MFCB

MEGA FIRST CORPORATION BERHAD

2Q 2021 RESULTS BRIEFING

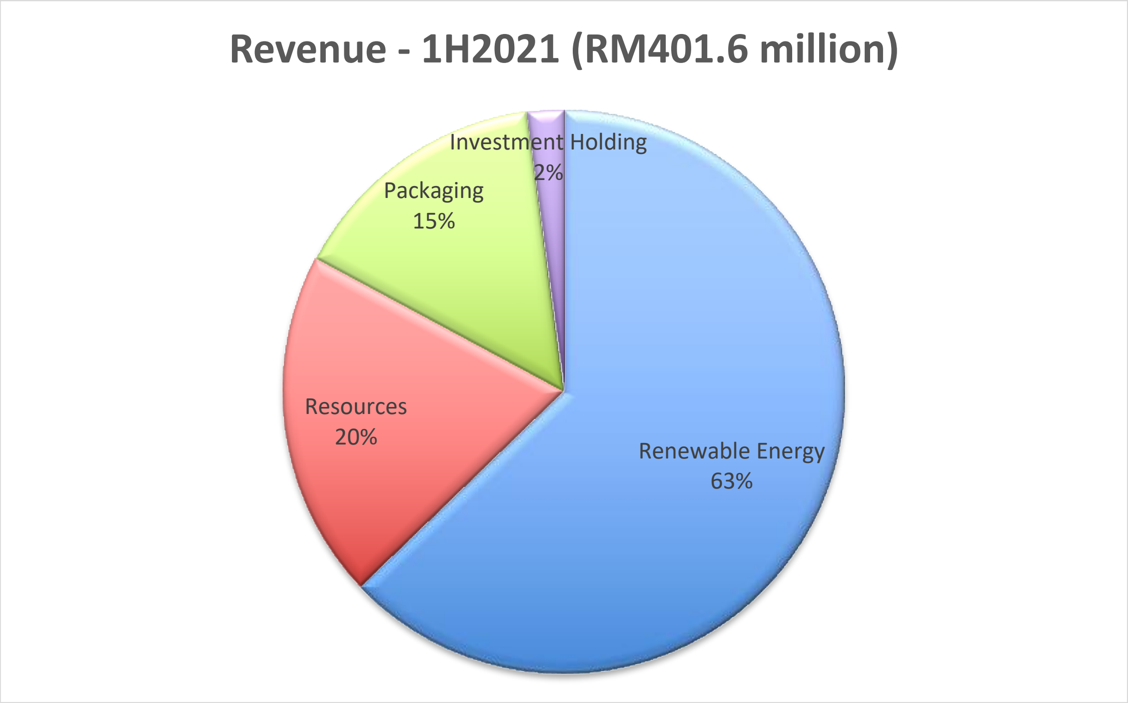
20 AUGUST 2021

Yeow See Yuen

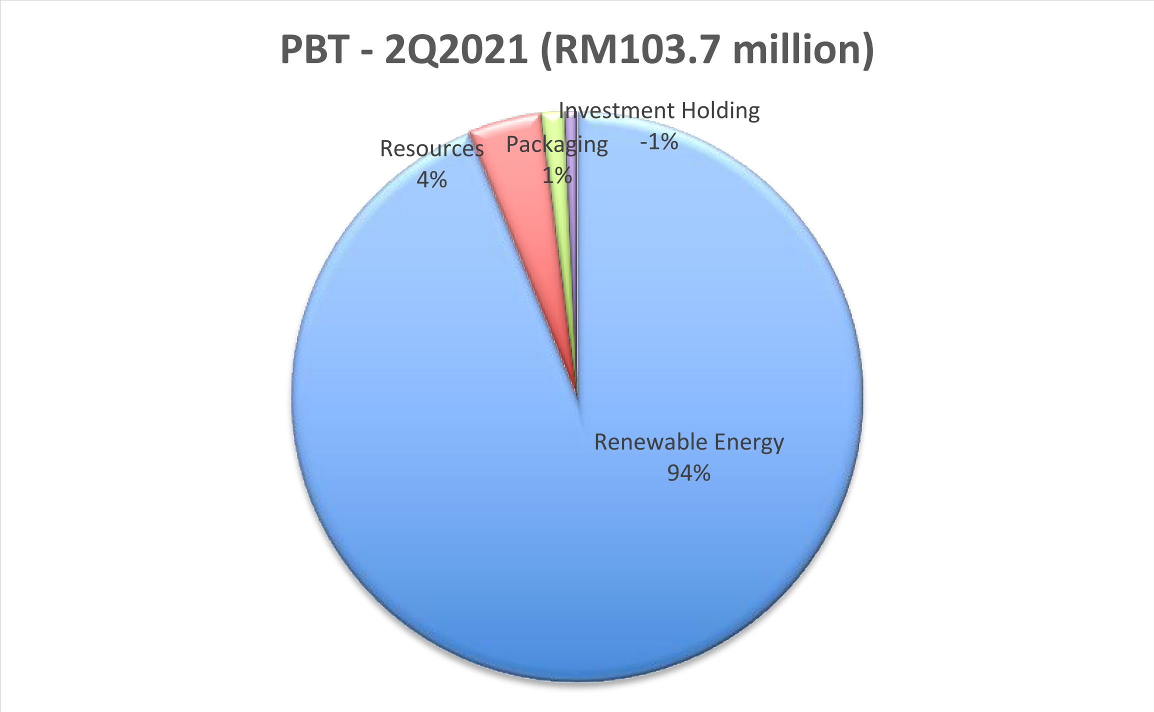
AGENDA

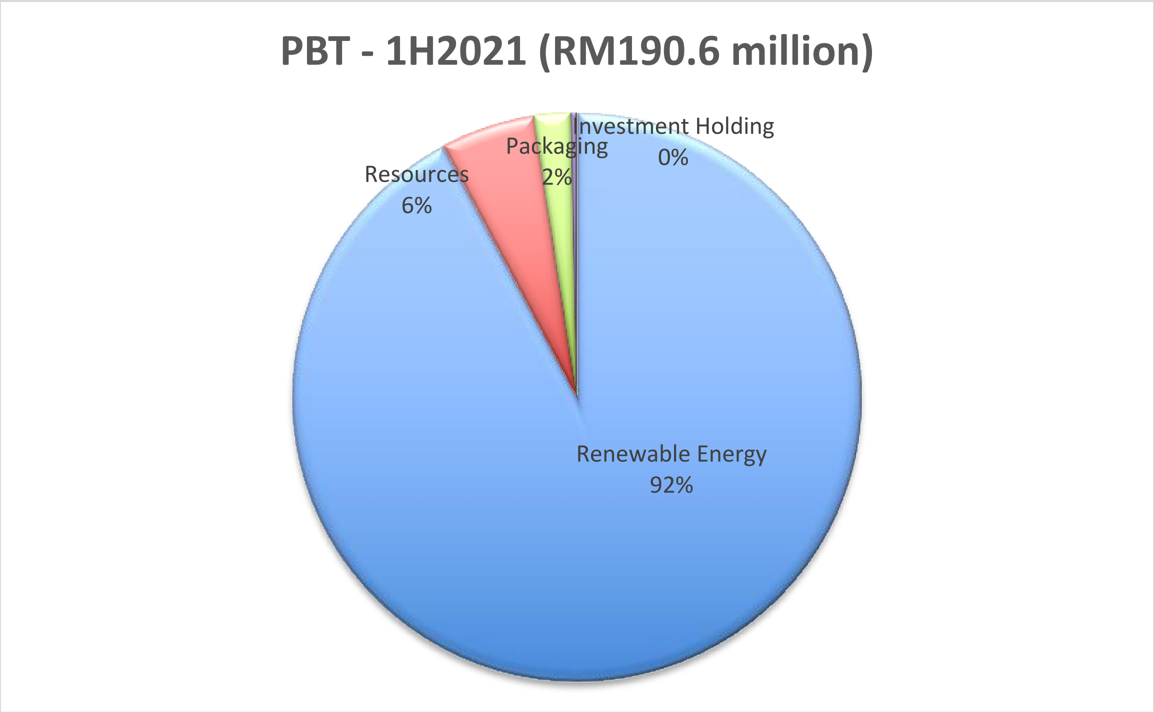
1. Results Overview
2. Interim Dividend
3. Results review and Prospects by Division
    A. Renewable Energy Division
    B. Resources Division
    C. Packaging Division
4. Balance Sheet Analysis
5. Cash Flow Analysis
6. Gearing Position
7. Plantation update
8. Investment in Edenor Technology Sdn Bhd and Proposed Acquisition

RESULTS OVERVIEW



RESULTS OVERVIEW (CONT'D)





RESULTS OVERVIEW (CONT'D)

