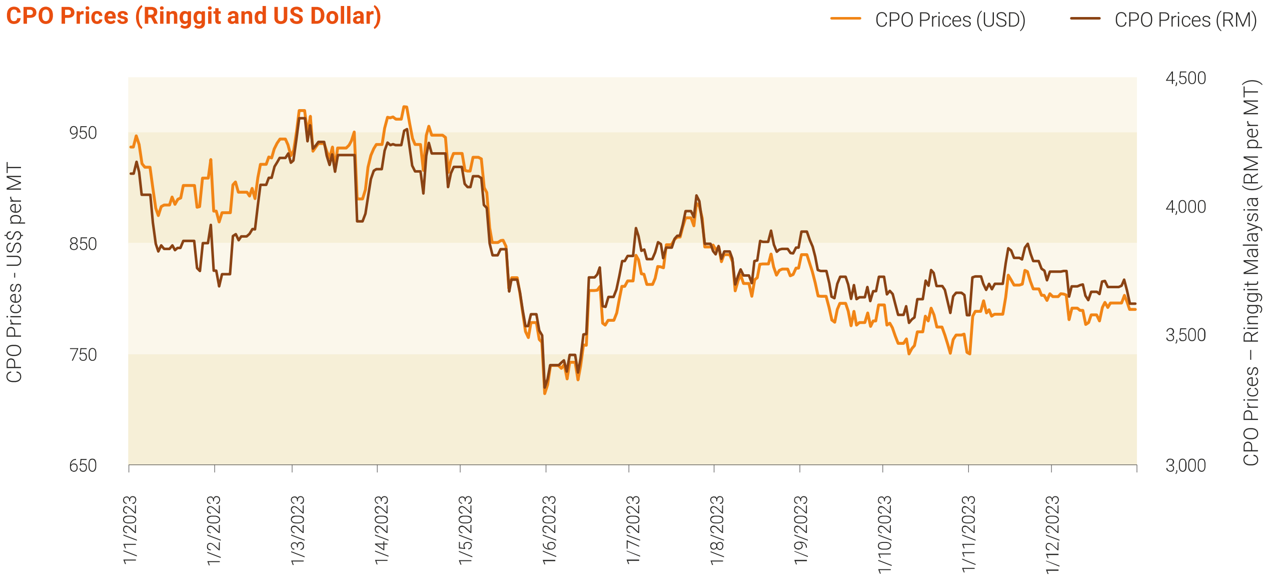
# Operations and Financial Review

| | FY 2021 | FY 2022 | **FY 2023** |
|---|---|---|---|
| **INCOME STATEMENT** (US$'million) | | | |
| Revenue | 4,349 | 5,429 | **4,124** |
| Operating margin | 225.1 | 300.9 | **201.1** |
| Profit after tax | 80.2 | 113.6 | **40.6** |
| Earnings per share (US cents per share) | 5.34 | 7.57 | **2.70** |
| | | | |
| **BALANCE SHEET** (US$'million) | | | |
| Long-term investments | 449 | 447 | **491** |
| Working capital | 493 | 766 | **555** |
| **Total investments** | 942 | 1,213 | **1,046** |
| Equity | 684 | 775 | **786** |
| *Gross debt* | *430* | *541* | ***392*** |
| *Cash* | *172* | *103* | ***132*** |
| Net debt (Gross debt less Cash) | 258 | 438 | **260** |
| **Total capital** | 942 | 1,213 | **1,046** |
| | | | |
| Gross debt to equity | 0.63 | 0.70 | **0.50** |
| Net debt to equity | 0.38 | 0.57 | **0.33** |
| Net asset value per share (US cents per share) | 45.09 | 51.30 | **52.23** |
| | | | |
| **SEGMENTAL PERFORMANCE** | | | |
| **Sales volume (MT'000)** | | | |
| Bulk | 3,037 | 3,124 | **3,156** |
| Consumer Pack | 1,082 | 1,169 | **1,179** |
| **Total** | 4,119 | 4,293 | **4,335** |
| | | | |
| **Operating margin (US$'million)** | | | |
| Bulk | 150.4 | 215.9 | **101.4** |
| Consumer Pack | 74.7 | 85.0 | **99.7** |
| **Total** | 225.1 | 300.9 | **201.1** |
| | | | |
| **Operating margin per MT (US$)** | | | |
| Bulk | 49.5 | 69.1 | **32.1** |
| Consumer Pack | 69.0 | 72.7 | **84.6** |
| **Total** | 54.6 | 70.1 | **46.4** |

