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MEDIA RELEASE

Vicplas International posts FY2023 revenue of S$129.2 million with a profit after tax of S$4.2 million

- Medical devices segment's performance affected by inventory rightsizing by certain customers post pandemic, but continues to build up capabilities and expand its manufacturing footprint
- Pipes and pipe fittings' segmental result increases with the improvement in Singapore's construction activities
- Recommending a final dividend of S$0.0045 per ordinary share (one-tier tax exempt) for FY2023 to be approved by shareholders at the Annual General Meeting to be held on 28 November 2023

SINGAPORE, 28 September 2023 – SGX Mainboard-listed Vicplas International Ltd ("**Vicplas**", "威百亿国际有限公司" or the "**Company**", or collectively with its subsidiaries, the "**Group**"), today announced its results for the financial year ended 31 July 2023 ("**FY2023**").

Financial Highlights

The Group's revenue for FY2023 decreased slightly by 1.2% to S$129.2 million from S$130.8 million in the financial year ended 31 July 2022 ("**FY2022**") due to lower revenue from its medical devices segment, and profit after tax for FY2023 decreased by 52.1% to S$4.2 million from S$8.8 million in FY2022.

Revenue for the medical devices segment was S$90.6 million in FY2023, a decrease of 2.2% from S$92.6 million in FY2022 due to reduced orders from certain customers as they rebalanced their post pandemic inventory levels in response to the gradual recovery of the global logistics situation.

The pipes and pipe fittings segment on the other hand, recorded an increase of 1.2% in revenue to S$38.7 million in FY2023 from S$38.2 million in FY2022 as construction activities in Singapore improved.

Segmental Revenue			
S$'M	**FY2023**	**FY2022**	**% Change**
Medical Devices	90.6	92.6	- 2.2
Pipes & Pipe Fittings	38.7	38.2	1.2

Segmental Result[1]			
S$'M	**FY2023**	**FY2022**	**% Change**
Medical Devices	3.4	10.2	- 66.8
Pipes & Pipe Fittings	7.2	4.5	59.9

Other income decreased by 24.7% to S$4.4 million in FY2023 mainly due to the decrease in income from tooling, mould and maintenance services as compared to FY2022. Raw materials and consumables used decreased by 1.2% to S$62.7 million due to the decrease in production activities, while employee benefits expense (including salary) decreased by 3.0% to S$40.6 million due to decreased headcount and overtime, especially in the medical devices segment.

In FY2023, other operating expenses increased by 16.5% to S$17.3 million mainly due to costs associated with the first full year of operations at the new Changzhou plant extension, the costs related to the establishment of the planned new plant in Mexico as well as higher marketing and travelling costs from the Group taking steps to source for new business opportunities as markets reopened post pandemic. The Group also incurred foreign exchange loss of S$1.6 million (majority of which was unrealised) in FY2023, which was significantly higher as compared to the loss of S$0.1 million in FY2022.

The Group's finance costs increased by 35.0% to S$1.2 million in FY2023 mainly due to the higher interest rate environment. Income tax expense however, decreased by 36.7% in FY2023 due to lower profitability.

Overall, the Group recorded profit before tax of S$5.6 million for FY2023, which was a decrease of 49.0% from S$11.0 million in FY2022, and profit after tax of S$4.2 million, which was a decrease of 52.1% from

[1] The segmental result of the medical devices segment and pipes and pipe fittings segment are before corporate, interest and tax expenses as set out in Note 4 of the Condensed Interim Financial Statements

S$8.8 million in FY2022. The Group's adjusted EBITDA[2] for FY2023 was S$14.7 million, which was a smaller decrease in percentage terms of 19.9% as compared to S$18.3 million for FY2022.

Financial Position

As of 31 July 2023, the Group has a net asset value per share (excluding treasury shares) of 15.37 Singapore cents (31 July 2022: 15.32 Singapore cents)[3], shareholders' equity of S$78.6 million (31 July 2022: S$78.3 million) and cash and cash equivalents of S$8.6 million (31 July 2022: S$8.9 million).

Final Dividend

The Company's Board of Directors is recommending a final dividend of S$0.0045 per ordinary share (one-tier tax exempt) for FY2023 for approval by shareholders at the Annual General Meeting to be held on 28 November 2023.

This recommendation of maintaining the same dividend rate as FY2022 is made after considering the uncertainties in the macro environment, inflationary pressures as well as the Group's working capital, cashflow and capital expenditure requirements. The Group continues to take all of these considerations into account in striving for a balance between rewarding shareholders and maintaining sufficient capital to grow the business.

Commenting on the FY2023 results, **Mr Walter Tarca, Group Chief Executive Officer of Vicplas** said: *"In FY2023, the performance of our medical devices segment was affected by certain customers rightsizing their inventory levels post pandemic, higher operating costs due to rising supply chain and other input costs as well as costs from the first full 12 months of operations of our new Changzhou plant extension. We also invested in additional technical resources to meet customer demand and reprioritised sales and new business development activities as markets reopened post pandemic. I see this current period of time as a challenging one after the last 4 years of rapid growth but we continue to commercialise new projects while investing in new capabilities and the development of a nearshore USA plant in Mexico in order to*

[2] Adjusted EBITDA refers to earnings before interest, tax, depreciation and amortisation; and excludes unrealised foreign exchange.

