

Media Release

## **MeGroup achieves record performance for revenue in FY2023, with reopening of economy**

- Net profit attains a turnaround to RM6.5 million on strong 65.1% surge in revenue to RM421.5 million**

- **Both manufacturing and dealership businesses see recovery in FY2023**
  - **Revenue from manufacturing business increases 80.0% while dealership business rises 63.1%**
- **Net profit doubles to RM3.8 million for 2H2023 on 24.1% growth in revenue to RM217.4 million**
- **New record in Total Industry Volume of automotives exceeding 700,000 in CY2022 on pent-up demand for new vehicles in Malaysia**
- **MeGroup continues to look for opportunities to expand product offerings in the automotive sector**

**Singapore, 29 May 2023** – SGX-Catalist listed **MeGroup Ltd.** (“**MeGroup**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) today announced its financial results for the half-year (“**2H2023**”) and full-year (“**FY2023**”) period ended 31 March 2023.

The Group achieved a record revenue of RM421.5 million for FY2023, an increase of RM166.1 million or 65.1% as compared to RM255.4 million in the preceding financial year (“FY2022”). Mainly in line with the strong topline performance, the Group achieved a turnaround in profitability, recording a net profit of RM6.5 million, as compared to a net loss of RM3.3 million in FY2022.

Revenue for the six-month period ended 2H2023 (“2H2023”) increased by RM42.3 million or 24.1% to RM217.4 million, up from RM175.1 million from the six-month period ended 31 March 2022 (“2H2022”). The Group’s net profit more than doubled to RM3.8 million in 2H2023 from RM1.8 million in 2H2022.

Commenting on the latest earnings, **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.** said: “We are pleased with our strong financial performance. In the past year, we have seen an increase in demand from new and existing customers, surpassing pre-pandemic levels, thereby contributing to our record revenue. This was driven by an uplift in dealership sales and manufacturing demand from our customers, with the reopening of the Malaysian economy.

“We are also encouraged to be named as part of RHB’s top 20 Singapore Small Cap Jewels in 2023, and we will strive harder to contribute to the country’s vast and exciting automotive industry.

“The completion of our new factory at Kulim Hi-tech Park, with mass production to ensue by Q32023, is another milestone that we have achieved successfully during the year. Looking ahead, with the introduction of many new models with the latest technology advancements, we hope to attract more new and existing customers in the growing automotive industry. At the same time, we will continue to look for suitable opportunities to streamline our operations and processes where necessary to improve returns to our shareholders.”

## Financial Review

On a segmental level, overall revenue from the manufacturing business has significantly increased by 80.0% to RM53.8 million in FY2023 from RM29.9 million in FY2022. This increase was largely due to the full withdrawal of movement restrictions and the reopening of the economy, which saw the increase of sales order by existing customers and new order by a new customer. Additionally, this was due to the official launch of new car models during the period under review.

The dealership business experienced an increase of RM142.2 million or 63.1% to RM367.7 million in FY2023 from RM225.5 million in FY2022. The increase was primarily attributed to the rebound of business activities in Malaysia following the post-pandemic period. Additionally, the increase was attributed to the additional revenue generated from the operations of the Proton Dealership in Telok Panglima Garang, Selangor, which commenced operations in January 2022.

A record of 720,658 units in Total Industry Volume (“TIV”) of sales in CY2022 was registered after two consecutive years in a row of declining sales. This is the first time the TIV exceeded the 700,000 units mark in the Malaysian automotive industry’s history, attributing it to the pent-up demand for new vehicles and the authority’s decision to allow buyers with confirmed bookings with sales tax exemption submitted before 30 June 2022 to register their new passenger vehicles by 31 March 2023.

In line with higher revenue, gross profit increased by RM17.7 million or 83.9% to RM38.9 million in FY2023, from RM21.2 million in FY2022. Gross profit margin rose marginally by 0.9 percentage points from 8.3% in FY2022 to 9.2% in FY2023, attributable to the Group’s dealership business, with lesser discounts given out to attract customers in view of high demand from strong vehicle bookings, ahead of sales tax exemption incentive period on 30 June 2022 in Malaysia.

