
FY2018 RESULTS CORPORATE PRESENTATION

5 March 2019



LY CORPORATION LIMITED

Company Registration Number: 201629154K
Incorporated in the Republic of Singapore on 24 October 2016

IMPORTANT NOTICE

LY Corporation Limited (the “Company”) was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 31 January 2018. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the “Sponsor”).

This presentation has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this presentation.

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AGENDA

01 ABOUT US

02 FINANCIAL HIGHLIGHTS

03 BUSINESS UPDATES

04 GROWTH STRATEGY

ABOUT US



- One of Malaysia's leading manufacturers and exporters of wooden bedroom furniture.
- Established track record of approximately 40 years as an original design manufacturer ("ODM") and original equipment manufacturer ("OEM").
- Recent addition of original brand manufacturing ("OBM") following acquisition of assets from Cubo Sdn Bhd, which manufactures and markets furniture under EZBO and CUBO brands
- Operates from 15 factories and warehouses, occupying a combined built up area of approximately 1.4 million sq ft.

OUR PRODUCTS



GLOBAL REACH

EXPORT SALES

- Our Group's products are sold mainly to overseas dealer such as **furniture wholesalers** and **retailers** who generally resell our products to end-users through their respective retail networks

DOMESTIC SALES

- Primarily third party agents who typically export and resell our Group's products outside Malaysia, such as to the USA



FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

(RM'000)	FY2018	FY2017	% Change
Revenue	263,136	345,993	(23.9)
Gross Profit	43,893	76,350	(42.5)
Profit Before Tax	24,083	62,378	(61.4)
Profit After Tax	14,921	49,163	(69.6)
<i>Adjusted Profit After Tax ⁽¹⁾</i>	<i>21,715</i>	<i>49,163</i>	<i>(55.8)</i>
Gross Profit Margin	16.7%	22.1%	
Net Profit Margin	5.7%	14.2%	
<i>Adjusted Net Profit Margin ⁽¹⁾</i>	<i>8.3%</i>	<i>14.2%</i>	

Note:

(1) After adjusting for the one-off non-recurring Initial Public Offering expenses of approximately RM6.8 million in FY2018

REVENUE

Revenue decline mainly due to reduced demand and a decrease in average selling price:

	FY2018	FY2017	% Change
Number of 40-ft containers sold (“Container”)	5,232	6,525	(19.8)
Average Selling Price per Container	RM50,000	RM53,000	(5.7)

- Decrease in number of Containers sold from 6,525 to 5,232 on lower demand from customers mainly from the United States of America (“USA”).
- Exports to the USA, our largest market, continued to be affected by the uncertainty arising from the USA-China trade war.
- The drop in the Average Selling Price per Container was due to strengthening of the RM against the US\$.
- The average movement of RM against US\$ has strengthened by approximately 6.2% in FY2018 as compared to FY2017.