[3] NAV per share is calculated based on 511,076,699 ordinary shares in issue excluding treasury shares as at 31 July 2023 (31 July 2022: 511,076,699 ordinary shares).

improve our collaboration and offerings to our global customer base. While the medical devices segment faces these headwinds, our Group's performance has been supported by the continued growth in our pipes and pipe fittings segment with the recovery of Singapore's construction sector, especially as new residential and mega projects come online. The pipes and pipe fittings segment will continue its focus on civil engineering projects and product expansion beyond the built environment, while containing costs and improving efficiency. As a Group, we will be prudent and resourceful in operating in an uncertain macro environment with ongoing inflationary and interest rate pressures and remain very focused on managing our cost base while developing our capabilities and creating new business opportunities for future growth."

Business Outlook

The Group expects its revenue growth to be somewhat constrained in the next reporting period in relation to its medical devices segment, whilst the pipes and pipe fittings segment is expected to continue its gradual recovery. Furthermore, the Group also faces increasing operating costs due to inflationary pressures and higher development and expansion costs.

While the Group remains cautiously optimistic, it is keeping a vigilant watch on the challenges that may arise from the uncertainties in the wider macro environment and the ongoing inflationary and interest rate pressures. As such, the Group will continue to exercise prudent cost management, while developing new business opportunities, and strengthening its base for future growth.

<u>Medical devices segment</u>

In FY2023, the medical devices segment recorded a respectable sales performance of S$90.6 million, a slight decrease of 2.2% over FY2022, in the context of ongoing adjustments in certain customers' inventory levels. FY2023 saw the review of internal supply chains by certain customers wanting to rightsize finished goods inventories that may have been ordered as safety stocks during the pandemic. Consequently, orders to the medical devices segment in the second half of FY2023 were significantly impacted as compared to the same period last year. This reduced ordering situation is expected to continue until the customers' inventory levels have stabilised. The segment continued to face increased operating costs mainly due to the effects of rising supply chain costs and other disruptions caused by the pandemic, as well as higher costs associated with the re-commencement of post pandemic business development and marketing initiatives. FY2023 was also the first full year of the new expanded manufacturing facility in Changzhou and the bringing onboard of additional technical resources to meet current and future demand for new project commercialisations from our customers. The segment also recorded significant unrealised foreign exchange loss due to unfavorable currency movements mainly due to RMB against USD. These unrealised foreign exchange loss do not have an impact on the cashflow. Given these headwinds, the segmental result of S$3.4 million was understandable but nonetheless disappointing with a decrease of S$6.8 million over FY2022.

During FY2023 the segment continued to focus on new capabilities as well as to develop an additional near shore USA manufacturing site in Mexico to improve its collaboration and offerings to its global customer base. The segment has also continued to prioritise efficiency improvements and cost reductions at all its manufacturing locations.

The current expectation for the medical devices segment is for its revenue and segmental result to be somewhat constrained during the period when the rightsizing of inventory in supply chains by its customers is still in progress and the new Mexico plant is being set up and operationalised. After this phase is completed, the segment will be well-positioned to further grow its global customer base in key medical devices markets such as USA, Europe and Japan as well as expand its capability to service new projects for the China market.

Pipes and pipe fittings segment

The pipes and pipe fittings segment concluded FY2023 with sales of S$38.7 million, which was an increase of 1.2% over FY2022. While demand from the built environment in Singapore remains strong, some customers are expected to experience prolonged challenges exacerbated by the pandemic and the elevated cost environment in the construction industry. In FY2023, the segment prioritised prudent credit risk management which necessarily results in forgoing some sales from built environment projects due to credit risks assessments. The segment achieved a segmental result of S$7.2 million, posting a 59.9% improvement over FY2022 due to lower material costs, extensive cost containment and efficiency improvement measures in its plants.

In FY2023, the segment focused on the pipeline of civil engineering projects with demand for infrastructure works in preparation of new residential and mega projects in Singapore. With a manufacturing presence in Singapore and a wide range of quality products certified with 4 Green Marks from the Singapore Green Building Council, the segment is well positioned to support its customers as the domestic construction industry continues its growth momentum. The segment will continue to focus on civil engineering projects as well as product expansion beyond the built environment. Whilst the segment expects higher revenue from the brightened industry outlook, it continues to face intensified competition, cost pressures and credit risk exposures.

End.

Note: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

About Vicplas International Ltd

Vicplas International Ltd has two core businesses. The first is the design, development and manufacture of sterile and non-sterile medical devices through its wholly-owned subsidiaries, Forefront Medical Technology (Pte) Ltd, Forefront Medical Investment Pte. Ltd. and XentiQ (Pte.) Ltd. in Singapore; Forefront (Xiamen) Medical Devices Co., Ltd and Forefront Medical Technology (Jiangsu) Co., Ltd in China; and Arrow Medical Limited in the United Kingdom. All the subsidiaries have EN ISO13485:2016 quality certification and, with the exception of XentiQ (Pte.) Ltd., are registered under the United States Food and Drug Administration (FDA) as a "contract manufacturer for medical devices" and Accreditation certificate of foreign medical device manufacturer from Japan Ministry of Health, Labour and Welfare. Forefront Medical Investments Pte. Ltd. additionally has a Class A, B, C, D Medical Device manufacturer license registered under Health Science Authority (HAS) Singapore and Forefront Medical Technology (Jiangsu) Co., Ltd additionally has a Class II Medical Device Manufacturing License in China.

The second is the manufacture and distribution of piping systems for diverse industries including waste and potable water systems for residential homes, schools, commercial and industrial buildings; underground electrical and internal building wire piping systems; and data and signal line piping systems by telecommunications companies, through our wholly-owned subsidiaries, Vicplas Holdings Pte Ltd in Singapore and Rimplas Industries Sdn. Bhd. in Malaysia. Vicplas Holdings Pte Ltd is ISO5001:2018, ISO14001:2015 and ISO45001:2018 certified and both subsidiaries are ISO9001:2015 certified. For more information, please visit the corporate website https://www.vicplas.com

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