**CPO Prices (Ringgit and US Dollar)**



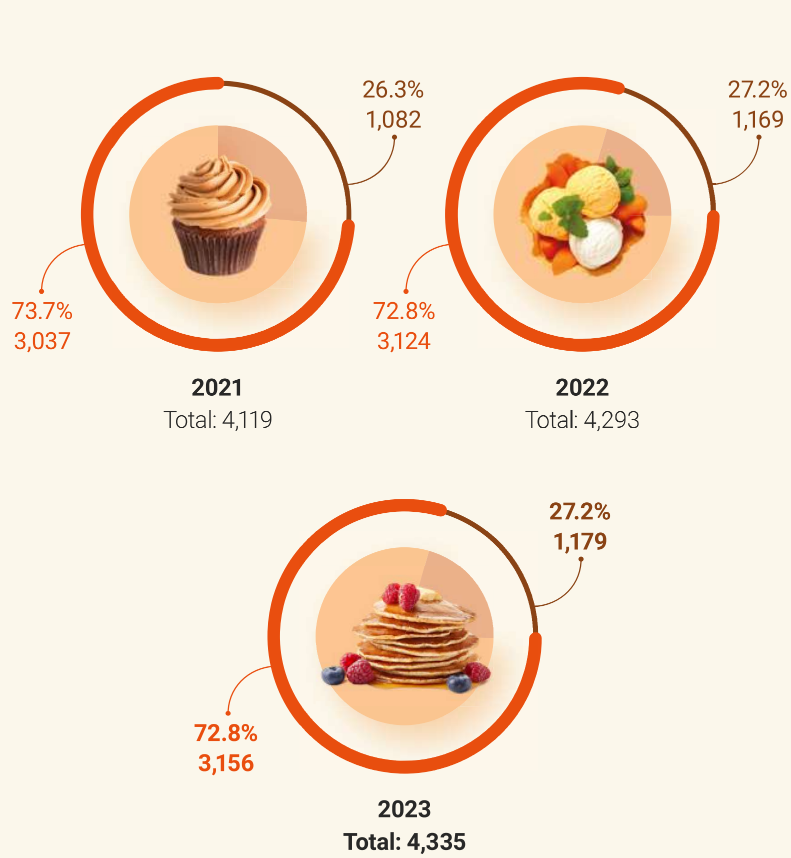

## PALM OIL INDUSTRY IN 2023

For the full year, the average CPO prices stood at RM3,842 per tonne, compared to RM5,137 per tonne last year. The prices peaked at RM4,343 per tonne in March 2023, dropped to their lowest at RM3,298 per tonne by May 2023, and subsequently settled at RM3,623 per tonne at the year's end. Palm oil prices followed a more moderate trajectory compared to the previous year, influenced by factors such as ample supplies of competing vegetable oils and the reopening of the Black Sea route. The fluctuation in CPO prices during this period was influenced by multifaceted factors, including demand-supply dynamics, weather patterns, inflation expectations, and the prices of competing vegetable oils.

## GROUP'S SALES VOLUME

The Group's sales volume increased by 1.0% to 4,334,600 MT. The Bulk segment accounted for 72.8% of this total, registering a 1.0% increase to 3,155,700 MT. Meanwhile, the Consumer Pack segment comprised 27.2% of the total sales volume, registering a 0.9% increase to 1,178,900 MT.

