



LY CORPORATION LIMITED

Company Registration Number: 201629154K
(Incorporated in the Republic of Singapore on 24 October 2016)

**1H FY2018 RESULTS ANNOUNCEMENT
CORPORATE PRESENTATION
14 August 2018**

IMPORTANT NOTICE

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LY Corporation Limited (“the Company”) was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 31 January 2018. The initial public offering of the Company was sponsored by UOB KayHian Private Limited (the “Sponsor”).

The presentation has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of the presentation.

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AGENDA

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MAJOR SECTIONS:

1. FINANCIAL HIGHLIGHTS
2. BUSINESS PROSPECTS & FUTURE PLANS





FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

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(RM'000)	1H FY2018	1H FY2017	Change (1HFY2018 vs 1HFY2017)
Revenue	148,059	163,805	(9.6%)
Gross profit	28,115	39,094	(28.1%)
Gross profit margin	19.0%	23.9%	4.9%
Profit before tax	7,469	27,989	(73.3%)
Profit for the year attributable to owners of the Company	3,658	21,100	(82.7%)

- The Group's revenue decreased by 9.6% to RM148.0 million for the first six months ended 30 June 2018 ("1H2018").
- Net profit of RM3.7 million for 1H2018 as compared to a net profit of RM21.1 million in 1H2017



REVENUE & GROSS PROFIT HIGHLIGHTS

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(RM'000)	2QFY2018	2QFY2017	Change %	1HFY2018	1HFY2017	Change %
Revenue	62,939	80,222	(21.5)	148,059	163,805	(9.6)
Gross Profit	12,986	18,952	(31.5)	28,115	39,094	(28.1)
Gross Profit Margin	20.6%	23.6%	3.0%	19.0%	23.9%	4.9%

(RM'000)	2QFY2018	2QFY2017	Change %	1HFY2018	1HFY2017	Change %
Revenue	62,939	80,222	(21.5)	148,059	163,805	(9.6)
Profit After Tax (PAT)	6,455	10,728	(39.8)	3,658	21,100	(82.7)
PAT Margin	10.3%	13.4%	3.1%	2.5%	12.9%	10.4%



REASONS FOR THE DECLINE IN REVENUE

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The revenue decline is a direct result of reduced demand and selling price as follows:

	2Q2018	2Q2017	1H2018	1H2017
Number of 40-ft containers sold	1,295	1,585	2,976	3,145
Average Selling Price per 40-ft container (RM'000)	49	51	50	52

- Demand has declined as reflected in the number of 40-ft containers sold. This was a direct result of a drop in demand from US customers.
- While the US economy is still fundamentally strong, the US-China trade dispute has a negative impact on trade sentiments. We believe that the uncertainties are holding back the US wholesalers from new furniture purchases.
- The decline in the average selling price per container is due to the strengthening of the RM against US\$ as indicated in slide 12.



REASONS FOR PROFIT DECLINE

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	RM'000
1H2018 PAT	3,658
Add:	
IPO Expenses	6,794
Adjusted 1H2018 PAT	10,452

- The key reasons for the decline in profit after tax (“**PAT**”) is similar to the reasons for the decline in revenue and gross profit, i.e. uncertainties arising from the US-China trade dispute and the strengthening of RM against US\$ in 1H2018
- Nevertheless, the other key reason for the decline in PAT is the IPO expenses.
- **Should the IPO expenses be added back to the PAT, the PAT will be higher at RM10.452 million as indicated above.**
- While the Adjusted 1H2018 PAT is still less than that for 1H2017 PAT, the Adjusted 1H2018 PAT is still a major improvement than the current PAT of RM3.658 million.



MALAYSIAN INDUSTRY PEERS

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	LY Corporation Limited			Poh Huat Resources Holdings Berhad ¹			Latitude Tree Holdings Berhad			Lii Hen Industries Berhad ⁴		
	1H2018	1H2017	%	1H2018	1H2017	%	1Q2018	1Q2017	%	1Q2018	1Q2017	%
Revenue	148,059	163,805	(9.6)	287,421	291,106	(1.3)	164,497	187,269	(12.2)	193,764	173,022	12.0
PAT	3,658	21,100	(82.7)	16,931	28,007	(39.5)	2,399	11,515	(79.2)	8,134	22,119	(63.2)
Adjust:	6,794 ²	-		(5,220) ³	-		-	-		-	-	
PAT/ Adjusted PAT	10,452	21,100	(36.2)	11,711	28,007	(58.2)	2,399	11,515	(79.2)	8,134	22,119	(63.2)

- Despite the decline in 1H2018 revenue, LY Corporation still outperforms in adjusted PAT compared to its Malaysian industry peers.

