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MEDIA RELEASE

Vicplas International's 1H2023 revenue grew 5.0% to S$66.4 million with a net profit of S$2.5 million

- Medical devices segment's performance affected by a host of factors but continues to build capabilities and expand its manufacturing footprint
- Pipes and pipe fittings segmental results improves with recovery of Singapore's construction sector, supply improvements and cost-savings initiatives

SINGAPORE, 14 March 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**"), is pleased to announce that its revenue for the half year ended 31 January 2023 ("**1H2023**"), increased 5.0% to S$66.4 million from S$63.2 million for the half year ended 31 January 2022 ("**1H2022**").

Profit after tax for 1H2023 decreased by 50.1% to S$2.5 million from S$5.0 million in 1H2022 as the Group's medical devices segment was impacted mainly by an early Lunar New Year festival which fell into 1H2023 and staff absenteeism during the relaxation of China's zero Covid-19 policy, rising production costs, additional operating costs for its new Changzhou plant extension and higher finance costs and foreign exchange losses (mainly unrealised). In contrast, the decline is smaller at 23.0% in the Group's adjusted EBITDA[1] of S$7.4 million in 1H2023 as compared to S$9.6 million in 1H2022.

Commenting on the 1H2023 results, **Mr Walter Tarca, Group Chief Executive Officer of Vicplas** said: *"in addition to a challenging macro-environment, the performance of our medical devices segment in 1H2023*

[1] Adjusted EBITDA refers to earnings before interest, tax, depreciation and amortisation; and excludes unrealised foreign exchange by adding back unrealised foreign exchange loss and deducting unrealised foreign exchange gain.

was affected by a host of factors, in particular an earlier Lunar New Year festival, rising production costs, foreign exchange losses (mainly unrealised), and additional operating costs from the start up of our new Changzhou plant extension. Although we had increased orders, customers slowed the rate of new products going to market due to uncertain global macroeconomic conditions. Nevertheless, the medical devices segment continues to commercialise new projects and expand its global customer base in 1H2023 as it continues to build strong capabilities and expand its global manufacturing footprint to give customers more options in their supply chain. Our pipes and pipe fittings segment continues to improve in 1H2023 as construction activities picked up in Singapore and increased its segmental result due to supply improvements and its implementation of cost savings initiatives.

As a Group, we are keeping a close eye on the global economy given the uncertain global macroeconomic conditions, inflationary pressures, rising interest rates and geopolitical tensions. We are dealing with this challenging operating environment by focused execution of continuous improvement initiatives to drive operating costs down, whilst at the same time, investing in development and expansion initiatives. This will help us capture new business opportunities and enlarge our geographical footprint, in order to strengthen our base for future growth".

Financial Highlights

The Group's revenue increase to S$66.4 million in 1H2023 was driven by higher revenue from both the medical devices and pipes and pipe fittings segments.

Segmental Revenue			
S$ million	**1H2023**	**1H2022**	**% Change**
Medical Devices	47.4	45.0	5.3
Pipes & Pipe Fittings	19.0	18.3	4.2

Segmental Results[2]			
S$ million	**1H2023**	**1H2022**	**% Change**
Medical Devices	2.6	5.7	- 55.1
Pipes & Pipe Fittings	3.1	1.8	76.3

[2] The segmental results 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.

The revenue for the medical devices segment was S$47.4 million in 1H2023, an increase of 5.3% from S$45.0 million in 1H2022, due to increased orders from its customers. The pipes and pipe fittings segment also recorded an increase of 4.2% in revenue to S$19.0 million in 1H2023 from S$18.3 million in 1H2022 as construction activities in Singapore increased.

Other income decreased by 41.8% in 1H2023 mainly due to lower tooling income as customers in the medical devices segment postponed or delayed commercialisation of some new projects due to uncertain macroeconomic conditions.

Raw materials and consumables used increased by 8.7% in 1H2023 due to the increase in revenue as well as inflationary pressures causing certain raw material prices to increase. Employee benefits expense (including salary) increased by 3.4% due to increased headcount and overtime to meet the higher revenue.

In 1H2023, other operating expenses increased by 17.7% in 1H2023 to S$8.4 million mainly due to costs associated with the new Changzhou plant extension and the potential new plant in Mexico, as well as higher marketing and travelling costs as markets reopened post-Covid and the Group took steps to source for new business opportunities. Foreign exchange losses of S$1.0 million (of which S$0.6 million was unrealised) was significantly higher in 1H2023 compared to the same period last year of S$0.1 million. The Group's finance costs increased by 83.8% to S$0.6 million, reflecting both higher borrowings to fund business growth and the increase in interest rates compared to the same period last year. Income tax expense decreased by 18.5% in 1H2023 due to lower profitability.