**Sales Volume (MT'000)**



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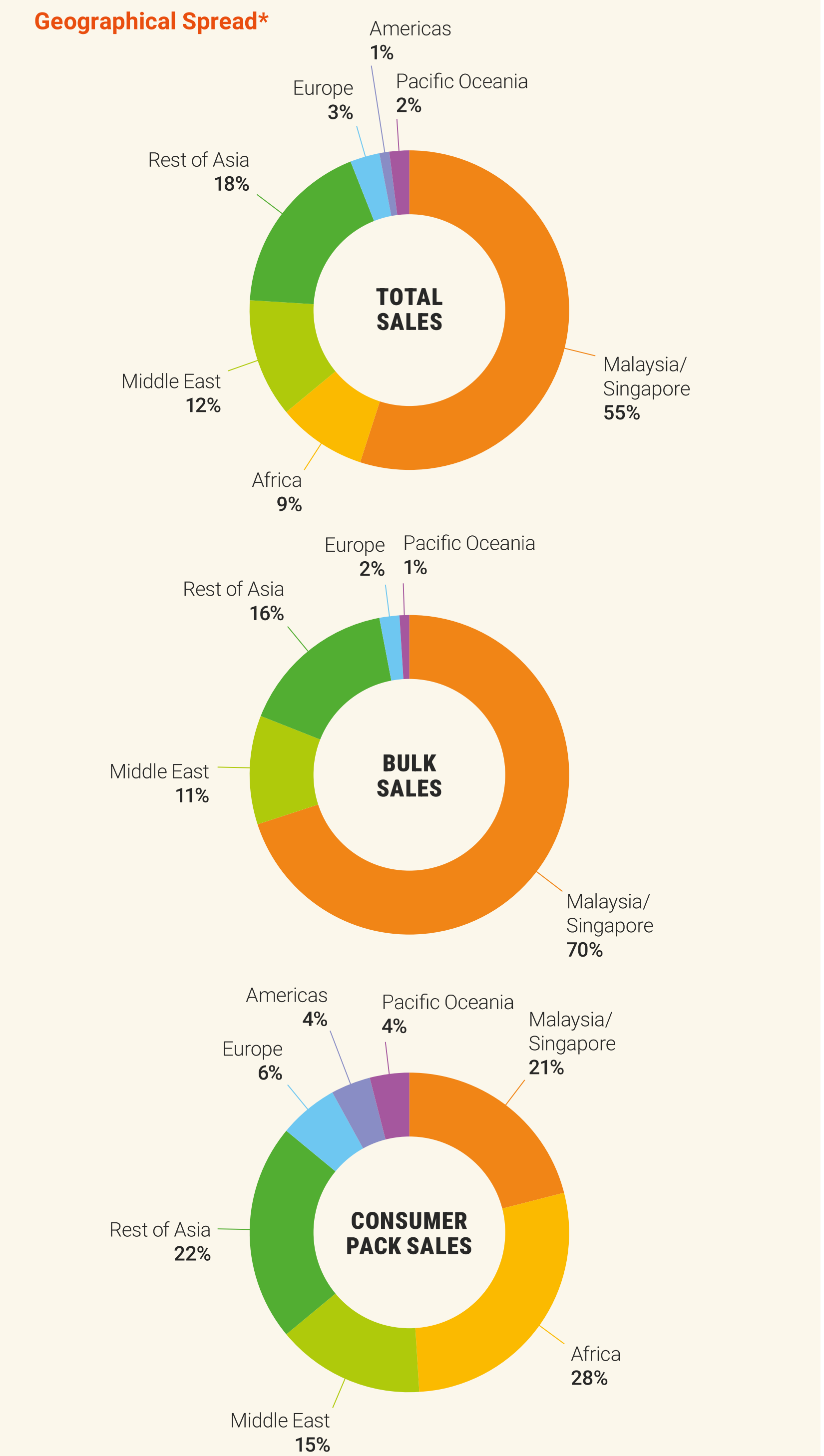
## WELL DIVERSIFIED SALES REVENUE

The Group reported sales revenue of US$4,123.8 million, marking a decrease of 24.0% compared to last year. This decline was primarily due to selling prices being 24.8% lower, which was partially offset by a 1.0% increase in sales volume.

The Bulk segment accounted for 70.0% of the total revenue, amounting to US$2,886.8 million, and registered a decrease of 28.3% from last year. Meanwhile, the Consumer Pack segment contributed 30.0% of the total revenue, at US$1,237.0 million, and registered a decrease of 11.7% from last year.

Our sales continue to be diversified globally, with our products being sold in over 140 countries in year 2023. A significant 45%* of total sales were destination sales to customers in countries other than Malaysia and Singapore. These destination sales remained varied, with contributions from the Rest of Asia, Africa, the Middle East, and the Rest of the World at 18%, 9%, 12%, and 6% respectively.

For the Bulk segment, 30% of the total sales were to destination markets, with the Rest of Asia, the Middle East, and the Rest of the World contributing 16%, 11%, and 3% respectively. Destination sales for the Consumer Pack segment accounted for 79% of its total sales, showing well diversity with Africa, the Rest of Asia, the Middle East, Europe, and the Rest of the World contributing 28%, 22%, 15%, 6% and 8%, respectively.




* Based on billing addresses of the customers

## OPERATING MARGINS

The Group has developed a large integrated food and agri-business model over the last seven decades by investing in both the midstream and downstream segments of the value chain within the attractive vegetable oil industry. Our economies of scale provide us with inherent operational flexibility. Over these years, we have developed sound risk management practices, enhanced our logistics and global distribution capabilities, and established our own consumer pack brands such as MOI and OKI. All these efforts have helped us deliver robust operating margins during normal industry conditions and resilient margins during tough economic cycles.

The Group measures and tracks performance in terms of Operating Margin per MT of sales volume and the resultant total operating margin (**"OM"**). OM calculated as revenue, less cost of sales (excluding depreciation), selling and distribution expenses, allowance for/(reversal of) expected credit losses and foreign exchange gains/(losses).

For the full year, the Group achieved total operating margin of US$201.1 million, a decrease of 33.2% compared to the high base of last year. On a per MT basis the operating margin was US$46.4 for the full year compared to US$70.1 last year.