	2Q2021 RM'000	2Q2020 RM'000	% change	1H2021 RM'000	1H2020 RM'000	% change
Continuing Operations						
Revenue						
Renewable Energy	138,153	130,425	6%	252,388	233,688	8%
Resources	35,478	26,624	33%	80,042	61,093	31%
Packaging	30,014	21,615	39%	60,694	40,857	49%
Investment holding & others	4,194	2,591	62%	8,433	6,304	34%
Total Revenue	**207,839**	**181,255**	**15%**	**401,557**	**341,942**	**17%**
PBT						
Renewable Energy	98,653	93,678	5%	176,831	158,356	12%
Resources	4,371	1,969	122%	10,361	6,261	65%
Packaging	1,401	1,659	-16%	3,998	2,138	87%
Investment holding & others	(719)	29	nm	(580)	(2,927)	nm
Total PBT	**103,706**	**97,335**	**7%**	**190,610**	**163,828**	**16%**
Income Tax	(1,107)	(2,002)	-45%	(2,334)	(3,247)	-28%
PAT	**102,599**	**95,333**	**8%**	**188,276**	**160,581**	**17%**
Discontinued operations						
PAT	(67)	(416)	nm	(158)	(765)	nm
Profit after tax for the period	**102,532**	**94,917**	**8%**	**188,118**	**159,816**	**18%**
PAT attributable to owners of Company						
- Continuing operations	87,345	80,852	8%	160,727	137,746	17%
- Discontinued operations	(27)	479	nm	(66)	988	nm
	87,318	81,331	7%	160,661	138,734	16%

INTERIM DIVIDEND

- The Board has declared an interim single-tier dividend of 3.25 sen per ordinary share for the financial year ending 31 December 2021 (FY2020: 3 sen, after adjusting for stock-split).

- The entitlement and payment dates will be announced soon.

RENEWABLE ENERGY DIVISION

Renewable Energy Division									
(RM million)	**2021**			**2020**			**YoY Change**		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Revenue	114.2	138.2	252.4	103.3	130.4	233.7	10.6%	5.9%	8.0%
PBT	78.2	98.7	176.8	64.7	93.7	158.4	20.9%	5.3%	11.7%
EAF (%)	81.2	95.2	88.2	70.7	86.7	78.7	14.9%	9.8%	12.1%
Average RM/USD Rate	4.064	4.128	4.096	4.180	4.323	4.252	-2.8%	-4.5%	-3.6%

2Q2021 vs 2Q2020

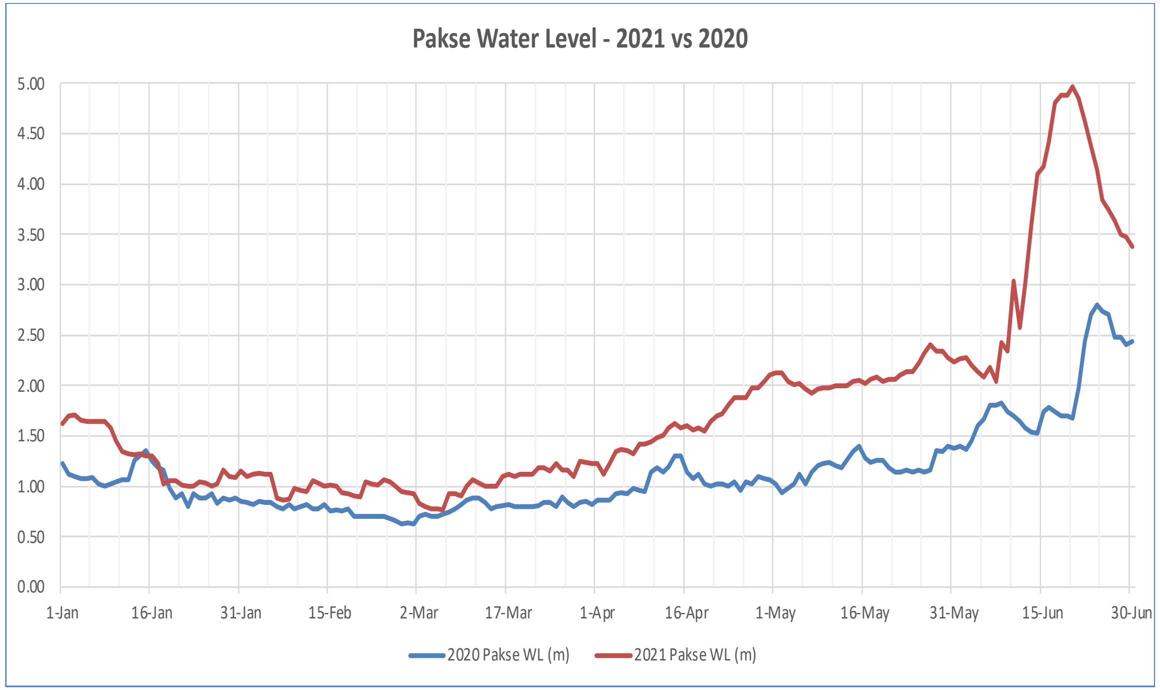
- Revenue +5.9% to RM138.2 million attributable to 9.8% increase in EAF to 95.2%, partially offset by 4.5% appreciation of RM against the USD.
- Solar revenue was RM1.1 million (2Q2020: Nil). PBT contribution marginal.
- EAF lifted by earlier onset of wet season, improved water flow management and power distribution system.
- PBT +5.3% on higher revenue.

