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KPS Shows Resilient Revenue and Earnings Growth in 3Q21 Amidst Challenges

- **Outpaced challenges, delivering strong YoY and sequential results**
- **An interim dividend of 2 sen per share announced**

Shah Alam, Malaysia, 25 November 2021 – **Kumpulan Perangsang Selangor Berhad** ("KPS" or "the Company" or "the Group", Bursa: 5843; Bloomberg: KUPS MK; Reuters: KPSB.KL) today reported a 19% year-on-year ("YoY") growth in revenue to RM360.1 million for the quarter ended 30 September 2021 on steady sales across its manufacturing business and positive momentum in the manufacturing activities locally and globally. Operating Profit leapt 76% to RM40.4 million. Profit Attributable to the Owners of the Parent grew by 59%, settling at RM25.7 million. KPS delivered a stronger year-on-year ("YoY) and sequential quarter amidst a challenging operating landscape throughout the third quarter.

HIGHLIGHTS FOR THE QUARTER ENDED 30 SEPTEMBER 2021

Financial and Business Performance

The manufacturing business recorded 23.0% revenue growth YoY, contributing RM319.0 million to the Group's revenue compared to RM259.0 million in the corresponding quarter last year. At RM319.0 million, the manufacturing businesses that comprise Toyoplas Manufacturing (Malaysia) Sdn Bhd ("Toyoplas"), Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI"), King Koil Manufacturing West LLC ("KKMW"), contributed 89% to the Group's revenue.

Although revenue from the manufacturing business was higher YoY, sales were still affected by the global integrated circuit ("IC") chip shortage, putting some pressure on customer orders. Furthermore, the resurgence in the number of positive COVID-19 cases during the quarter has restricted worker mobility to some extent in its plants in Malaysia and Vietnam, affecting production capacity at CBB's plant in Senai, Johor and Toyoplas' in Bac Ninh, Vietnam. As a result, despite the resilient sales, they were lower than the Group's expectations.

On higher sales from the industrial tooling division, Toyoplas led the revenue contribution with RM154.2 million, 22% higher than the prior-year quarter of RM126.1 million. This was followed by KKMW, contributing RM54.0 million, 88% higher than the prior-year quarter of RM28.8 million. The increase was attributable to stronger sales traction from the new and existing customers, supported by a steady retail sentiment and consumer demand in the US. Operating at only 60% production capacity following mobility restriction on its workers, CBB contributed revenue at RM51.2 million, 15% lower than RM60.3 million in the prior-year quarter. CBB's paper, carton and offset divisions were the primary revenue drivers. Supported more heavily by the healthcare and communication & IT divisions, CPI contributed RM50.4 million, 17% higher than the prior-year quarter of RM43.2 million.

A further RM30.5 million or 8% of the Group revenue was derived from the trading business, represented by Aqua-Flo Sdn Bhd ("Aqua-Flo"). Aqua-Flo's contribution, which is driven by the sale of water chemicals, was relatively flat this quarter compared to RM29.9 million in the prior-year quarter because of a lower water demand from the industrial and commercial sectors when the MCO was in effect. The licensing business, King Koil Licensing Company Inc ("KKLC"), contributed RM8.6 million. KKLC's contribution improved by 15% from RM7.5 million during the quarter under review due to higher licencing revenue from international licensees. It contributed 2% to the Group revenue this quarter.

The remaining revenue contribution of RM2.2 million or 1% to the Group revenue was from investment holding and property investment, mainly from rental income from Plaza Perangsang.

Other Income almost doubled to RM15.5 million for the quarter under review from RM4.7 million in the corresponding quarter last year. The increase was mainly from property disposal to streamline business operation at Toyoplas, amounting to RM10.4 million. Other Expenses increased by RM5.4 million to RM50.2 million, compared with RM44.8 million in the corresponding quarter last year. The increase was attributable primarily to higher selling and distribution costs, given the lower freight capacity following the persistent shortages in global vessel supply.

Supported by a stronger gross profit and higher other income, the Group Operating Profit almost doubled to RM40.4 million from RM23.0 million in the prior-year quarter.

Finance Costs arising from loans at the Company and the subsidiaries were lower by RM0.8 million to RM6.0 million from RM6.8 million in the corresponding quarter last year, which was in line with progressive repayment of loans. Share of Profit from Associates slid to RM1.9 million compared with RM7.3 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 due to low traffic volume.