1. Six months ended 30 April 2018

2. Added IPO expenses

3. Less gains arising from fire insurance claims and final settlement for the disposal of former subsidiary

4. Using the quarter ended 31 March 2018 only



BALANCE SHEET POSITION

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(RM'000)	As at 30 June 2018	As at 31 Dec 2017
Non-current assets	130,661	127,846
Current assets	130,751	108,637
Inventories	39,362	37,112
Cash and cash equivalents	66,001	31,103
Total Assets	261,412	236,483
Current liabilities	33,680	47,017
Non-current liabilities	13,829	13,818
Total Liabilities	47,509	60,835
Total Equity	213,903	175,648

- We consistently maintain a strong balance sheet and low gearing ratio.



LIQUIDITY AND CAPITAL RESOURCES

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(RM'000)	As at 30 June 2018	As at 30 June 2017
Net cash generated from operating activities	14,700	21,795
Net cash used in investing activities	(5,245)	(2,670)
Net cash used in/from financing activities	25,455	(2,103)
Net increase in cash and cash equivalents	34,910	(17,022)
Effect of exchange rate changes on cash and cash equivalents	(12)	(176)
Cash and cash equivalents at beginning of period	31,103	49,468
Cash and cash equivalents at end of period	66,001	66,666

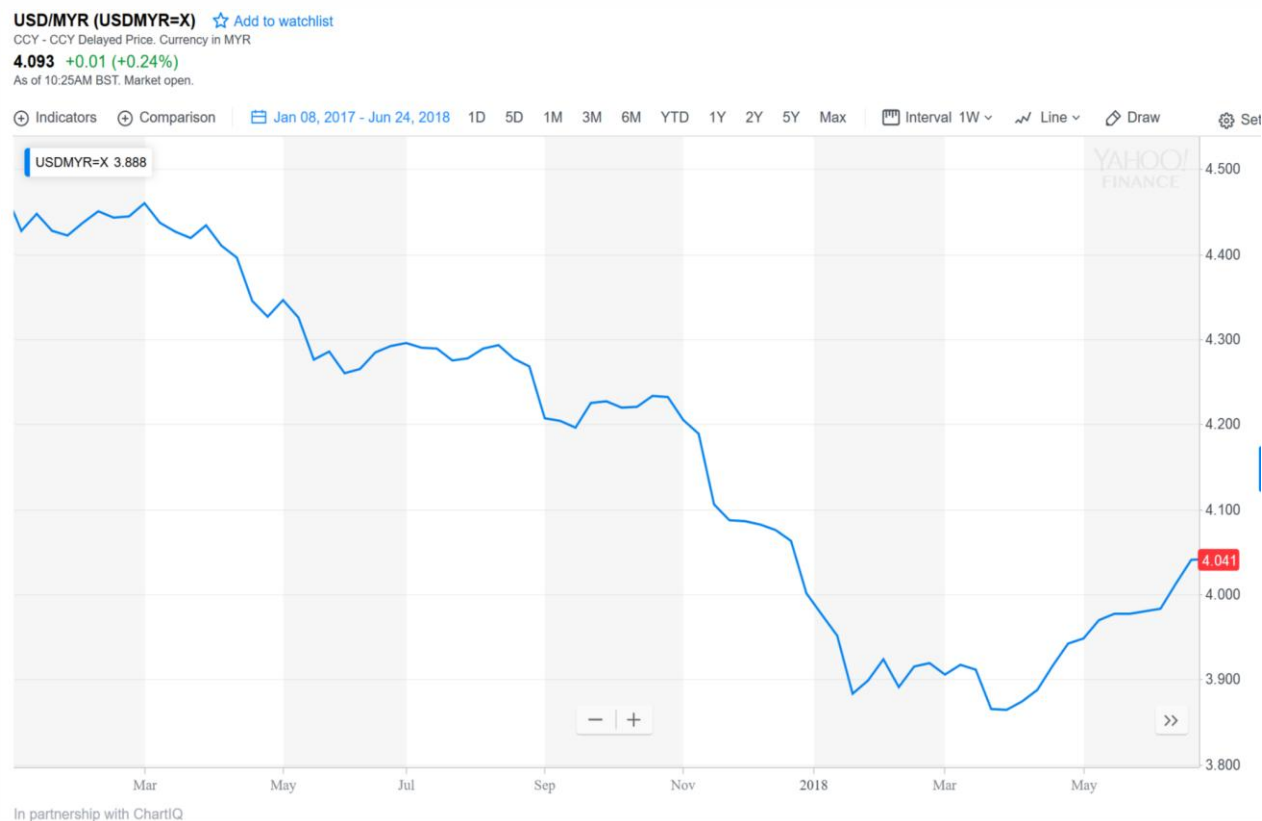


BUSINESS UPDATES

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- **Strengthening of Malaysian Ringgit against US\$ is mitigated**
 - The Group expects the impact, if any, of such exchange rate to be short term given the Group's ability to adjust the products' selling prices determined in RM with the fluctuation in RM against US\$.

