

DKSH Q3 2022 Analyst and Investor Presentation

Stephen Ferraby, Head Corporate Affairs & Strategic Investments and Non-Independent Non-Executive Chairman, DKSH Malaysia

December 1, 2022

Delivering Growth – in Asia and Beyond.

Agenda



- 1. About DKSH Group**
- 2. DKSH Malaysia at a glance**
- 3. Q3 2022 results**
- 4. Outlook**

1

About DKSH Group

DKSH Is a Successful Market Leader



No. 1

Market Expansion Services
provider with a focus on Asia



2,100 clients
2,000 suppliers



23 million
transactions per year



11.1 billion
Net sales (2021)



>10 years
4 markets
average client relationship¹



870
business locations



33,100
specialists



More than
150 years in Asia



530,000
customers

¹ Top 200 clients by net sales

We Support Companies to Grow Their Business In and With Asia...



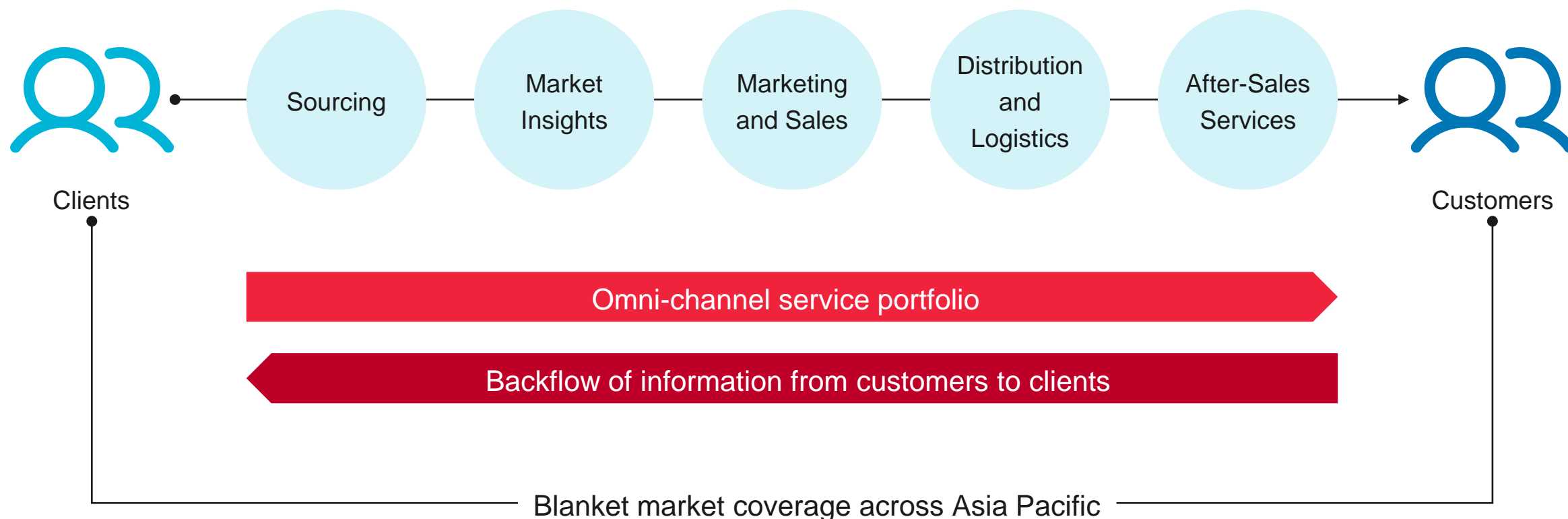
We ensure that our clients' products are visible at all times.

- Helping companies to grow their business in new and existing markets
- Providing business partners with the knowledge, advice, relationships, and on-the-ground logistics to reach their individual growth goals
- Expanding their access to knowledge, their sourcing base, revenue opportunities, and ultimately, their market shares

This is what we define as
Market Expansion Services.

...With a Comprehensive, Tailor-Made Portfolio of Services

Market Expansion Services goes beyond offering individual services – it is about the integration of many different services to meet the needs of business partners



2

DKSH Malaysia at a Glance

DKSH Malaysia at a Glance



Net sales:
RM 6.7 billion



About 3,250 specialist



25 business locations



**4 ISO-certified distribution centers,
15 regional distribution centers, and
1 manufacturing plant**



**Network of more than 170 clients
and 14,000 customers**



More than 95 years of success in Malaysia

Three Specialized Business Segments



Marketing & Distribution Services



- Fast Moving Consumer Goods
- Food Services

Logistics Services



- Healthcare

Others



- Famous Amos
- Others – overheads

...leading the Market Expansion Services industry with tailored solutions across the value chain

Marketing & Distribution Segment



Fast Moving Consumer Goods (FMCG)

- Food (Nutritional products, snacks, beverages, dairy etc)
- Non-food (Personal care, home care, baby and child care, consumer health etc)
- Pet care

Food Services

- Provide customers high quality ingredients and the latest industry innovations from our world-class clients



Oatly and DKSH Expand Strategic Partnership to Malaysia



Oatly has expanded their partnership with DKSH to provide full-agency market expansion services for Oatly's line of oat drinks across all trade channels as well as Food Services targeted to the HORECA (hotel, restaurant, and café) industry in Malaysia

Healthcare

- Pharmaceuticals
- OTC & Consumer Health
- Medical Devices



Partnership with LEO Pharma

DKSH and LEO Pharma have entered into an agreement to bring high-quality therapeutic products for dermatology and thrombosis to patients across Asia. Partnering in seven markets, including Malaysia, we seek to solidify brand presence, grow market share, and ultimately improve patient health outcomes in the region.