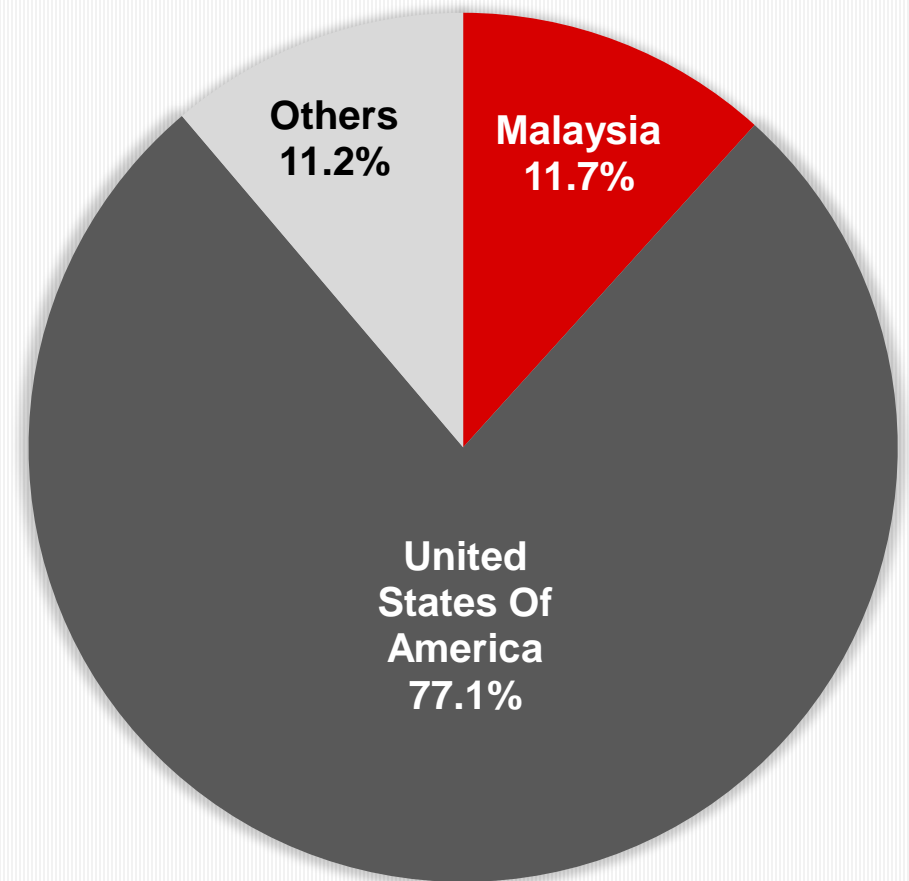


REVENUE BY GEOGRAPHY

Country	FY2018	FY2017
USA	77.1%	80.2%
Malaysia	11.7%	11.3%
Others	11.2%	8.5%
Total	100.0%	100.0%

USA continues to be our largest market at 77.1%

Revenue by Geography - FY2018



GROSS PROFITS

(RM'000)	FY2018	FY2017	% Change
Gross Profit	43,893	76,350	(42.5)
Gross Profit Margin	16.7%	22.1%	

Gross profit decreased by 42.5% to RM43.9 million; gross profit margin decreased from 22.1% to 16.7% mainly due to:

- Decline in Average Selling Price arising from the strengthening of the RM against the US\$; and
- Decrease in the sales to our customers, which resulted in lower economies of scale.

MALAYSIAN INDUSTRY PEERS

	LY Corporation Limited			Lii Hen Industries Bhd ⁽²⁾			Latitude Tree Holdings Berhad ⁽²⁾			Poh Huat Resources Holdings Berhad ⁽²⁾		
(RM'000)	FY2018	FY2017	%	FY2018	FY2017	%	FY2018	FY2017	%	FY2018	FY2017	%
Revenue	263,136	345,993	(23.9)	801,219	717,535	11.7%	752,829	786,016	(4.2)	621,926	614,269	1.2
GP	43,893	76,350	(42.5)	137,808	157,990	(12.8)	84,755	131,970	(35.8)	102,108	121,941	(16.3)
PBT	24,083	62,378	(61.4)	73,734	92,808	(20.6)	20,777	88,347	(76.5)	57,529	67,214	(14.4)
PAT	14,921	49,163	(69.6)	58,666	70,730	(17.1)	12,077	69,065	(82.5)	47,266	55,777	(15.3)
Adj PAT	21,715 ⁽¹⁾	49,163	(55.8)	-	-	-	-	-	-	-	-	-
GP Margin	16.7%	22.1%	(5.4%)	17.2%	22.0%	(4.8%)	11.2%	16.8%	(5.6%)	16.4%	19.9%	(3.5%)
PAT Margin	5.7%	14.2%	(8.5%)	7.3%	9.9%	(2.6%)	1.6%	8.8%	(7.2%)	7.6%	9.1%	(1.5%)
Adj PAT Margin	8.3%	14.2%	(5.9%)									

Note: (1) After adjusting for the one-off non-recurring Initial Public Offering expenses of approximately RM6.8 million in FY2018

(2) The figures for Lii Hen Industries, Latitude Tree Holdings and Poh Huat Resources Holdings are based on the companies respective latest financial year end.

All the Malaysian industry peers also registered a drop in gross profit, PBT and PAT mainly due to strengthening of the RM against the US\$, and a rise in production costs

BALANCE SHEET POSITION

(RM'000)	As at 31 Dec 2018	As at 31 Dec 2017
Non-current assets	133,178	127,846
Current assets	134,757	108,587
<i>Cash and cash equivalents</i>	64,709	31,103
Total Assets	267,935	236,433
Current liabilities	27,499	47,297
<i>Loan and borrowings</i>	2,601	8,321
Non-current liabilities	15,600	13,818
<i>Loan and borrowings</i>	781	977
Total Liabilities	43,099	61,115
Total Equity	224,836	175,318
Debt-to-Equity ⁽¹⁾ (times)	0.02	0.05

Note: (1) Debt-to-Equity ratio is calculated based on total borrowings divided by equity.

