

## **NEWS RELEASE**

### **Boustead Posts Higher Revenue of RM10.3 Bil in FY2019**

*Bottom Line Impacted by Impairments & Amortisation*

#### **KEY HIGHLIGHTS**

- Revenue up by 1% to RM10.3 billion for FY2019.
- EBITDA for the year stood at RM441 million, a 30.7% increase from RM337.4 million in FY2018
- Excluding impairments, accelerated amortisation and gain on disposal of land, the Group's loss before taxation stood at RM128 million, marking a 46% improvement from a loss of RM236 million in FY2018.
- Profit impacted primarily due to impairments at Heavy Industries and Plantation Divisions, and amortisation at Pharmaceutical Division.

**KUALA LUMPUR, February 28, 2020** – Boustead Holdings Berhad (BHB) delivered a higher revenue of RM10.3 billion for the financial year ended 31 December 2019, reflecting a 1% increase from the previous year. **Earnings before interest, tax, depreciation and amortisation (EBITDA)** for the year stood at RM441 million, a 30.7% increase compared to RM337.4 million in 2018.

<b><u>For the year ended 31 December 2019</u></b> <b>(All figures are stated in RM million)</b>	<b><u>Current Period</u></b>		<b><u>Cumulative Period</u></b>	
	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>2019</b>	<b>2018</b>
Revenue	<b>2,548.4</b>	2,852.8	<b>10,333.9</b>	10,186.4
Operating cost	<b>(2,621.7)</b>	(3,042.5)	<b>(9,892.8)</b>	(9,849.0)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>(73.3)</b>	(189.7)	<b>441.1</b>	337.4
Depreciation and amortisation	<b>(92.9)</b>	(99.5)	<b>(379.1)</b>	(369.5)
Finance cost	<b>(146.8)</b>	(76.0)	<b>(400.3)</b>	(271.5)
Interest income	<b>14.7</b>	7.8	<b>48.8</b>	32.5
Other investment results	<b>0.1</b>	0.8	<b>0.4</b>	1.2
Share of results of associate & joint ventures	<b>99.5</b>	(34.3)	<b>161.4</b>	33.5
<b>Profit/ (Loss) from operations</b>	<b>(198.7)</b>	(390.9)	<b>(127.7)</b>	(236.4)
Profit on disposal of plantation land	-	-	<b>119.5</b>	-
Impairments, amortisation and provision	<b>(1,151.1)</b>	(262.1)	<b>(1,327.6)</b>	(262.1)
<b>Loss before taxation</b>	<b>(1,349.8)</b>	(653.0)	<b>(1,335.8)</b>	(498.5)
Taxation	<b>55.5</b>	2.9	<b>(50.5)</b>	(74.7)
<b>Loss for the period</b>	<b>(1,294.3)</b>	(650.1)	<b>(1,386.3)</b>	(573.2)

The Group's bottom line was impacted by impairments at the Heavy Industries and Plantation Divisions, amounting to RM844 million and RM176 million respectively. In addition, the Pharmaceutical Division was affected due to recognition of the remaining unamortised Pharmacy Information System (PhIS) costs amounting to RM247 million. This led the Group to post a loss before tax of RM1.34 billion for the year.

One-off impairments, accelerated amortisation and provision amounted to RM1.3 billion in FY19, a significant increase from RM262 million in the previous year. It was necessary to undertake this to enable the Group to move forward with better business prospects. Inclusive of impairments, accelerated amortisation and gain on disposal of land, the Group's loss before tax for FY2019 stood at RM1.34 billion, a 168% increase from RM498.5 million last year. **Excluding impairments, amortisation and gain on disposal of land, the Group recorded a lower loss from operations of RM128 million, a 46% improvement from a loss of RM236 million in 2018.**

It should also be noted that the Group carries its investment properties at fair value and was advised by professional valuers to adopt the investment method to value properties, rather than the market approach previously utilised. Accordingly, the Group restated its comparatives, resulting in a reduction in opening retained earnings of RM368 million. Results for the previous financial year 2018 were also restated with a higher loss after tax of RM573 million from RM488 million previously.