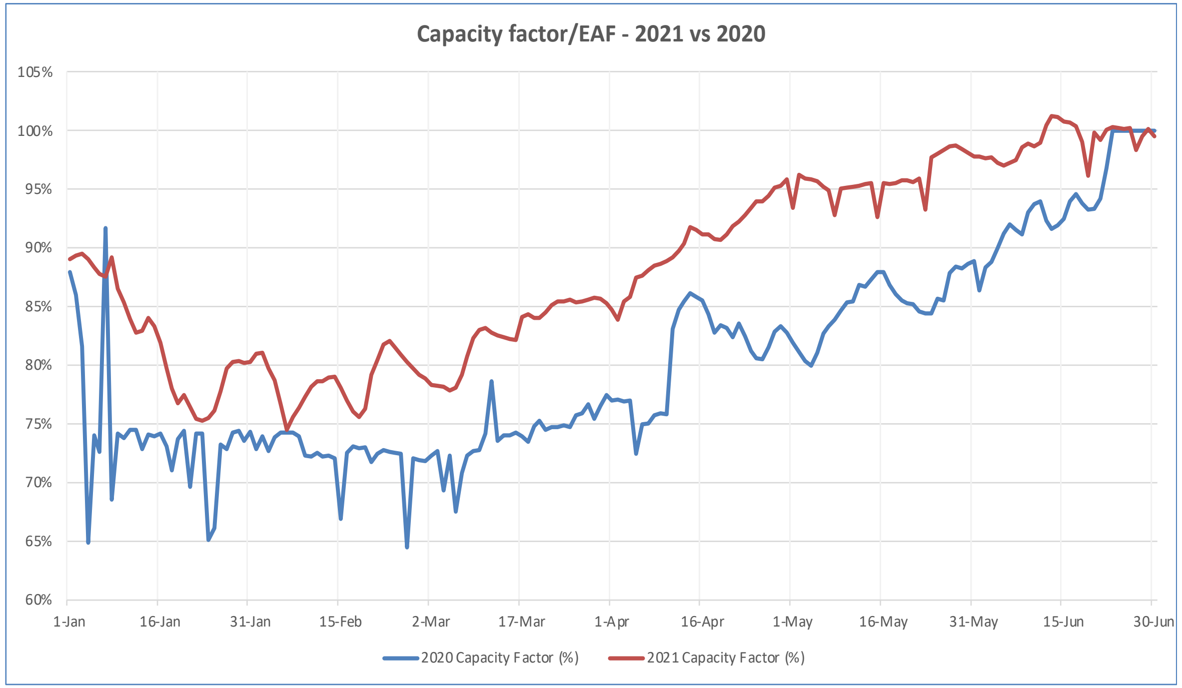
RENEWABLE ENERGY DIVISION (CONT'D)

1H2021 vs 1H2020

- Revenue +8.0% to RM252.4 million due to 12.1% increase in EAF to 88.2%, partially offset by 3.6% appreciation of RM against the USD.
- Solar revenue was RM1.3 million (1H2020: Nil). Marginal PBT contribution.
- Higher water level during this year dry season, earlier onset of wet season in 2Q2021, and improved water flow management and power distribution system boosted overall EAF.
- PBT +11.7% on higher energy sale and lower net finance charges.

RENEWABLE ENERGY DIVISION (CONT'D)





RENEWABLE ENERGY DIVISION (CONT'D)

C&I Solar Investment Achievements in 1H 2021

3 May

Commissioned 12MWp solar photovoltaic plant, including 9MW solar **carport which is the largest under Net Energy Metering** Scheme in Malaysia

18 May

Energisation of 1st overseas 1MWp solar PV plant at Phnom Penh, Cambodia

20 May

Received LOA from a local university for the installation of a 3.7MWp solar system.