Efficient balance sheet with flexibility to invest in growth with low debt-to-equity ratio



LIQUIDITY AND CAPITAL RESOURCES

(RM'000)	As at 31 Dec 2018	As at 31 Dec 2017
Net cash generated from operating activities	22,919	46,126
Net cash used in investing activities	(10,620)	(16,566)
Net cash from/(used in) financing activities	21,577	(47,481)
Net increase/(decrease) in cash and cash equivalents	33,876	(17,921)
Effect of exchange rate changes on cash and cash equivalents	(270)	(444)
Cash and cash equivalents at beginning of period	31,103	49,468
Cash and cash equivalents at end of period	64,709	31,103

DIVIDEND AND DIVIDEND POLICY

DIVIDEND – FY2018

- The Board recommends a first and final dividend of **0.41 Singapore cent** per ordinary share for FY2018.
- This represents a **dividend payout** of **40.2%** of the profit after tax.

DIVIDEND POLICY

- Intend to recommend and distribute ordinary dividends of **not less than 40% of profit after tax** to our shareholders in respect of each of **FY2018, FY2019 and FY2020**.

BUSINESS UPDATES



BUSINESS UPDATES

ACQUISITION OF CUBO SDN BHD

- Completed the acquisition of the Original Brand Manufacturing (OBM) business and assets from Cubo Sdn Bhd, including the EZBO and CUBO brand names, in January 2019.
- This is held by the Company via its 51%-owned subsidiary, Leyo Holdings Sdn Bhd.
- EZBO manufactures easy-to-assemble furniture and CUBO focuses on custom-made furniture.

BENEFITS OF ACQUISITION OF EZBO AND CUBO BRANDS

- Allows the Group to move into OBM business with **distinct brand names and innovative patented products.**
- Create better brand recognition for the Group and **access a larger clientele base.**
- New OBM business is complementary to existing OEM and ODM businesses and will **expand our revenue stream.**
- New joint venture can **leverage on our manufacturing and distribution capabilities** to expand and improve our business and operations.

EZBO PRODUCTS

EZBO manufactures easy-to-assemble furniture targeting markets like Japan



Living Room



Kitchen



Bed Room



Kids Room

GROWTH STRATEGY



GROWTH STRATEGY



EXISTING ODM & OEM BUSINESS

- Hit by macro headwinds such as USA-China trade war and the strengthening of the RM against the US\$ in 2018, which affected the wooden furniture companies that exports mainly to the USA.
- Our **initiatives to improve our sales** for 2019 as follows:
 - Increase our marketing efforts, including maintaining regular contacts with our customers to keep abreast of industry trends and development to enable us to adapt to market demands more quickly.
 - Attend and participate in local and international trade and exhibition fairs, to increase the visibility of our products as well as to keep abreast of new products and designs in the market, market trends and industry developments.

GROWTH STRATEGY

+ 02 NEW OBM BUSINESS – EZBO & CUBO

- Focused on growing **new Original Brand Manufacturing business** via the establishment of the EZBO & CUBO brands to diversify beyond North American market, into Asia Pacific region.

+ 03 E-COMMERCE BUSINESS IN CHINA

- Growing the **e-commerce business** in China via an exclusive distribution agreement with Hangzhou Feilue Network, which manage a virtual store on Tmall/Tao Bao for the purpose of selling wooden furniture manufactured by LY Corporation online in China.

+ 04 JOINT VENTURES, STRATEGIC COLLABORATIONS AND/OR MERGER & ACQUISITIONS

- Expand and diversify our operations through potential merger and acquisitions, joint ventures, strategic collaborations with parties who can provide synergistic value to our business; and access to new markets and customers.
- Key factors we will consider when accessing such opportunities include return on investments, market trends and commercial viability.

THANK YOU



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UOB KayHian

Sponsor

UOB KayHian Private Limited



WATERBROOKS

Investor relations

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