



TELECHOICE INTERNATIONAL LIMITED
(REG. NO. 199802072R)

TeleChoice Reports Second-Half and Full-Year 2020 Results

Divisions' businesses impacted by COVID-19 pandemic with resultant lower revenue

Registered operating profit and net cash inflow from operating activities in spite of challenging business environment

Full impairment of goodwill in S&I Systems Pte Ltd ("S&I") led to net loss

Proposed full-year dividend of S\$0.005 cents per share on the back of strong balance sheet and net cash position

Singapore, 24 February 2021 – SGX mainboard-listed TeleChoice International Limited ("TeleChoice" or the "Group"), a regional diversified provider and enabler of innovative info-communications products and services, announced its results for the second half ("2H2020") and full-year ("FY2020") ended 31 December 2020.

Mr Vincent Lim, President and CEO of TeleChoice said, "Despite Singapore's Phase 2 re-opening in June-December 2020, weak business and consumer sentiment continued to prevail due to uncertainty of the economic and employment recovery which has resulted in subdued sales, reduced enterprise spending and project implementation delays. Furthermore, the resurgence of COVID-19 infections in Indonesia, Malaysia and the Philippines, has led to reimposition of stringent movement control measures which affected our operations in those countries due to manpower, equipment and logistics challenges.

"Consequently, our revenue declined but in spite of the decreased revenue and the unprecedented impact of the COVID-19 pandemic on all our businesses, we turned in an operating profit in FY2020, mitigated by government support and rental reliefs received. We are also encouraged by the performance of PCS and ICT Divisions, which reported higher PBT in 2H2020 as compared to 1H2020, leading the Group to reverse its 1H2020 operating loss position to a small operating profit in FY2020.

“At the end of FY2020, the Group took the decision to recognise a full impairment loss of S\$5.3 million on account of the goodwill acquired for the investment in S&I in FY2010. Due to the uncertain economic outlook arising from the COVID-19 pandemic with lesser visibility on the order book building for FY2021, a lower revenue and revenue growth rate for S&I were forecasted for FY2021. This led to the Group’s net loss of S\$5.6 million in FY2020. Our balance sheet and net cash position, however, continued to be healthy and we remained committed to shareholder returns with a proposed final dividend of S\$0.005 per share”.

Results Highlights

S\$'M	2H2020	2H2019	+/- (%)	FY2020	FY2019	+/- (%)
Revenue	112.8	160.1	-29.5	213.5	313.6	-31.9
Gross Profit	9.4	17.6	-46.5	17.5	33.0	-47.0
Gross Margin	8.4%	11.0%	-2.6 ppt	8.2%	10.5%	-2.3 ppt
Operating Profit Before Tax	2.0	5.0	-61.3	0.2	7.3	-97.6
Profit/ Loss Before Tax	(3.4)	5.0	nm	(5.1)	7.3	nm
Profit Attributable to Equity Holders	(3.6)	4.1	nm	(5.6)	5.4	nm
Earnings Per Ordinary Share (EPS) (cents)	(0.79)	0.89		(1.24)	1.18	
	As at 31/12/20	As at 31/12/19				
Net Asset Value (NAV) Per Share (cents)	13.60	15.88				

FY2020 Group revenue fell by 31.9% to S\$213.5 million from S\$313.6 million in FY2019 due to lower contribution from all three Divisions. 2H2020 Group revenue was 29.5% lower at S\$112.8 million than 2H2019’s Group revenue of S\$160.1 million. PCS division registered lower channel, prepaid and retail sales. ICT Division was faced with lower equipment sales, maintenance revenue and project completion delays. Engineering was impacted by regional movement control orders.

The lower revenue resulted in lower FY2020 gross profit of S\$17.5 million, a 47.0% decrease from FY2019’s gross profit of S\$33.0 million. 2H2020 gross profit stood at S\$9.4 million, which was a decrease of 46.5% from S\$17.6 million in 2H2019. Overall gross margin was lower at 8.2% (a 2.3 ppt drop) and 8.4% (a 2.6 ppt decrease) in FY2020 and 2H2020, respectively. ICT Division, however, registered higher FY2020 gross margin due to an increase in service revenue mix.