Other gains increased by approximately RM0.9 million or 137.6% to RM1.5 million in FY2023 from RM0.6 million in FY2022 mainly due to fair value gain on financial assets amounting to RM0.6 million from the call options that came together with the acquisition of 20% associated company, Hanamaru Auto Trading (Malaysia) Sdn Bhd, an increase in realised and unrealised forex gain from payment to suppliers amounting to RM0.3 million, and a gain in disposal of Property, Plant, and Equipment amounting to RM0.2 million.

Other income however declined by RM0.6 million or 45.1% from RM1.3 million in FY2022 to RM0.7 million in FY2023 primarily due to the discontinuation of the income subsidy provided through the Wage Subsidy 4.0 program introduced by the Malaysian government, which ended in April 2022 due to the transition into the endemic phase, effective from 1 May 2022. Correspondingly, the Group recorded a profit before tax of RM7.9 million in FY2023 as compared to a loss before tax of RM1.8 million in FY2022.

The Group's current assets had increased by approximately RM19.5 million or 38.3% from RM50.9 million as at 31 March 2022 to RM70.4 million as at 31 March 2023. This was due to the increase in trade and other receivables by approximately RM6.2 million as a result of a higher number of vehicle sales registration in March 2023, and an increase in inventories by approximately RM13.1 million to stock up inventories to sell in the following months.

The Group maintains a healthy balance sheet, with net assets of RM44.7 million and cash and cash equivalents of RM11.9 million as at 31 March 2023.

## **Business Outlook**

The global economy has been recovering as countries continue to re-open their borders. In May 2023, the World Health Organization declared an end to the COVID global health emergency. As domestic demand and recovery in the labour market continues, the Malaysian economy is expected to expand by 4 per cent to 5 per cent in CY2023. This is higher than the average projected global economic growth of 1.3 percent in CY2023<sup>1</sup>.

The Malaysian Automotive Association (“**MAA**”) had forecasted a lower TIV at 650,000 units in CY2023 after taking into account the economic and environmental factors, such as expected slowdown of economic growth, anticipated recession in CY2023 and the challenges of supply chain issues.

The automotive industry may continue to face a shortage of semiconductor chips, uncertainties in geopolitical tension and possible resurgence of COVID-19 cases worldwide, affecting the country’s economic growth momentum and the sales of new vehicles.

That being said, the Group is cautiously optimistic about its business performance with the existing and new orders in the manufacturing segment and the new product line-up by the brand principals in the dealership segment. MeGroup is continuously looking at opportunities to expand its product offerings in the automotive sector.

End

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

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<sup>1</sup> *World Economic Outlook, April 2023 – “The outlook is uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia’s invasion of Ukraine, and three years of COVID”*

## About MeGroup (<https://me-grp.com/>)

MeGroup Ltd. is a trusted component manufacturer and dealer in the automotive industry.

Under its Manufacturing business, MeGroup specialises in manufacturing 'noise, vibration and harshness' ("NVH") and non-NVH components primarily for the automotive industry in Malaysia.

Under the Group's Dealership business, MeGroup owns and operates i) three Peugeot dealerships; ii) two Honda dealerships; iii) one Mazda dealership; iv) one Hyundai dealership; v) one Ford dealership; vi) two Mitsubishi Motors dealerships; and vii) one Proton dealership in Malaysia.

MeGroup maintains long-standing partnerships with its manufacturing customers and is an Approved Supplier to Honda, Johnson Controls Hitachi, Kia, Mazda, Mitsubishi, Perodua, Peugeot, Proton and Toyota. The Group also has established relationships with its dealership principals.

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*This press release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, UOB Kay Hian Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.*

*This press release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this press release, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this press release.*

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