31 May

Signed PPA with a Public Utility to install solar system with total capacity of **6.4MWp** at the latter's 16 plants, located across Selangor, KL, Putrajaya and Penang. Scheduled commercial operation for all sites expected to occur before end of Mar 2022.

RENEWABLE ENERGY DIVISION (CONT'D)

Prospects

- Wet season will continue until November.
- 3Q EAF expected to decline sequentially and YoY due to a longer maintenance this year.
- 4Q EAF to normalise to 4Q levels last year.
- Overall 2021 EAF will be higher than 86.4% in 2020.
- Management remains hopeful to start construction of 5th turbine before end 2021.
- Solar contribution in 2H to benefit from additional 13MW C&I projects commissioned in May 2021 and progressive commissioning of another secured 6.4MW in Oct21-Mar22.
- C&I projects secured to-date totaled 20.9MW; commissioned to-date 14.5MW.

RENEWABLE ENERGY DIVISION (CONT'D)

RENEWABLE ENERGY DIVISION (CONT'D)

RESOURCES DIVISION

Resource Division									
(RM million)	2021			2020			YoY Change		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Revenue	44.6	35.5	80.0	34.5	26.6	61.1	29.3%	33.3%	31.0%
PBT	6.0	4.4	10.4	4.3	2.0	6.3	39.6%	122%	65.5%

2Q2021 vs 2Q2020

- Covid-19 related measures in Malaysia and the export countries had a less severe impact on demand in the current quarter when compared to the same period last year.
- Consequently, revenue was up 33.3% to RM35.5 million, led by 27.7% increase in lime products.
- Average selling price +3.8% due to a favourable change in the customer sales mix.
- PBT +122% to RM4.4 million on volume growth and improved plant utilisation, partially offset by higher freight and logistic cost.

RESOURCES DIVISION (CONT'D)

1H2021 vs 1H2020

- As explained earlier, Covid-19 related measures in Malaysia and the export countries had a less severe impact on demand in 1H this year when compared to the same period last year.
- Consequently, revenue rose 31% to RM80.0 million, led by 26.8% increase in lime products.
- Stable year-on-year ASP for lime products.
- PBT rose 65.5% to RM10.4 million on sales volume gain, lower unit production cost and lower finance charges.

RESOURCES DIVISION (CONT'D)

Prospects

- Export demand to soften:
  - (a) Price competitiveness eroded by escalating freight charges; and,
  - (b) Scheduled maintenance plant shutdown by a major customer in 3Q.
- Domestic demand generally stable, but occasionally interrupted by customer plant shut down due to Covid-19 cases amongst employees.
- Cost pressures mounting:
  - (a) Unabated rise in freight rates;
  - (b) Rising petcoke fuel price;
  - (c) Newly introduced RM3/MT export tax from June 2021; and,
  - (d) Higher unit production cost on lower production volume.
- Mitigation plan:
  - (a) Sales order diversion to other potential customers; and,
  - (b) Selective selling price adjustments.
- Overall, division to remain profitable in the remaining quarters of 2021.

RESOURCES DIVISION (CONT'D)

PACKAGING DIVISION

Packaging Division									
(RM million)	**2021**			**2020**			**YoY Change**		
	1Q	**2Q**	**1H**	**1Q**	**2Q**	**1H**	**1Q**	**2Q**	**1H**
Revenue	30.7	30.0	60.7	19.2	21.6	40.9	59.4%	38.9%	48.6%
PBT	2.6	1.4	4.0	0.5	1.7	2.1	442.2%	-15.6%	87%

2Q2021 vs 2Q2020

- Revenue +38.9% to RM30.0 million on higher overseas demand for paper products and higher domestic demand for flexible packaging products.
- PBT declined 15.6% to RM1.4 million due to higher raw material costs, notably plastic films and lamination on higher resin costs.
- Highly competitive nature of converting business prevented a full pass-on of cost increases to customers.

1H2021 vs 1H2020

- Revenue +48.6% to RM60.7 million on increased demand for both paper and flexible packaging products.
- PBT rose 87% to RM4 million due to higher sales, lower wastage and improved capacity utilisation.

