

**K O D A<sup>TM</sup> LTD**

Singapore | Malaysia | Vietnam | China

# AGENDA

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Review of Core Business and Operating Environment

2

Strategic Review



Improving Manufacturing Efficiency



Strengthening Supply Chain Management



Refining and Expanding Commune®



Enhancing Shareholder Value

3

Commune – Where We Stand and Our Forward Strategy

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Enhancing Shareholder Value

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# Review of Core Business and Operating Environment



- ▲ Founded in 1972
- ▲ OEM/ODM manufacturer
- ▲ Strong in Product Design
- ▲ Factories in Malaysia & Vietnam
- ▲ Listed on SGX (2002)
- ▲ Major Customers in the US and Asia

1

# Review of Core Business and Operating Environment



Diversification from Manufacturing to Retail:

- 🏠 Manufacturing business was getting increasingly challenging
- 🏠 Wanted new business avenues to mitigate risk
- 🏠 Desire to have our own brand that we can manage long-term growth
- 🏠 Manufacturing business still ongoing

1

# Review of Core Business and Operating Environment



## Commune®

- ▲ Started in 2011 (Singapore)
- ▲ Managed by 3<sup>rd</sup> Gen family members
- ▲ Strong design focus
- ▲ Address lacking middle-market segment
- ▲ Small living spaces
- ▲ High quality at a good price point
- ▲ Regional/Global goals from inception

## 2

# Strategic Review

Strategies put in place:

- ▲ To match shorter delivery lead times for key export clients, particularly in the US;
- ▲ For fast-changing ordering patterns from key clients arising from smaller minimum order quantity (“MOQ”) and wider product mix; and
- ▲ To address the increasing demand in China for Commune® products, entailing an aggressive expansion.

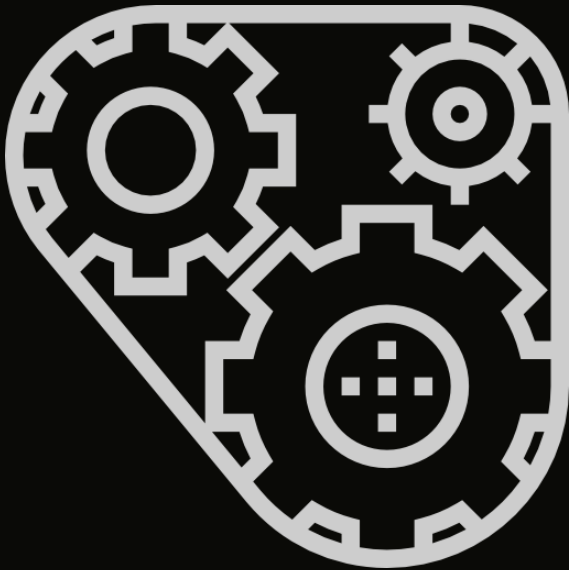
The main pillars of its forward strategy are:

1. Improving Manufacturing Efficiency;
2. Strengthening Supply Chain Management;
3. Refining and Expanding Commune®, and
4. Enhancing Shareholder Value.

## 2

# Strategic Review

## Improving Manufacturing Efficiency

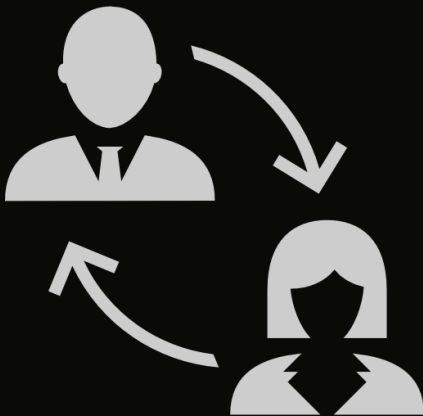


- ▲ Allocation of additional capital expenditure for automation (i.e., CNC Machines)
- ▲ Investments will help factories increase output by estimated 10% - 15% and continue to achieve optimal capacity utilization rates of approx. 85% - 90%

## 2

# Strategic Review

## Strengthening Supply Chain Management



### a) Eco-system

- Careful selection of sub-contractors to supply goods to the Group
- Continuous refinement of supply chain relationships with sub-contractors allowed the Group to build an eco-system in which it can negotiate, mitigate supply risks and keep direct costs down
- Strategy has contributed to gross margin improvement over the years