The Group recognised a full impairment loss of S\$5.3 million of the goodwill acquired in FY2010 for the investment in S&I on account of the recoverable amounts being below its carrying value. Consequently, the Group sustained a net loss of S\$5.6 million in FY2020 and S\$3.6 million in 2H2020.

The Group's balance sheet remains healthy with total assets of S\$117.5 million against total liabilities of S\$55.7 million while NAV per share was 13.60 cents. The Group's working capital position improved with higher cash generated from operations and lower bank borrowings due to reduced inventories, contract assets and other receivables.

Cash flow wise, the Group maintained net cash position with cash generated from operations amounting to \$24.3 million. As at 31 December 2020, the Group's cash and cash equivalents was S\$27.3 million, after the dividend payment of S\$4.5 million in June 2020 and short-term net bank loans repayment of S\$8.0 million.

Proposed final dividend amount of S\$0.005 per share

Given the Group's healthy cash position and balance sheet, the Board has proposed a final dividend of S\$0.005 per share (FY2019: S\$0.01), amounting to total annual dividend of S\$2.3 million. This translates to a dividend yield of 2.67%¹. If approved by shareholders, it will be paid on 20 May 2021.

FY2021 Outlook

The global economy is expected to improve on the back of aggressive vaccinations roll-out and the progressive re-opening of economies. In Singapore, the Ministry of Trade and Industry has forecasted GDP growth of 4.0 to 6.0 per cent in 2021. Notwithstanding the anticipated recovery, there remains considerable risks such as the resurgence of COVID-19 infections especially in regional countries, and geopolitical uncertainty. Consequently, consumer confidence and business sentiment could be impacted. The Group, therefore, maintains a cautious outlook for FY2021.

Segment wise, PCS division will continue to experience subdued consumer demand given the economic and job market uncertainties. ICT division is anticipated to face implementation delays of major projects with the deferment of non-critical spending by enterprises. Engineering division will continue to be impacted by movement control measures in Indonesia, Malaysia and the Philippines if the COVID-19 infections in those countries are not brought under control.

Taking into account these factors, the Group's financial performance expectations based on pre-COVID-19 assumptions may have to be moderated. The fundamentals of the Group, however, remain strong, namely our balance sheet, working capital position and cashflow. The Group does not foresee liquidity issues with net cash and net current asset position as at 31 December 2020. We also have adequate banking facilities for any short-term funding needs to weather this downturn.

The Group will continue to focus on maintaining financial prudence and improving our cost structure and competitiveness through digitalisation and other operational improvements, and enhancing our competencies through upskilling and reskilling of our workforce. However, first half performance will be impacted by reduced government grants and rental subsidies. At the same time, we will reposition the Group for growth through new business initiatives, particularly in the ICT and PCS segments through some targeted investments.

¹ Based on closing share price of \$0.187 as at 31 December 2020

The longer-term prospects for our industry remain cautiously positive. The roll-out of 5G networks in Singapore and the region and regional network upgrading, continued demand for cloud migration services and Internet of Things ("IoT") in keeping with digitalisation trends and the ongoing evolution of smart devices is expected to provide the growth impetus for our business.

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This press release is to be read in conjunction with TeleChoice's results announcement posted on the SGXNET on 24 February 2021.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements which are based on current view of management on future events.

About TeleChoice International Limited (Co. Reg. No. 199802072R)

TeleChoice International Limited ("TeleChoice") is a regional diversified provider and enabler of innovative info-communications products and services. Incorporated in Singapore on 28 April 1998 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 25 June 2004, TeleChoice is a subsidiary of ST Telemedia, a strategic investor in communications and media, data centres and infrastructure technology businesses across Asia, the US and Europe.

TeleChoice offers a comprehensive suite of services and solutions for the info-communications industry under three business divisions, Personal Communications Solutions Services ("PCS"), Info-Communications Technology Services ("ICT") and Network Engineering Services ("Engineering").

For more information, please visit our website at www.telechoice.com.sg

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