Acquisition of Two New Brands from Eisai ¹



DKSH has signed an agreement acquired two pharma brands – Myonal (muscle-relaxant) and Merislon (medicine for vertigo and dizziness associated with inner-ear disorders), from Eisai for nine markets in Asia Pacific – including Malaysia

¹ Transaction signed, not yet closed

Others Segment



At the end of Q3'2022, there were a total of 95 outlets located in West and East Malaysia as well as two outlets in Brunei

Serving International Clients...



Trusted Partner for Well-Known International Brands

Consumer Goods:



Healthcare:



...and Local Brands

Reliable Partner for Asian Brands



In Malaysia for Malaysia



3

Q3 2022 Results

Q3 2022 Results



Financials

(in RM millions)	Q3 2022	Q3 2021	Change %
Revenue	1,829.7	1,612.2	13.5%
Profit before interest and tax	30.6	23.8	28.4%
Profit before tax	23.7	17.2	37.5%
Profit after tax	17.7	11.5	53.7%
(in RM sen)			
Earnings per share (EPS)	11.2	7.3	53.7%
Cash earnings per share (EPS)	15.2	11.0	37.6%

Comments

- Revenue improved by 13.5% mainly due to the timing of the commencement of a major hospital tender in Logistics segment, ongoing growth of existing clients in both Marketing and Distribution and Logistics segments and recovery of customer demand from the COVID-19 pandemic for all segments
- Operating costs increased by 13.4%, largely in line with movement in revenue with personnel cost relatively flat
- Profit before tax improved by 37.5% due to increased revenues, improved margin mix in Logistic segment and gains from foreign exchange hedging

Revenue improvement driven by ongoing growth in Marketing and Distribution and Logistics segments

Marketing and Distribution Services



Financials

(in RM millions)	Q3 2022	Q3 2021	Change %
Revenue	966.5	902.0	7.2%
Segment profit before interest and tax	19.4	16.4	17.9%

Comments

- Revenue grew by 7.2% as a result of ongoing growth of existing clients and recovery from the effects of the COVID-19 pandemic in 2021
- This is despite short-term pressure on own brands margins from rising commodity prices
- Segment profit increased by 17.9% due to revenue growth, lower receivable provisions, and reduction in trade returns

1 FMCG

2 Food Services

Revenue growth, lower receivable provisions, and reduction in trade returns led to profit growth

Financials

(in RM millions)

Q3 2022

Q3 2021

Change %

Revenue

851.8

702.4

21.3%

**Segment profit before
interest and tax**

15.0

11.0

35.4%

Comments

- Revenue improved by 21.3% mainly due to the timing of the commencement of a major hospital tender and growth in existing clients
- Segment profit improved 35.4% due to sales growth and improved margin mix, as we continue to focus on value added services such as commercial outsourcing and full-service distribution

1

Healthcare

Revenue improved due to timing of the commencement of major hospital tender and sales growth

Segment – Others



Financials			
(in RM millions)	Q3 2022	Q3 2021	Change %
Revenue	11.3	7.9	43.1%
Segment profit before interest and tax	(3.7)	(3.6)	(2.6%)

Comments
<ul style="list-style-type: none"> Revenue grew by 43.1% mainly due to business operations being affected by movement control order imposed by the government in 2021 Segment result decreased by 2.6% largely due to higher operating expenses from full operation of all outlets in 2022, and lower rental rebates and government grants received Q3 2022 was in a loss position for Famous Amos due to batter supply shortages, which has been resolved in Q4 2022, YTD September 2022 is profitable

1	Famous Amos
2	Others – overheads

Revenue improved due to the recovery from the COVID-19 effects

Cash Flows

Financials		
(in RM millions)	Q3 2022	Q3 2021
Net cash flows generated from operating activities	(27.1)	100.6
Net cash flows used in investing activities	(25.8)	(4.2)
Net cash flows generated from financing activities	34.8	(89.3)
Cash and cash equivalents	91.5	62.5

Comments
<ul style="list-style-type: none"> Higher cash flows used in operating activities due to higher receivables from increased sales and increase stock holding in anticipation of early Lunar New Year celebration in 2023 Higher cash flows in investing activities arising from acquisition of AcuTest Increased short-term borrowings to fund the working capital requirements

Increase in working capital to support existing and future growth

4 Outlook

Outlook

- Consumer demand remains stable despite inflationary pressure with some fluctuations in relation to the current phase of recovery
- Continue to focus on winning new businesses, cost efficiency improvements, working capital management, and other growth initiatives while closely monitoring the short-term outlook to ensure prudent navigation of the current situation

The Group is well positioned to benefit from favorable long-term market, industry, and consolidation trends in Asia Pacific



Two market trends...

1 Growing middle class in Malaysia

2 Trend towards outsourcing

**Increased spending on value-for-money
consumer goods and healthcare products**

Investments in local infrastructure and industries

**...boost expansion, consumer/industrial spending
as well as MES industry**



We welcome your questions

Thank you for your attention