## 2

# Strategic Review

## Strengthening Supply Chain Management



### b) Process improvement

- Improvement of Group's procurement and manufacturing processes under proven sub-contracting approach
- Expanding supply capacity

## 2

# Strategic Review

## Strengthening Supply Chain Management



### c) Supply Hub

- Establishment of dedicated 60,000 square feet storage and distribution hub
- Allows temporary storage of various components produced by third parties
- Allows production flow modulation before final assembly and finishing, improving logistics efficiency and lowering transportation costs
- More shipment options and maximization of container space

3

# Commune – Where We Stand

35  
CHINA

4  
SINGAPORE

3  
MALAYSIA

1  
AUSTRALIA



3

# SINGAPORE

COMMUNE  
EXPERIENCE CENTRE

PARAGON S.C.



MILLENNIA WALK



IMM S.C.

3

# MALAYSIA

## KUALA LUMPUR FLAGSHIP



## PETALING JAYA



## JOHOR BAHRU



3

# CHINA

WUHAN



MACAU



SHANGHAI



NANJING



SUZHOU



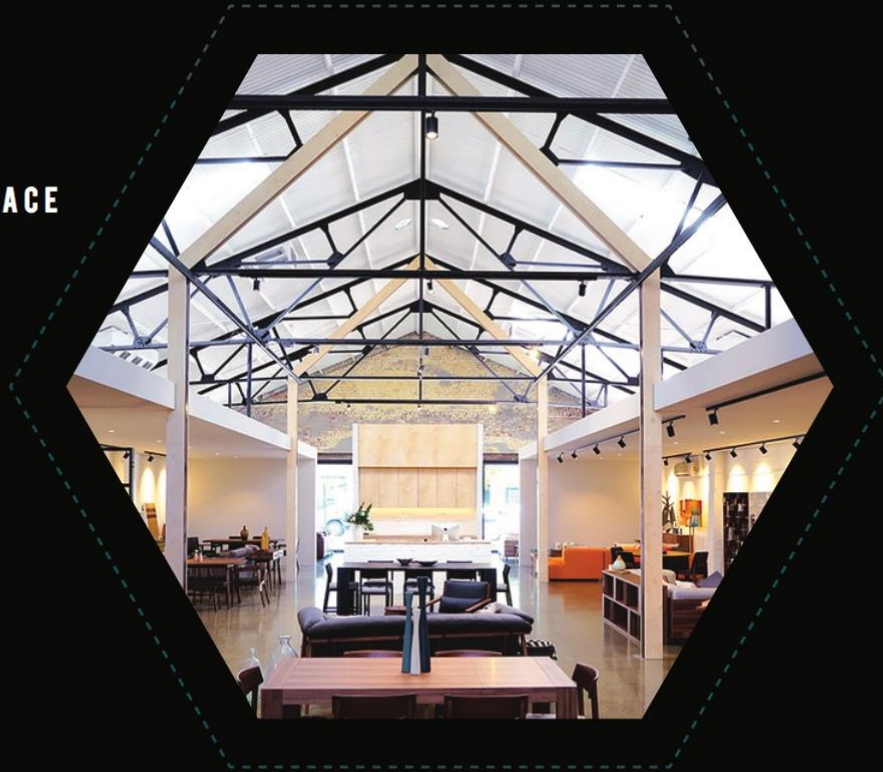
DONG GUAN



3

# AUSTRALIA

OOPENSACE  
(PERTH)



### 3

# Commune – Our Forward Strategy



- ▲ Increase the number of Commune® DR stores in China to 100 and at least eight stores in other of Asia by FY2020
- ▲ Establishing a supply hub in Eastern China to service DR network
- ▲ Popularity among younger buyers stems from its bold use of unique black-themed stores and a collection that is sized to fit apartment lifestyle.



# 3

# Commune – Our Forward Strategy

## Experiential Shopping Experience



### Encouraging Customer Participation ("CO-lab")

- Collaboration with other brands and material suppliers
- "Mood-board" to experiment/have fun with home styling

3

# Commune – Our Forward Strategy



## 3D FLOOR PLANNER AND VR EXPERIENCE



3

# Commune – Our Forward Strategy

## PERSONALISED TO EACH INDIVIDUAL

With the help of VR simulation, consumers are now able to experience exactly how Commune products look like when placed in their homes.

