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# Topline Performance Resilient, but Supply Chain Challenges Persistent, Casting Shadow on KPS' 2Q21 Core Earnings

- **2Q21 Margins trimmed as input costs escalated due to raw materials and freight shortages.**
- **Prospect guidance for the remainder of 2021 revised to reflect challenges in the operating environment.**

Shah Alam, Malaysia, 27 August 2021 – **Kumpulan Perangsang Selangor Berhad** ("KPS" or "the Company" or "the Group", Bursa: 5843; Bloomberg: KUPS MK; Reuters: KPSB.KL) today reported a 46% year-on-year ("YoY") growth in revenue to RM323.8 million for the quarter ended 30 June 2021 on higher sales from the manufacturing business with demand working its way through the quarter as global economies and businesses recovered from performance decline during the prior-year quarter. Operating Profit leapt to RM15.9 million from a loss position. Profit Attributable to the Owners of the Parent turned around to RM1.6 million from RM11.4 million loss in the corresponding quarter last year but sequentially lower than what was registered in the first quarter this year.

## HIGHLIGHTS FOR THE QUARTER ENDED 30 JUNE 2021

### Financial and Business Performance

The manufacturing business recorded 55.5% revenue growth YoY, contributing RM276.6 million to the Group's revenue compared to RM177.9 million in the corresponding quarter last year. At RM276.6 million, the manufacturing businesses that comprise Toyoplas, Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI"), King Koil Manufacturing West LLC ("KKMW") and King Koil Sales Inc. ("KKSI"), contributed 85.4% to the Group's revenue.

Although revenue from the Manufacturing business was higher year on year, sales were affected by the persistent global integrated circuit ("IC") chip shortage, putting pressure on customer orders. Furthermore, the resurgence in the number of positive COVID-19 cases since May 2021 has put Malaysia under a nationwide lockdown, forcing factories and businesses to operate with limited production capacity. As a result, despite the resilient sales, they were lower than the Group's expectations.

On higher sales from the injection and tooling division, Toyoplas led the revenue contribution with RM131.0 million, 49.2% higher than the prior-year quarter of RM87.8 million. This was followed by CBB, contributing RM59.7 million, 35.4% higher than the prior-year quarter of RM44.1 million. Contribution by CBB was attributable to higher traction from the paper, carton, offset, and plastic divisions. Next, supported more heavily by the healthcare and communication & IT divisions, CPI contributed RM48.8 million, 44.0% higher than the prior-year quarter of RM33.9 million.

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For mattress manufacturing, KKMW contributed RM32.6 million, more than the prior-year quarter of RM12.1 million. The growth was supported by a steady retail sentiment and consumer demand in the US. The mattress manufacturing revenue was also supported by OEM contribution from KKSI, amounting to RM4.5 million. Collectively, KKMW and KKSI contributed RM37.1 million to the Group revenue.

A further RM29.7 million or 9.2% of the Group revenue was derived from the trading business, represented by Aqua-Flo Sdn Bhd ("Aqua-Flo"), whose contribution moderated by 2.0% from RM30.3 million in the prior-year quarter due to lower sales of water chemicals. The lower sales were attributable to the relatively dryer season, and sluggish water demand from industrial and commercial businesses deemed non-essential during the Enhanced Movement Control Order.

The licensing business, King Koil Licensing Company Inc ("KKLC"), contributed RM8.6 million. KKLC's contribution improved by 10.3% from RM7.8 million during the quarter under review due to higher traction from international royalties. It contributed 2.7% to the Group revenue this quarter.

The infrastructure business, which is represented by KPS-HCM Sdn Bhd ("KPS-HCM") and Smartpipe Technology Sdn Bhd ("Smartpipe"), contributed RM6.6 million, higher compared to RM3.2 million contributed in the prior-year quarter. At RM4.5 million and RM2.1 million, respectively, the contribution from KPS-HCM was driven by the road surfacing and a variation order from the Pulau Indah project, while that from Smartpipe was mainly derived from the progress billings from the Package-12 pipe replacement project. The infrastructure business contributed only 2.0% to the Group revenue this quarter.

The remaining revenue contribution of RM2.3 million or 0.7% to the Group revenue was from investment holding and property investment, mainly from rental income from Plaza Perangsang.

Other Income almost doubled to RM10.0 million for the quarter under review from RM6.1 million in the corresponding quarter last year. The increase was mainly due to an increase in gain on foreign exchange at Toyoplas and CBB, government assistance at KKLC and higher profit rate income. Other Expenses increased by RM4.2 million to RM51.5 million, compared with RM47.3 million in the corresponding quarter last year. The increase was primarily due to higher distribution costs and administrative expenses. Taken these into account, the Group Operating Profit leapt to RM15.9 million from a loss position of RM1.6 million in the prior-year quarter.