Overall, the Group in 1H2023 recorded a profit before tax of S$3.3 million, which was a decrease of 45.0% over 1H2022, and a profit after tax of S$2.5 million, which was a decrease of 50.1% compared to 1H2022. The Group's adjusted EBITDA[3] for 1H2023 was S$7.4 million, a 23.0% decrease from 1H2022.

Financial Position

As of 31 January 2023, the Group has a net asset value per share (excluding treasury shares) of 15.24 Singapore cents (31 July 2022: 15.32 Singapore cents)[4] and shareholders' equity of S$77.9 million (31 July 2022: S$78.3 million).

[3] Adjusted EBITDA refers to earnings before interest, tax, depreciation and amortisation; and excludes unrealised foreign exchange by adding back unrealised foreign exchange loss and deducting unrealised foreign exchange gain.

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

Business Outlook

The Group remains extremely vigilant on its performance given the state of the current global economy with uncertain global macroeconomic conditions, inflationary pressures, rising interest rates and geopolitical tensions. The Group, faced with these headwinds, adopts a dual approach of continuous improvement initiatives to drive down current operating costs whilst investing in development and expansion initiatives that will reap new business opportunities and strengthen its base for future growth with a wider geographical footprint.

Medical devices segment

In 1H2023, the revenue of the medical devices segment grew by 5.3% to S$47.4 million, but its segmental result decreased by 55.1% to S$2.6 million. The performance of the medical devices segment was impacted mainly by various factors.

Firstly, with the Lunar New Year festival falling into 1H2023, the customary slowdown during the festive period as well as planned plant closures and maintenance, meant that there were approximately ten less working days in 1H2023 compared to the same period last year. In addition, during the relaxation of China's zero Covid-19 policy, there was increased staff absenteeism amongst production and indirect staff. The combined effect led to a significant loss of production output and efficiency during 1H2023 compared to 1H2022. Secondly, the medical devices segment also faced rising production costs such as raw materials, labour and electricity, brought about by the continued constraints in logistics and labour shortages, as well as additional operating costs for its Changzhou plant extension which opened in 1H2023. Thirdly, higher finance costs were also borne by the segment as interest rates increased on its existing loans used to fund its business growth. Foreign exchange losses (mainly unrealised) also increased significantly over the same period last year.

Notwithstanding that there has been a slight slowdown by customers in the rate of new products going to market due to the uncertain global macroeconomic conditions, this segment has continued to commercialise new projects and further expanded its global customer base over 1H2022. It continues to prioritise building strong capabilities to provide attractive solutions to its customers as well as improving its global manufacturing footprint to offer customers more choice and risk mitigation in their supply chain.

To this end, the segment has identified a potential site in Juarez, Mexico and is actively negotiating the lease terms in order to set up its fifth manufacturing location.

Segmental performance may continue to be impacted by the cost factors discussed above as well as customers requiring changes to their currently established global supply chains. The segment is cautious about the rate of growth given the current international trading conditions and geopolitical uncertainties but will continue its strong focus on improvements in manufacturing capabilities, product mix, new plant utilisation and additional investments in sales and marketing to further underpin its growth.

<u>Pipes and pipe fittings segment</u>

The pipes and pipe fittings segment in 1H2023 recorded an increase of 4.2% to S$19.0 million in its revenue as Singapore's construction industry improved and saw a 76.3% increase to S$3.1 million in its segment result due to supply improvements as well as the implementation of cost savings initiatives.

Although this segment is well-positioned to cater to the increase in demand for its products that is expected from the announced increase in public housing units to be launched over the next two years and accordingly it expects to continue growing its revenue for the rest of the financial year ending 31 July 2023, there remain challenges in the current operating environment including, but not limited to, inflationary pressures, credit exposures and price competition. The segment will continue its focus on civil engineering projects and product expansion.

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 is ISO14001:2015, ISO45001:2018 and ISO50001:2018 certified. 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 ISO14001:2015, ISO45001:2018 and ISO50001:2018 certified and both subsidiaries are ISO9001:2015 certified.

For more information, please visit the corporate website https://www.vicplas.com

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