Consumers are able to use our diverse library of wall colors and flooring options to replicate their existing homes and visualize how their furnished homes look like in different lighting conditions.

DRAFTING A FLOOR PLAN  
TO EACH INDIVIDUAL



3

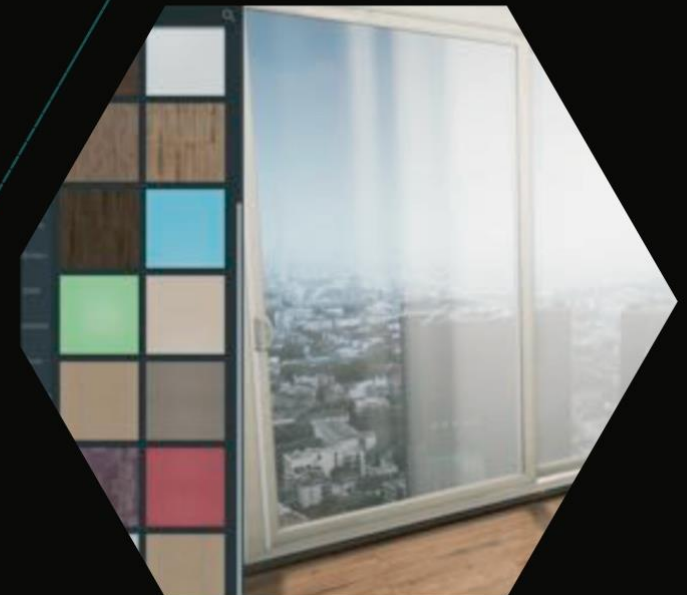
# Commune – Our Forward Strategy

## FULLY IMMERSIVE EXPERIENCE

While seeing, touching and trying the furniture is a key aspect in furniture shopping process, VR helps to create a more immersive experience by enabling consumers to see their desired Commune product in their home environment and not just as an item displayed in the store.

This allays worry and uncertainty of consumers having to worry about mismatches in their homes.

SELECTION OF DIFFERENT  
COLOURS AND MATERIALS



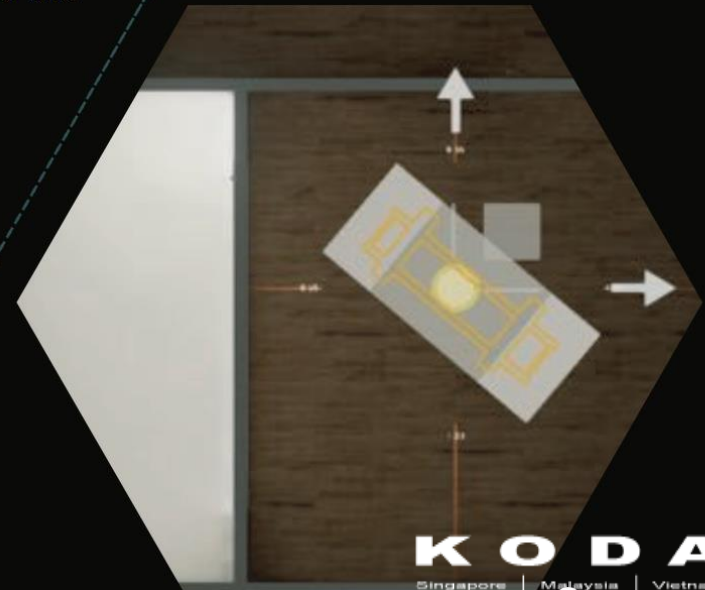
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# Commune – Our Forward Strategy

## CONFIDENT PURCHASE DECISIONS

Real-time space planning simulation will help consumers make more confident purchase decisions as it resolves issues such as worrying if the furniture matches their space, what types of colours and materials to choose and even the physical size of the product in their home.