Detail of impairments, amortisation and valuation are tabulated below:

Type of impairment/valuation/amortisation	Division	Cumulative Period (RM mil)	
		FY19	FY18
Impairment of property, plant and equipment	Finance	7.0	-
Impairment of plantation assets	Plantation	176.0	-
Impairment of hotel properties	Property	47.1	-
Impairment of aircrafts and building	Heavy Industries	80.4	77.9
Impairment of goodwill	Heavy Industries	763.3	106.2
Accelerated amortisation of rights to supply	Pharmaceutical	247.3	-
Fair value loss	Property	5.6	79.1
Fair value loss/(gain)	Finance	0.9	(1.2)
Fair value loss	Trading	-	0.1
<b>Total impairment /valuation/amortisation</b>		<b>1,327.6</b>	<b>262.1</b>

Segmental results for the Divisions during the year are tabulated below:

Division	Consolidated Revenue RM mil		Consolidated Profit before tax / (Loss before tax) RM mil			
			Operations		Including impairment / amortisation	
	FY19	FY18	FY19	FY18	FY19	FY18
Trading & Industrial	5,144.4	5,343.8	154.4	113.6	154.4	113.5
Finance & Investment	206.4	204.5	165.9	79.3	158.0	80.5
Pharmaceutical	2,812.7	2,385.0	38.7	51.8	(208.6)	51.8
Plantation	577.2	584.0	(78.9)	(51.0)	(135.4)	(51.0)
Property	532.2	534.1	(46.9)	(21.4)	(99.6)	(100.5)
Heavy Industries	1,061.0	1,135.0	(360.9)	(408.7)	(1,204.6)	(592.8)
<b>Total</b>	<b>10,333.9</b>	<b>10,186.4</b>	<b>(127.7)</b>	<b>(236.4)</b>	<b>(1,335.8)</b>	<b>(498.5)</b>

- The Trading & Investment Division turned in an improved profit before tax (PBT) of RM154 million (FY2018: RM114 million), driven by stronger results from Boustead Petroleum Marketing.
- The Finance & Investment Division posted a higher PBT of RM158 million (FY2018: RM81 million) on the back of an improved performance by Affin Bank.
- The Plantation Division registered a deficit of RM135 million, mainly due to a one-off impairment on the Boustead Pertama and Boustead Tawai estates which were acquired in 2018 and 2019 respectively. Having undertaken a thorough assessment, it was determined that the rehabilitation of these estates would take more time than initially estimated. This delay in bringing these estates to the standards of our existing estates resulted in a reduction in the recoverable amounts of the assets, which led to an impairment.
- The Property Division incurred a deficit of RM100 million, which is a par with FY2018. Despite lower fair value loss compared with the last financial year, this was negated by impairment on Royale Chulan Cherating, following an assessment of prospects for this hotel. The impairment was not undertaken previously as the full potential of the hotel could not be assessed until it was operating at full capacity. The Division was also affected by lower sales and progress billing from property development activities.
- The Pharmaceutical Division recorded a loss of RM209 million, mainly due to accelerated amortisation of the PhIS. Having fulfilled the PhIS under the concession agreement with the Government and following the new contract terms, the remaining unamortised PhIS costs were fully recognised as a non-cash item.

- The Heavy Industries Division was impacted by a goodwill impairment charge of RM763 million. Adhering to prudent management practices, the Group determined that further impairment of this goodwill was required due to uncertainties surrounding securing future shipbuilding projects. In addition, MHS Aviation registered impairment on its aircraft amounting to RM80 million. Given prevailing uncertainties, persistent weakness and overcapacity in the oil and gas industry, the progressive impairment for the EC225 helicopters reflects the market value and aging of assets. Other factors include idle usage of the aircrafts which were discontinued due to safety standards.

Dato' Sri Amrin Awaluddin, Managing Director of Boustead Holdings Berhad, said, "It was indeed a challenging year for the Group, with our Divisions impacted by impairments, amortisation and fair value loss. Nonetheless, the fact that we continued to see positive growth in revenue augurs well for the Group's various business units and we will continue to build on this momentum."

"Moving forward, we remain focused on our transformation strategy for the Group. Conscious of tough market conditions, we are committed to improve the way we do business, with a view to strengthening our prospects over the long-term."

**Since its inception as a modest trading entity more than 180 years ago, the Boustead Group has grown by leaps and bounds to comprise more than 90 subsidiaries, associate companies and joint ventures, and has substantial interests in various sectors of the Malaysian economy. The Boustead Group's operations are focused in six key areas; plantation, heavy industries, property, finance & investment, trading & industrial and pharmaceutical. As at 31 December 2019, Boustead Holdings Berhad's paid-up capital was RM2.0 billion while its shareholders' funds stood at RM3.7 billion. Market capitalisation is currently in the region of RM1.6 billion.**

#### **Forward looking statements**

This release may contain certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group and certain plans and objectives of Boustead Holdings Berhad with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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