	2017	2018
Impact of Strengthening of RM vs US\$ in 2018 (vs 2017)		
1 st Quarter	Average RM4.4464/US\$1 in 2017	Average RM3.9248/US\$1 in 2018 Appreciation of 11.7% in RM
2 nd Quarter	Average RM4.3314/US\$1 in 2017	Average RM3.9481/US\$1 in 2018; Appreciation of 8.8% in RM



Source: www.finance.yahoo.com



BUSINESS UPDATES (cont'd)

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- **Increase in raw materials prices have stabilised.**
- **Appointed a new Chinese distributor to expand our sales and distribution network via online Business to Consumer platform in China**
 - On 16 July 2018, our wholly-owned subsidiary, LY Global Hub Sdn. Bhd., entered into an exclusive distribution agreement with Hangzhou Feilue Network Technology Co., Ltd., which manage a virtual store on Tmall/Tao Bao for the purpose of selling wooden furniture manufactured by LY Corporation online in China



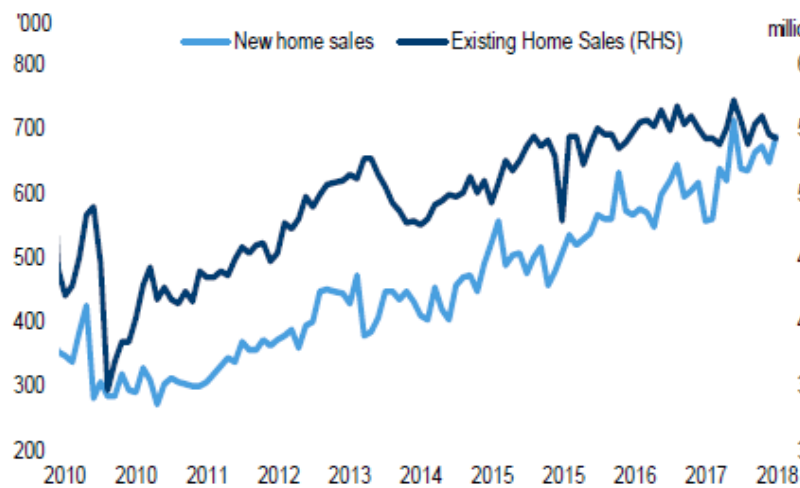


**BUSINESS PROSPECTS
&
FUTURE PLANS**



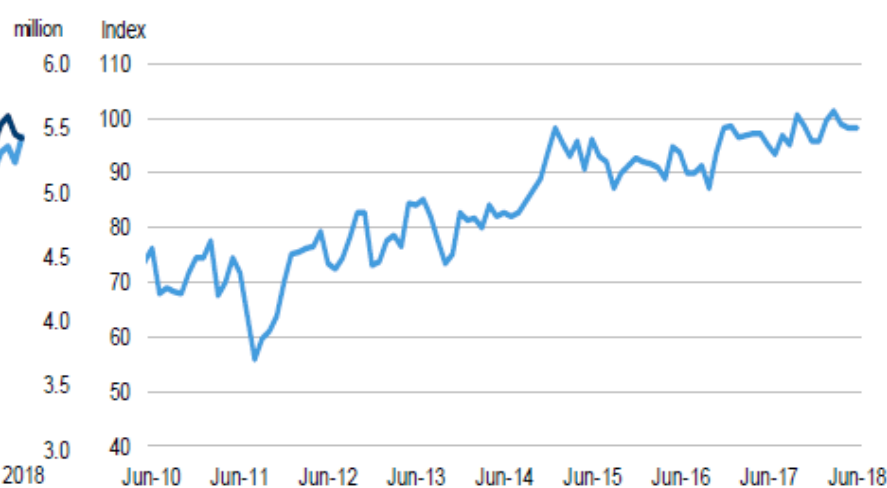
US DEMAND EXPECTED TO REMAIN RESILIENT

Fig 1: New and existing home sales growth in the US



Source: CEIC, Affin Hwang

Fig 2: US Consumer sentiment



Source: Bloomberg, Affin Hwang

- LY Corporation is one of the leading furniture exporters in Malaysia, with US being the group's main export market, contributing more than 70.0% (US: 75.2%, Malaysia: 14.3%, China\Others: 10.6%) of the group's total sales in 1H2018.
- In view of the recent surge in US new home sales (Fig 1), we expect furniture exports to the US to remain strong in the near term. This comes as single-family starts broke above 900,000 units for the fourth time in the last eight months, whereas multi-family starts stood at 304,000 units for the month of June.
- Apart from that, we also expect demand for furniture from the US to continue to rise, underpinned by stronger economic growth and an improvement in the US consumer sentiment.
- According to the latest projection by the World Bank, the US economy is expected to grow by 2.7% and 2.5% yoy in 2018E and 2019E (2017: +2.25%), respectively.