ENSURING FURNITURE  
CAN FIT IN THE SPACE/HOME



# 4

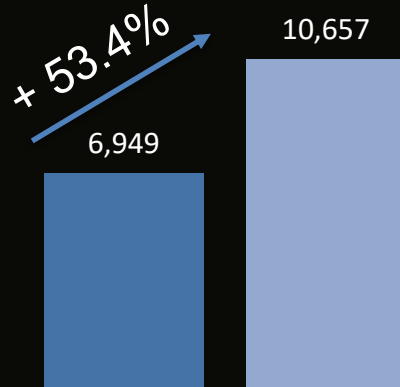
## Enhancing Shareholder Value

- To meet the Minimum Trading Price (“MTP”) requirements, the Group carried out a 5-to-1 share consolidation exercise in November 2015
- In February 2017, the Group declared an interim dividend of 0.50 Singapore cent per share
- In May 2017, the Group reported significant improvement in its financial performance for 9M2017
- In June 2017, it completed a 2-for-1 bonus issue
  - raised the issued share capital base to 41,045,716 shares (excluding 55,500 treasury shares)
  - Reflects growth of the Group’s business and reward shareholders for their support and loyalty

# 5

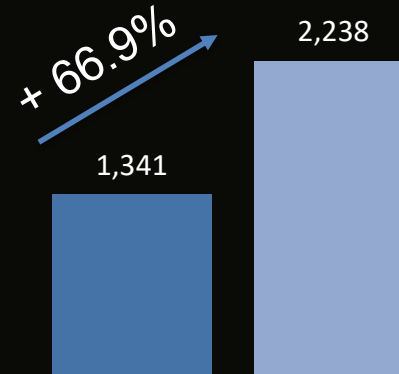
# Financials

Gross Profit (US\$'000)



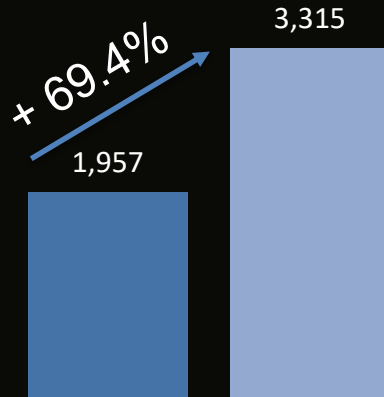
■ 9M Ended March 16 ■ 9M Ended March 17

Profit After Tax to Owners (US\$'000)



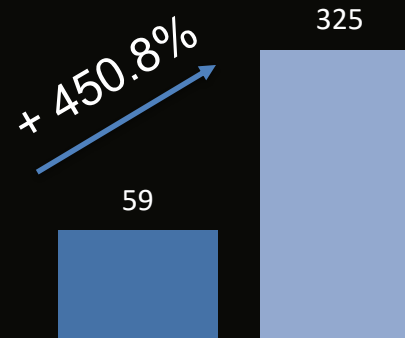
■ 9M Ended March 16 ■ 9M Ended March 17

Gross Profit (US\$'000)



■ 3Q16 ■ 3Q17

Profit After Tax to Owners (US\$'000)



■ 3Q16 ■ 3Q17

## 6

# Outlook



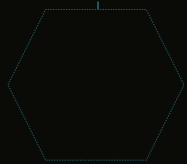
1. Both the ODM and Commune<sup>®</sup> business to improve over the next few years;
2. Increase the number of Commune<sup>®</sup> DR stores in China to 100 and at least eight stores in other parts of Asia by FY2020; establishing a supply hub in Eastern China;
3. Improvement of production capabilities;
4. Taking into account of the results for the 9M2017, barring unforeseen circumstances, the Group expects its Net Profit for FY2017 to exceed that of FY2016; and
5. The Group expects to declare a final dividend for FY2017 in addition to the interim dividend of 0.50 Singapore cent per share (pre-bonus issue).



## 7

# Stock Information

Basic Share Data	
<b>1 Year Range</b> <ul style="list-style-type: none"> <li>• 52-week Low</li> <li>• 52-week High</li> </ul>	S\$0.26 - S\$1.18  S\$0.26 S\$1.18
<b>Market Capitalisation (As of 28 June 2017)</b>	S\$36.941m
<b>Issued Shares</b>	41,046,000
<b>Earnings Per Share (9M2017 Post Bonus Issue)</b>	5.45 US cents



# Thank You

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