|---|---|
| **Revenue** | 84,716 | 80,097 | 4,619 | 5.8% |
| **PBT** | 22,348 | 19,449 | 2,899 | 14.9% |

**Highlights:-**

- **The main factor for the increase in revenue and PBT was contributed by 16.0% higher in the average revenue per patient for inpatient which was driven by more complex surgery cases.**

- **Analysis of the PBT:-**

  - **Core operating profit – RM19.9m (FY2017 – RM17.5m); and**
  - **Non-core profit – RM2.4m (FY2017 – RM1.9m) which mainly consists of interest income, rental income (clinic and carpark).**

# FY2019's Prospects - Healthcare Segment

**In line with the industry and the segment's past record, this segment is expected to continue to enjoy stable growth supported by the following factors, amongst others:-**

- **Increase in ageing population;**
- **Growing awareness in healthcare prevention;**
- **Increase in medical insurance coverage; and**
- **Rise in the middle income group.**

# FY2019's Plan - Healthcare Segment

**The main objective is to at least maintain its market share with following plans:-**

- **To recruit more full time doctors and experienced nurses; and**
- **To expand our core disciplines.**

# FY2019's Prospects of the Group

**Based on the overall prospects commentary, the performance of the Group will remain challenging.**

# SOUTHERN ACIDS (M) BERHAD

## Questions
## &
## Answers