PACKAGING DIVISION (CONT'D)

Prospects

- Consolidation of Stenta from 1 August 2021 to significantly lift divisional earnings. For reference, Stenta's revenue was RM190.4 million and PBT was RM22.8 million in FY2020.
- Hexachase Group revenue continue to grow on new customer orders and increased penetration of existing customers.
- Pace of growth probably lower than earlier projection due to:

  (a) Supply chain disruption on worldwide container shortages and port congestions;

  (b) Order deferrals by overseas customers due to high freight rates; and,

  (c) Intermittent factory closure by domestic F&B customers due to Covid cases.
- Margins to remain under pressure:

  (a) Persistently high input cost, although there are signs of price stabilisation; and

  (b) Escalating freight charges.
- On-going plant expansion to be completed 3 months later in December 2021.
- Construction plan for new factory on 10.4-acre land on hold. Will revisit again in 2021 due to uncertainties surrounding Covid situation and global demand-supply distortions arising from container shortages and escalating freight rates.

PACKAGING DIVISION (CONT'D)

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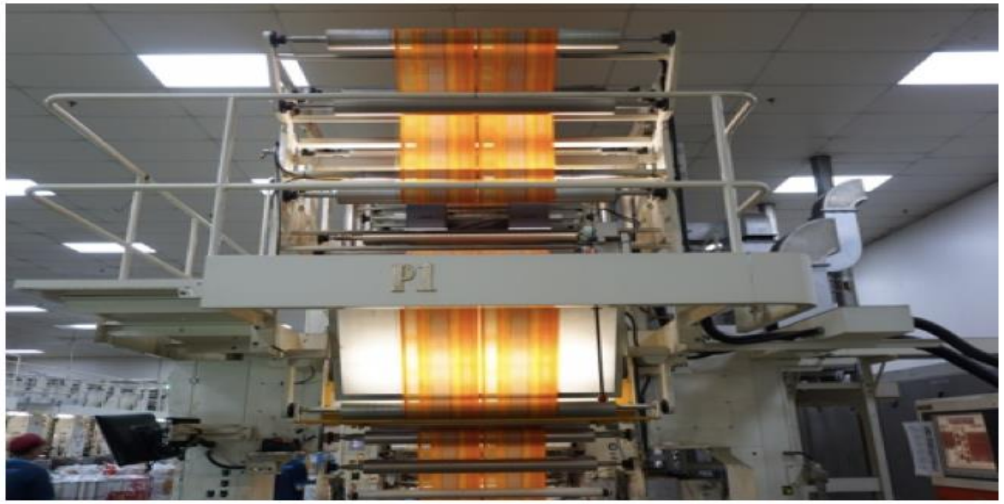

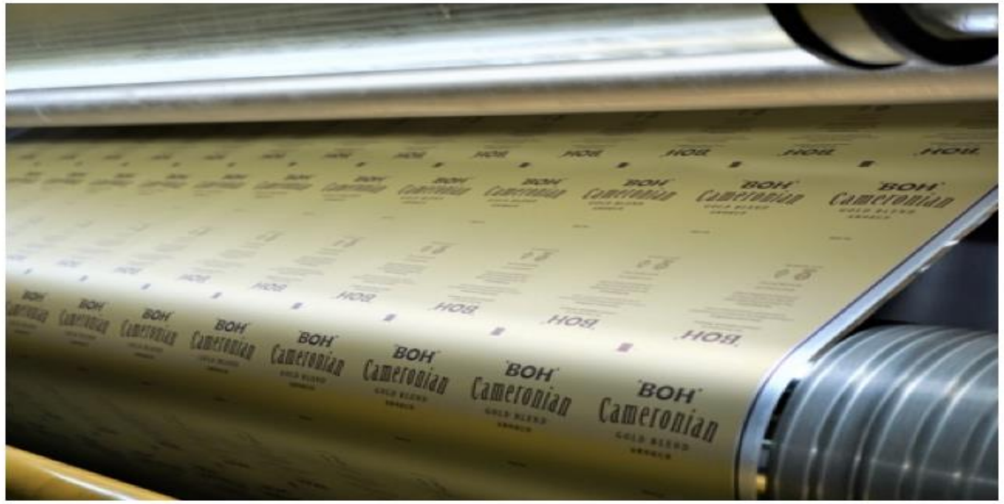

BALANCE SHEET REVIEW

Changes in Key Balance Sheet Items				
	As at 30.6.2021 (RM million)	As at 31.12.2020 (RM million)	Change RM'000	Explanation
Intangible asset	1,957	1,932	25	RM64.4 MIL translation gain, less RM39.8 MIL amortisation
PPE & ROU assets	413	355	58	Capex RM68.1 MIL(see below), less depreciation RM8.8 MIL
Investment properties	177	177	-	No movement
Inventories (non-current)	43	43	-	No movement
Investment in quoted shares	168	99	69	Fair value gain
Inventories (current)	67	62	6	Additional raw material holding by Packaging Division.
Receiveables	279	307	(28)	Improved collection from EDL. EDL receiveable turnover appprox 4 months
Deferred tax liabilities	103	101	3	Translation loss.
Payables (current)	115	126	(11)	Partial payment to Don Sahong's EPC.
Note:				
Main Capex				
(a) RM32.5 MIL Packaging Divison;				
(b) RM23.7 MIL C&I Solar Projectes;				
(c) RM7.7 MIL Plantation Development				