In FY 2023, the Group achieved 1.0% increase in total volumes, reaching 4,334,600 MT. However, the full year revenue declined by 24.0% primarily attributable to the prevailing lower selling prices. After the previous three successive years of solid annual financial results, the Group has reported this year a comparatively lower net profit attributable to equity holders of US$40.6 million for the full year, which is a 64.3% decrease from the historically highest profit reported in the previous year. However, considering the prevailing macroeconomic uncertainties the Group is satisfied with the performance this year. The Company is thankful for the dedication and commitment of its employees together with the support of its customers, suppliers and all other stakeholders.

The Bulk segment saw a healthy 1.0% increase in sales volume for FY 2023. Nevertheless, operating margins contracted by 53.0% y-o-y, primarily influenced by the high base effect from the previous year. Conversely, the Consumer Pack segment continued its strong operational performance. Its operating margin for FY 2023 improved by 17.3% compared to the previous year.

Bulk and Consumer Pack segments contributed 50.4% and 49.6% of total operating margin respectively.

| **Total** | FY 2022 | **FY 2023** | Change % |
|---|---|---|---|
| Sales volume (MT'000) | 4,293 | **4,335** | 1.0% |
| OM per MT (US$) | 70.1 | **46.4** | -33.8% |
| **Operating margin (US$'million)** | 300.9 | **201.1** | -33.2% |

| **Bulk** | FY 2022 | **FY 2023** | Change % |
|---|---|---|---|
| Sales volume (MT'000) | 3,124 | **3,156** | 1.0% |
| OM per MT (US$) | 69.1 | **32.1** | -53.5% |
| **Operating margin (US$'million)** | 215.9 | **101.4** | -53.0% |

| **Consumer Pack** | FY 2022 | **FY 2023** | Change % |
|---|---|---|---|
| Sales volume (MT'000) | 1,169 | **1,179** | 0.9% |
| OM per MT (US$) | 72.7 | **84.6** | 16.4% |
| **Operating margin (US$'million)** | 85.0 | **99.7** | 17.3% |

# Operations and Financial Review

## STRONG BALANCE SHEET

We actively manage our capital structure by maintaining a prudent debt-to-equity ratio. To fund our long-term investments and working capital, we maintain a healthy combination of (i) equity (ii) long-term debt and (iii) short-term debt.

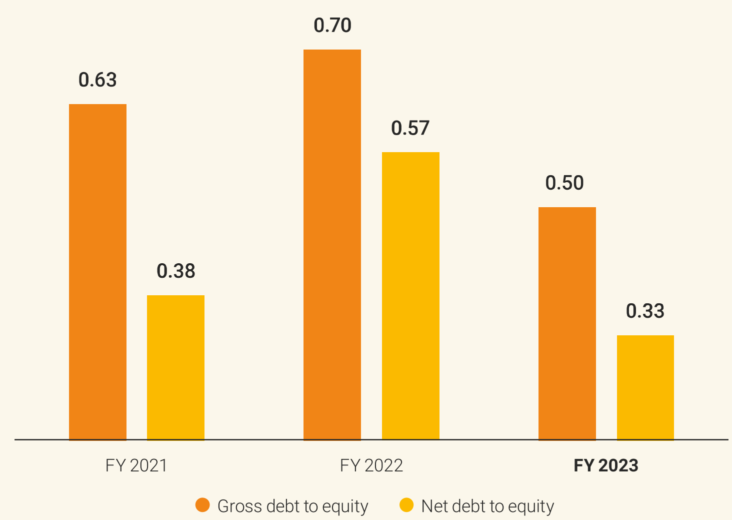
As of 31 Dec 2023, we had a gross debt-to-equity ratio of 0.50 and a net debt-to-equity ratio of 0.33. Our low net debt-to-equity ratio, well below our target limit of 1.5, gives us enough scope to raise more debt to support our growth plans or utilise additional trade finance due to business requirements.

The Group's total equity, amounting to US$786.5 million as of 31 Dec 2023, has further reinforced its balance sheet. Our long-term investments of US$490.7 million have been very conservatively funded, with 78.9% by equity and 21.1% by long-term debt, respectively. Working capital of US$555.5 million was funded by current net debt at only 28.1%, with the remaining 71.9% funded by equity. The Board of Directors regularly reviews the Group's capital structure and our long-term-to-short-term debt mix to ensure they are appropriate in alignment with our long-term objectives

We continue to maintain adequate working capital credit lines to support our business. As of year-end, the utilisation of our total such credit lines was at 40.6%.

The Group achieved the highest ever cash flows from operations of US$314.8 million, after working capital changes, significantly arising from lower prevailing commodity prices compared to previous year. The Group's cycle time was at 58 days compared to 57 days in 2022 due to higher inventories days.

### Debt to Equity and Net Debt to Equity




### Balance Sheet (US$'mil)