Finance Costs arising from loans at the Company and the subsidiaries were lower by RM1.8 million to RM6.0 million from RM7.8 million in the corresponding quarter last year, which was in line with progressive repayment of loans. Share of Profit from Associates moderated to a loss of RM0.2 million compared with RM0.8 million previously, on a lesser contribution by NGC Energy Sdn Bhd given lower revenue from the domestic sales of Liquefied Petroleum Gas. This quarter also saw a weaker contribution from Sistem Penyuraian Trafik KL Barat ("SPRINT") Holdings Sdn Bhd given lower traffic volume at SPRINT, exacerbated by the movement control order.

With improvement in sales, higher other income, and lower finance costs, KPS posted Profit before Tax and Zakat of RM9.7 million, turning around from the RM8.6 million loss it registered in the prior-year quarter. Adjusted for tax, zakat, and non-controlling interests, KPS recorded Profit Attributable to the Owners of the Parent of RM1.6 million, compared to a loss of RM11.4 million it posted in the corresponding quarter last year.

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**KPS' Managing Director/Group Chief Executive Officer, Ahmad Fariz Hassan,** said:

"The positive secular trend in demand we see across the key end markets regionally and globally fanned the tailwind that helped us stabilise sales across most manufacturing business within the Group. However, for our manufacturing, supply chain challenges persisted. The shortage of IC chips has thwarted the flow of orders from our automotive and consumer electronics customers; the shortage of global freight capacity has fluctuated order volumes of our subsidiary companies having regional and global presence; and the shortage of raw materials such as polyurethane foam and resin has pushed input prices. All of which have resulted in higher COGS and, consequently, lower margins.

These challenges have shifted our earlier expectations on the pace of the revenue growth and robustness of the profitability for the quarter."

## HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2021

For the six months ended 30 June 2021, the Group posted a 38.7% increase in revenue to RM632.1 million, compared to RM455.9 million recorded in the prior-year period. The manufacturing businesses grew by 49.5%, contributing RM543.6 million or 86.0% to the Group revenue. The trading and licensing businesses contracted by 10.6% and 6.7%, contributing RM56.3 million or 8.9% and RM18.0 million or 2.8%, respectively. The infrastructure businesses contributed RM9.8 million or 1.6%. Contribution by property investment came in slightly higher at RM4.4 million or 0.7%.

KPS more than doubled its Operating Profit to RM40.2 million, compared to RM16.3 million in the prior-year period. Although the consolidated Finance Costs were lower by 27.6% at RM12.3 million from RM17.0 million, it helped cushion the lower Share of Profit from Associates, which came in at only RM0.8 million compared with RM3.6 million in the prior-year period. For these reasons, Profit Before Tax and Zakat leapt to RM28.7 million from RM2.8 million it recorded in the same period last year. Adjusting for tax, zakat and minority interests, the Group posted a turnaround of RM12.6 million Profit Attributable to the Owners of the Parent, compared with RM8.3 million loss in the corresponding period last year.

## GROUP PROSPECT

KPS expects to progress moderately in the second half, mindful of the supply chain challenges including the shortage in IC chips, escalated resin and paper prices, and limited freight capacity, all of which are expected to persist for the remainder of the year. To help it manage this complexity, the Group plans to recover from the impact of input cost escalating. One of such actions is to take a more sustainable price-to-cost position by expanding the cost-pass-through mechanism to a more extensive customer base while supporting demand.

"Guided by long-term business strategy and aspects of enterprise risk management, we shall continue with the tasks of executing our business strategy and working towards ensuring resilience to safeguard business viability and profitability within the Group. However, we are equally circumspect about the prospect of the business in the immediate term, heeding from the cautionary signals in the operating environment," Ahmad Fariz expressed his conservative take on the Group's immediate growth prospects.

- End –

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## About Kumpulan Perangsang Selangor Berhad (www.kps.com.my)

Incorporated on 11 August 1975, Kumpulan Perangsang Selangor Berhad ("KPS" or "the Company" or "the Group") is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad under the Industrial Products & Services Sector. KPS has core investments in the Manufacturing sector, and businesses in the Trading, Licensing, and Infrastructure sectors. While strengthening our Company to optimise returns, KPS is committed to providing significant contributions towards sustainable economic, environmental, and social development for the benefit of all stakeholders.

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