CASH FLOW ANALYSIS

Cash Flow Analysis			
	6-month ended 30-Jun-21 (RM million)	6-month ended 30-Jun-20 (RM million)	Change (RM million)
After-tax cash from Operating Activities	274.4	123.0	151.4
New capital raised			
- ESOS and Warrants conversion	-	84.1	(84.1)
-Share Issued to minority of subsidiaries	3.5	-	3.5
Total Cash made avalvable to the Group	277.9	207.1	70.8
Inveting Activities			
Capex - Don Sahong	(18.2)	(90.8)	72.6
Capex - Others	(60.7)	(20.0)	(40.7)
Net cash from other investing activites	4.8	3.2	1.6
Total employed for investing activities	(74.2)	(107.6)	33.5
Net Cash Flow before distribution to stakeholders	203.7	99.5	104.3
Dividends paid to MFCB shareholders	(30.8)	-	(30.8)
Finance costs paid to Lenders	(10.0)	(12.5)	2.5
Net Cash Flow retained by the Group	163.0	87.0	76.0
Translation (Loss) / Gain on USD loans	(18.2)	3.8	(22.0)
Net Cash Flow retained by the Gropu after Forex	144.8	90.8	54.0

GEARING POSITION

MFCB Group Net Gearing			
	As at 30.6.2021 (RM million)	As at 31.12.2020 (RM million)	Change (RM million)
Total Cash	254.9	93.6	161.3
Total Debt	(674.3)	(657.9)	(16.4)
Net Debt	(419.4)	(564.3)	**144.8**
Equity	2,449.2	2,165.6	283.6
Net Debt / Equity Ratio	**17.1%**	**26.1%**	

PLANTATION UPDATE

1) Background

- Main crops: coconuts & macadamia
- Cumulative investment as at 31 Mar 2021: RM78.5 mil (including land cost)

2) Land

- 50-year concession on 6,420 hectares
- Est. plantable area: 4,500 hectares
- Cumulative area planted as at 31 July 2021: 1,900 hectares

3) Plans

- Planned planting in 2021: 600 hectares
- Target to complete planting by end of 2024.
- Evaluating various downstream processing businesses.
- Not expected to contribute positively to earnings until 2026.

PLANTATION UPDATE

MFCB obtained approval from the Royal Government of Cambodia for the concession of a plot of land measuring 6,420 hectares situated in the Namlear Wildlife Sanctuary Zone, Mondulkiri Province, Kingdom of Cambodia for agricultural development.

The term of the concession is 50 years, commencing from 29 April 2013.

Mondulkiri is Cambodia's largest and also most sparsely populated province. It is located in the south-eastern part of the country and borders three provinces in Vietnam.

PLANTATION UPDATE

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PLANTATION UPDATE






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PLANTATION UPDATE






INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

PROPOSED ACQUISITION OF EMERY OLEOCHEMICALS (M) SDN BHD AND EMERY SPECIALTY CHEMICALS SDN BHD BY EDENOR TECHNOLOGY SDN BHD

Introduction

1. On 19 August 2021, MFCB announced that Edenor Technology, a 50:50 JV between MFCB and 9M Technologies ("Purchaser"), has entered into a conditional SPA with Sime Darby Plantation Berhad and PTTGC International Private Limited (collectively, the "Vendors") to purchase a 100% interest in Emery Oleochemicals (M) Sdn Bhd ("EOM") and Emery Specialty Chemicals Sdn Bhd ("ESC") for a **Target Equity** value of **RM38 million** ("Proposed Acquisition").

2. The Proposed Acquisition will **ONLY** involve the purchase of the Malaysia operations of EOM and ESC ("Group Companies").

3. The Proposed Acquisition **EXCLUDES** the existing overseas subsidiaries of EOM and ESC ("Excluded Entities"), which will be carved out as part of pre-completion Restructuring undertaking by the Vendors.

