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KPS Berhad's Q1 Financials Show Slower Momentum Across Main Subsidiaries

- ***Softer demand from end-consumers across sectors***
- ***High interest rate regime and utility prices, as well as inflationary pressure, to add headwinds to the operating environment***

Shah Alam, Malaysia, 25 May 2023 – **Kumpulan Perangsang Selangor Berhad** ("KPS Berhad" or "the Company" or "the Group") (KPS, Bursa: 5843; Bloomberg: KUPS:MK; Reuters: KPSB.KL) today reported RM275.0 million in revenue for the quarter ended 31 March 2023, 16% or RM54.2 million lower compared with RM329.2 million in the corresponding quarter last year ("Q1 FY2022"). The decline was mainly due to lower manufacturing and licensing businesses' contributions by RM43.5 million and RM11.8 million, respectively. The operating profit was lower at RM12.0 million, down by 64%, or RM21.4 million, from RM33.3 million in the corresponding period last year. As a result, the Group profit after tax ("PAT") for the quarter slid to RM2.9 million from RM16.4 million in Q1 FY2022.

HIGHLIGHTS FOR THE QUARTER ENDED 31 MARCH 2023

Global economic activities and consumer sentiment remained subdued at the beginning of 2023, as multiple macroeconomic shocks such as recession, fear of inflation, and consumer spending weigh in on the global economy, putting pressure on demand for products in the manufacturing sector across various industries as inventories build up. This has led to lower sales volume and revenue generation for most KPS' manufacturing companies, having a direct impact on the Group's top line.

As a result, the **manufacturing** business, comprising Toyoplas Manufacturing (Malaysia) Sdn Bhd ("Toyoplas"), Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI"), MDS Advance Sdn Bhd ("MDS Advance") and King Koil Manufacturing West LLC ("KKMW"), although contributed 83% to the Group revenue with RM227.5 million for the quarter, recorded lower revenue by 16%, or RM43.5 million, compared with RM271.0 million in the corresponding quarter last year. However, the decrease in revenue was to a certain extent, offset by a new contribution from the newly acquired subsidiary, MDS Advance.

Toyoplas contributed lower revenue this quarter by 24%, or RM25.9 million, yet remains the highest contributor to the Group with RM81.5 million, compared with RM107.4 million contributed in Q1 FY2022. The decline in revenue was mainly due to weakening consumer demand in Malaysia. CBB came in second, with RM58.5 million for the quarter, marginally lower by 2%, or RM0.9 million, compared with RM59.4 million contributed to the corresponding quarter last year. CPI contributed RM47.8 million for the quarter, 11% or RM6.1 million lower than the preceding year's corresponding quarter with RM53.9 million, mainly due to lower sales in all business segments except automotive, which improved by 7% or RM0.9 million. MDS Advance added to the Group revenue this quarter with RM5.8 million, mainly derived from its metal machining business, which involves metal cutting and milling. Meanwhile, KKMW and its OEM contribution from King Koil Sales Inc. ("KKSI") recorded RM16.3 million, or 32% lower in sales, contributing RM33.9 million to the Group revenue for the quarter.

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A further RM36.0 million of the Group revenue was derived from the **trading** business, represented by Aqua-Flo Sdn Bhd ("Aqua-Flo"), whose revenue increased by 4%, or RM1.3 million, higher than the corresponding quarter's revenue of RM34.7 million. The performance was due to the higher sales of water chemicals, equipment, and projects by Aqua-Flo. The **licensing** business, King Koil Licensing Company Inc. ("KKLC"), recorded lower revenue with RM9.5 million during the current quarter compared to RM21.3 million in Q1 FY2022 following an upfront payment made by an existing customer for the renewal of a long-term licensing agreement back in Q1 FY2022. The remaining revenue contribution of RM2.1 million was from other business sectors.

Cascading its effect on the supply chain and subsequently on the financial performance, the slower demand seen in the manufacturing business was coupled with the increase in operating costs; for one part given the lasting impact of the introduction of minimum wages and higher electricity tariffs in Malaysia and the other given the increase in input cost for CBB having procured paper at higher prices. These factors, as a result, have, and are expected to continue to, place pressure on profitability. Consequently, the Group PAT decreased to RM2.9 million, or 82% lower compared with RM16.4 million registered in the corresponding quarter last year.

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

"To mitigate the effects of slower demand on revenue generation, we shall consider various business development strategies and tactical initiatives. They include diversifying product offerings, exploring new markets and customer segments, and improving operational efficiency, as well as investing in marketing and sales efforts to stimulate demand. While monitoring closely global economic trends and consumer sentiment, we are committed to ensuring regular review of cost management strategy to effectively manage our operating costs while positioning ourselves for future growth.

To this effect, we shall enhance operational efficiency by re-evaluating the supply chain and optimising the distribution network and inventory, as well as emphasizing R&D when co-developing new products and exploring substitute materials to reduce waste and stay competitive. In alleviating the impact of rising electricity tariffs, we are identifying cost-saving opportunities by reducing energy consumption. We are also planning for additional installations of solar panels, monitoring utility consumption, and identifying energy-saving opportunities, all of which are aimed at significant cost reduction."

GROUP PROSPECTS

The Group shall ensure operational resilience by implementing enhanced execution of revenue growth strategies, including prioritising business development efforts such as expanding alongside existing customers and concentrating on higher-margin opportunities. Additionally, it will remain focused on cost-efficiency measures and streamlining initiatives to maintain lean operations while building its capacity to support existing and new businesses in creating value sustainably and safeguarding revenue and profitability by navigating challenges posed by a high interest rate regime and inflationary pressure.

- End –

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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 Group") is a global 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 contributing toward sustainable economic, environmental, and social development.

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