With improvement in sales, higher other income, and lower finance costs, KPS posted Profit before Tax and Zakat of RM36.3 million, compared with RM23.5 million it registered in the prior-year quarter. Adjusted for higher tax arising from Real Property Gain Tax (RPGT) on disposal of properties at Toyoplas, zakat, and non-controlling interests, KPS recorded 59% growth in Profit Attributable to the Owners of the Parent of RM25.7 million, compared with RM16.2 million it posted in the corresponding quarter last year.

Interim Dividend Announcement

KPS also announced that its Board had resolved today to pay an interim dividend amounting to RM10.7 million or 2 sen per ordinary share for the financial year ending 31 December 2021. The interim dividend will be payable on 30 December 2021, entitled to shareholders registered in the Records of Depositors at the close of business on 9 December 2021.

The announcement of the interim dividend reflects KPS' business strength and sustainability. It also reflects the Board's confidence in the Group and its commitment to reward shareholders for their ownership and support. The basic premise is that it expects KPS to continue to create value, improve earnings visibility and generate sustainable cash flows, moving in parallel to the long-term business strategy of enhancing the Group fundamentals and accelerating the delivery of all its subsidiary companies.

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

"This past quarter put us to test as overall supply chain and labour conditions remained challenging: the shortage of IC chips has hindered 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; the shortage of raw materials such paper and resin has pushed input prices, and; COVID-19-related mobility restriction has affected the production capacity at our manufacturing plants in Senai.

But our team continued to navigate, and at some instances, outpace, the challenges. For one, we address mobility restrictions in Bac Ninh by sheltering our workers in the factory. For the other, we also rebalanced the business, capitalised on emerging opportunities and ensured competitive repositioning of our products. I want to highlight here that the double-digit revenue and earnings growth come against a very strong compare in the last-year period when we started to build back from the pandemic. I am proud to see that our business strategies and execution are rising to address these challenges as we deliver another strong show of year-on-year and sequential quarterly revenue and earnings performance.

We announced the interim dividend today. Returning capital in the form of 2 sen per ordinary share demonstrates our financial commitment to our shareholders for their support, despite ongoing challenges in our business operating landscape. Our excess capital remains at a level that affords us the financial flexibility to grow our business and ensure a healthy balance sheet."

HIGHLIGHTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

For the nine months ended 30 September 2021, the Group posted a 31% increase in revenue to RM992.2 million, compared with RM758.2 million recorded in the prior-year period. The manufacturing businesses grew by 39%, contributing RM862.6 million or 87% to the Group revenue. The trading and licensing businesses contracted by 7% and 1%, contributing RM86.8 million or 9% and RM26.7 million or 3%, respectively. The infrastructure businesses contributed RM9.6 million or 1%.

KPS more than doubled its Operating Profit to RM80.5 million, compared with RM39.3 million in the prior-year period. The consolidated Finance Costs were lower by 23% at RM18.3 million from RM23.8 million, helping cushion the lower Share of Profit from Associates, which came in at only RM2.7 million compared with RM10.9 million in the prior-year period. As a result, Profit Before Tax and Zakat grew to RM64.9 million from RM26.4 million it recorded in the same period last year. Adjusting for tax, zakat and minority interests, the Group posted a leap in the Profit Attributable to the Owners of the Parent, registering RM38.3 million compared with just RM7.9 million in the corresponding period last year.

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GROUP PROSPECT

Amidst the operating environment still pointing at supply chain – and possibly, labour – challenges, KPS expects to progress moderately in the next quarter. It shall remain nimble in executing the business strategy and safeguarding the viability of the Group business. To help it manage this volatility, the Group will continue 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.

"But the story on the continued challenges from freight and supply chain, labour to input costs, has increased in strength from the prior quarter. Material costs have been increasing since the second half of the year, which has been the biggest headwind to maintaining our historical margins. Though we may begin to see some easing in the supply chain next year, we shall keep a finger on the pulse of inflationary challenges that might persist longer, heeding from the lingering cautionary signals in the operating environment", Ahmad Fariz expressed his conservative take on the Group's prospect.

- End –

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. While enhancing shareholder value by optimising returns, KPS is committed to contributing towards sustainable economic, environmental, and social development.

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