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

PROPOSED ACQUISITION OF EMERY OLEOCHEMICALS (M) SDN BHD AND EMERY SPECIALTY CHEMICALS SDN BHD BY EDENOR TECHNOLOGY SDN BHD

4. Post-Restructuring group structure of EOM and ESC (Group Companies):

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

About the Group Companies

1. The Group Companies is principally involved in the production and sale of basic oleo and specialty chemical made from palm and palm kernel oils. These natural-based chemicals, offer renewable and sustainable solution towards the development of more efficient and eco-friendly end-user goods and industrial products. These products serve a wide range of industries, including home care, personal care, food ingredient, pharmaceuticals, plastic, building and construction, lubricants and agriculture.

2. The Group Companies' fully integrated, advanced and modern manufacturing facilities are strategically located on a 34-acre industrial land in Telok Panglima Garang, Klang, near Westport and Port Klang, with direct piped-in access to RBDPKO feedstock and downstream offtake by on-site specialty plants.

About 9M Technologies

1. The founder of 9M Technologies is Mr. Yeow Ah Kow who has more than 35 years international experience, mostly in the leadership role in oleochemicals, edible oils and specialty chemical business and manufacturing.

2. His experience includes the setting up of several large greenfield manufacturing sites and involvement in many international mergers and acquisitions, and refurbishment and expansion

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

Basis of purchase consideration

RM38 million Target Equity is based on Enterprise Value of RM243 million, comprising:

1. **Fixed Assets and Technical/Business Know-How at RM73 million (83% discount to BV); and**
2. **Target Net Working Capital of RM170 million (see Note 1).**

LESS:

1. **Target Net Debt of RM205 million (see Note 2).**

Notes:

1. ***This will eventually be based on actual Net Working Capital at the Completion Accounts Date. Most likely will be lower than RM170 mil.***
2. ***This will eventually be Restructured to ensure RM38 million Target Equity is achieved. Most likely will be lower than RM205 million given a lower expected Net Working Capital.***

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

Rationale of the Proposed Acquisition

1. Consistent with MFCB's SDG policy and long-term objective of talent recruitment;
2. Helps strengthen the core technical capabilities of Plantation Division when it expands downstream into agricultural produce processing in 2-3 years' time;
3. Good growth prospects of the oleochemical industry.
4. By leveraging on the combined strengths and experiences of MFCB and 9M Technologies, and by bringing onboard the right leadership, corporate culture, management discipline, and competent technical and commercial teams, we believe Edenor Technology will be able to turnaround the Group Companies into a successful integrated oleochemicals business.
5. Low entry cost for a sprawling manufacturing platform.
6. Stand-by credit facilities of up to RM255 million to temporarily step into the existing lenders' shoes in the event they do not consent to the change in control but are not likely be utilised.
7. Risk of loss is low given the expected realisable Enterprise Value of the Group Companies.

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

Proforma Financial Effects of the Proposed Acquisition and Investment in Edenor Technology

1. Proforma financial effects illustration are based on the effects on MFCB's audited consolidated financial statements for FY2020, assuming the following transactions are completed on 1 January 2020:

   i. RM20 million investment in Edenor Technology, which will be initially accounted for as "Investment in Joint Venture Company";

   ii. RM38 million Proposed Acquisition by Edenor Technology; and,

   iii. Full drawdown of RM255 million stand-by credit facilities to repay the existing lenders of the Group Companies.

2. The illustration further assumes:

   i. The maximum "share of loss from joint venture", equivalent to the RM20 million investment cost in Edenor Technology; and,

   ii. No income recognition from unallocated bargain difference.

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

Financial Year Ended 31 December 2020	Earnings RM'000	Earnings Per Share[1] Sen	Gearing Ratio[2] %	Net Assets Per Share[3] RM
Before the Proposed Acquisition and the Investment	321,290	70.58	26.1%	4.07
After the Proposed Acquisition and the Investment	301,290	66.19	39.1%	4.03
Change	(20,000)	(4.39)	13.0%	(0.04)

Notes:

1. Calculated by dividing the profit after tax attributable to owners of MFCB by the weighted average number of ordinary shares in issue during the financial year ended 31 December 2020 excluding treasury shares held by MFCB.

2. Calculated based on gross debts divided by NA of MFCB.

3. Calculated based on Shareholder Equity divided by the number of ordinary shares in issue as at 31 December 2020 excluding treasury shares held by MFCB.

INVESTMENT IN EDENOR TECHNOLOGY SDN BHD

THANK YOU