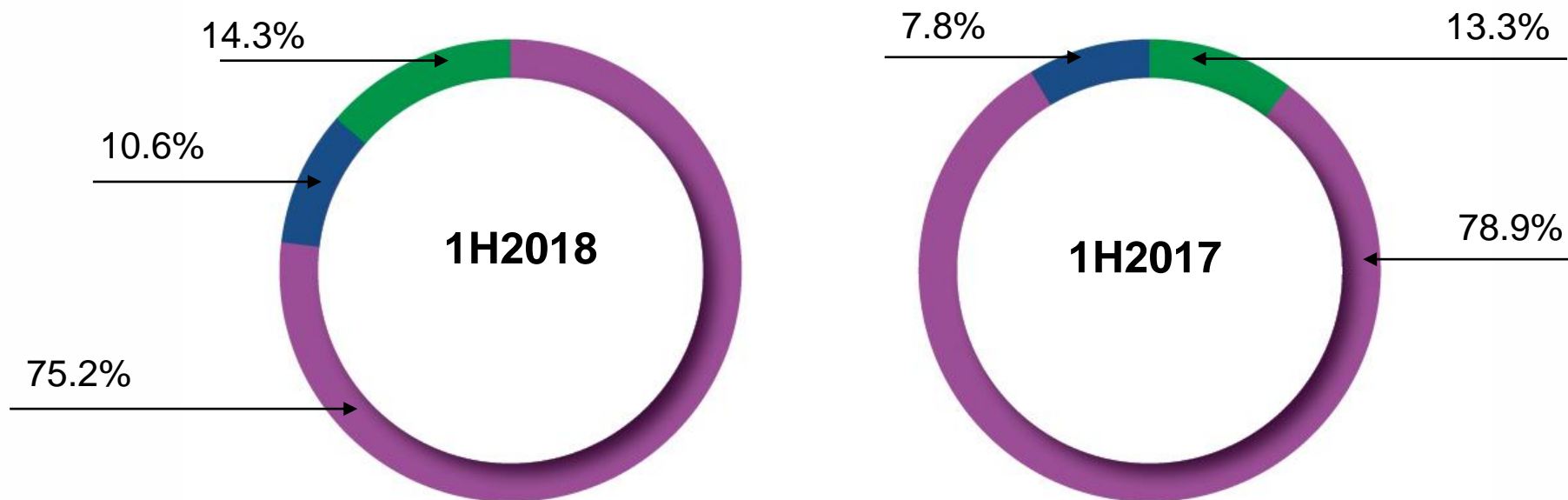


CHINA: NEW EQUATION IN OUR GROWTH STRATEGY

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- Through our distributor Hangzhou Feilue Network Technology Co., Ltd., we intend to increase our brand awareness and products in China, including (but not limited to) the promotion of our products through established e-commerce websites in which customers in China can order our products online.

REVENUE BY GEOGRAPHY



● Malaysia ● United States of America ● China/Others



POTENTIAL BENEFICIARY FROM US-CHINA TRADE WAR?

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- After months of uncertainties, the US government announced in early July a 25% tariff on US\$34bn worth of Chinese goods, mainly targeting industrial and tech products.
- China's immediate retaliatory action subsequently prompted the US government to propose tariff on a further US\$200bn of Chinese imports which would entail a wider range of products, amongst others, furniture and wood-based products.
- There would not be a full blown trade war. The latest proposed 10% import tariff, if set in motion, would scupper China's furniture exports, with the US retailers looking elsewhere for furniture products.¹
- With more than 70.0% of exports directed to the US, we are cautiously optimistic that LY Corporation is in a position that stands to gain from the trade dispute between the US and China.

1. Source : Affin Hwang



OUR ONGOING FUTURE PLANS

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- **Expanding our sales network in China**
- **Upgrading our machinery and equipment and acquiring new technology**
- **Construction of additional facilities**
- **Explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations**



THANK YOU



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24 October 2016)

UOB KayHian

Sponsor

UOB KayHian Private Limited



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