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KPS Posts Steady 3Q22 Revenue Growth, Declares 6.5 sen Dividend

- Revenue grew 6%, with the trading and licensing business showing the strongest momentum
- Bottomline challenged by lower contributions from Toyoplas and associates

Shah Alam, Malaysia, 25 November 2022 - Kumpulan Perangsang Selangor Berhad ("KPS Berhad" or "the Company" or "the Group", Bursa: 5843; Bloomberg: KUPS MK; Reuters: KPSB.KL) today reported a 6% year-on-year ("YoY") revenue growth to RM382.8 million for the quarter ended 30 September 2022 on the back of improved sales from its trading and licensing businesses and steady manufacturing business. However, the operating profit was 16% lower at RM34.0 million, compared with RM40.4 million in the corresponding quarter last year, due to the absence of a one-off gain on the disposal of properties amounting to RM10.3 million. Consequently, profit after tax and zakat ("PAT") dropped by 40% to RM16.9 million, compared with RM28.1 million in the corresponding quarter last year.

HIGHLIGHTS FOR THE QUARTER ENDED 30 SEPTEMBER 2022

The **manufacturing business** recorded a slightly higher revenue YoY of RM323.1 million, compared with RM319.0 million in the corresponding quarter last year. This was due to demand normalisation on some products and shortages of electronic chips ("IC"). The manufacturing business, comprising Toyoplas Manufacturing (Malaysia) Sdn Bhd ("Toyoplas"), Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI"), King Koil Manufacturing West LLC ("KKMW") and King Koil Sales Inc ("KCSI") contributed 84% of the Group revenue.

Toyoplas led the revenue contribution with RM169.9 million, 10% higher than the prior-year quarter of RM154.2 million, supported by new projects from existing customers. CBB, the second largest revenue contributor, recorded a 25% increase in revenue from RM51.2 million in the prior-year quarter to RM64.1 million this quarter due to strong traction from its paper division. CPI contribution of RM57.0 million was up 13% from the previous-year quarter due to stronger demand mainly from the communications and information technology customers. The remaining RM32.0 million was from KKMW and KCSI combined, which recorded an RM31.2 million YoY reduction mainly due to weaker sales brought on by persistent inflationary pressure and demand in the United States.

The **trading** business grew by 42% YoY, with a total revenue of RM43.3 million this quarter compared with RM30.5 million in the corresponding quarter last year. The revenue increase was supported by Aqua-Flo Sdn Bhd's new water chemical and water meter contracts from Pengurusan Air Selangor Sdn Bhd. The **licensing** business also recorded an increase in revenue YoY at RM9.8 million, compared with RM8.6 million in the corresponding quarter last year, led by the higher revenue from international licensees.

The Group's remaining revenue of RM6.5 million was from the infrastructure business and property investment.



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The Group operating profit falling to RM34.0 million from RM40.4 million was predominantly caused by the one-off gain on the disposal of properties by Toyoplas, amounting to RM10.3 million in the corresponding quarter last year. The share of loss from associates, primarily contributed by Sistem Penyuraian Trafik KL Barat Sdn Bhd ("SPRINT"), was RM1.8 million this quarter, compared to an RM1.8 million share of profit in the corresponding quarter last year. As a result, the PAT decreased from RM28.1 million to RM16.9 million this quarter.

HIGHLIGHTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

The Group revenue increased by RM45.2 million or 5%, to RM1,037.5 million for the nine months ended 30 September 2022 ("9M'22"), as compared with RM992.2 million in the same period last year ("9M'21"). The manufacturing business revenue contribution of RM866.8 million was comparable with last year's RM862.6 million. Still, the pace was hindered by the normalisation of demand, volatility in IC supply, and COVID-19-related restrictions and shutdowns in China. The trading and licensing businesses grew by 36% and 54%, contributing RM118.3 million and RM40.9 million, respectively. Growth in the trading business was led by higher demand for water chemicals and a successful venture into the water meter space. Finally, the performance of the licensing business was mainly attributed to an upfront payment of approximately RM10.5 million from an existing licensee.

KPS Berhad increased its operating profit by RM5.4 million or 7% to RM85.9 million, up from RM80.5 million in the same period last year, due to the reversal of impairment on non-core assets of RM4.8 million. However, the contribution from associates reversed to a share of loss of RM7.4 million from a share of profit of RM2.7 million in the same period last year. The share of loss was mainly due to the higher amortisation of assets at SPRINT, amounting to RM5.3 million.

In 9M'22, the Group registered a PAT of RM38.1 million, RM5.1 million lower than the RM43.1 million recorded in 9M'21, due to a lower share of profit from associates and the absence of one-off gains from properties disposal.

DIVIDENDS

On 13 October 2022, the disposal of the SPRINT highway was completed, and KPS Berhad received a sum of RM172.6 million for its 20% share in this exercise. The Board has considered a few options as to how the proceeds from the disposal would be utilised, one of which is distributing special dividend. The other possible options are funding future business expansion, achieving a lean balance sheet, and undertaking other corporate initiatives that would ensure the sustainability of the Group's financial performance. To this effect, the Board today declares a special dividend of 4.5 sen per ordinary share, alongside an interim dividend of 2.0 sen per ordinary share for the financial year ending 31 December 2022.

The entitlement and payment dates of the dividends will be on 12 December 2022 and 30 December 2022, respectively.

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

"Today, we announced a total dividend of 6.5 sen per ordinary share, which yields a 9% return based on today's share price of RM0.74. The aggregate payment to be made in connection with the special dividend is RM24.2 million, while the interim dividend is RM10.7 million. Our shareholders will receive RM34.9 million as an appreciation for their continuous support of KPS Berhad's strategic initiatives. The capital return demonstrates KPS Berhad's dedication to generating long-term shareholder value. I want to emphasise that the conclusion of SPRINT disposal would enable KPS Berhad to sharpen the focus on our core businesses in the manufacturing sector, ultimately generating a greater sustainable return."

Operation-wise, I am pleased to share that our business initiatives in growing the topline have been successful, with KPS Berhad securing close to RM400 million worth of new projects from existing and new customers during the period under review. This achievement played a significant part in contributing to the 5% revenue growth from 9M'21 to 9M'22. Along with the cost optimisation efforts, we managed to defend our margins despite operational headwinds. Without these initiatives and efforts, our topline and margins could have been further impacted due to demand normalisation, input cost inflation caused by persistent IC shortages, raw material price increases, and the minimum wage increase across our operations in Malaysia. This is yet another testament to how our long-term business strategy, LEAP25, enhances the Group's fundamentals and accelerates the delivery of our subsidiaries in terms of value creation."

"As we reckon with the current macro-economic challenges affecting the overall business sentiment, such as recession fear alongside energy crises and rising interest rates regime, we will continue to ensure that our companies run efficiently. For the immediate term, this effort includes managing the escalated operating costs and streamlining our resources and operations. Over the medium term, our strategy would include looking for opportunities for earnings-accretive acquisition to complement our existing manufacturing business," Ahmad Fariz commented on the Group prospects.

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

Incorporated on 11 August 1975, Kumpulan Perangsang Selangor Berhad ("KPS Berhad" or "the Company" or "the Group") is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad under the Industrial Products & Services Sector. KPS Berhad has core investments in the Manufacturing sector. While enhancing shareholder value by optimising returns, KPS Berhad is committed to embedding ESG considerations in its business strategy while contributing toward sustainable economic, environmental, and social development.

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