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# SYNERGY HOUSE BERHAD

**Q2FY24 Results Briefing**  
**August 2024**

Stock code on Bursa Malaysia: 0279





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# AGENDA

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4. Future outlook & Management initiatives 24
5. Q&A 27

# Snapshot of Synergy House



We are a cross-border e-commerce seller and furniture exporter that specialises in beautifully designed and affordable ready-to-assemble home furniture.

# Snapshot of Synergy House (Cont'd)



**Revenue**  
**Q2FY2024**  
**RM77.4 mil**

**6MFY2024**  
**RM161.0 mil**



**(Loss)/Profit after**  
**tax**  
**Q2FY2024**  
**(RM4.8 mil)**

**6MFY2024**  
**RM4.2 mil**



**B2B: 47.0%**  
**B2C: 53.0%**



**2,653 SKU &**  
**designs on**  
**offer\***



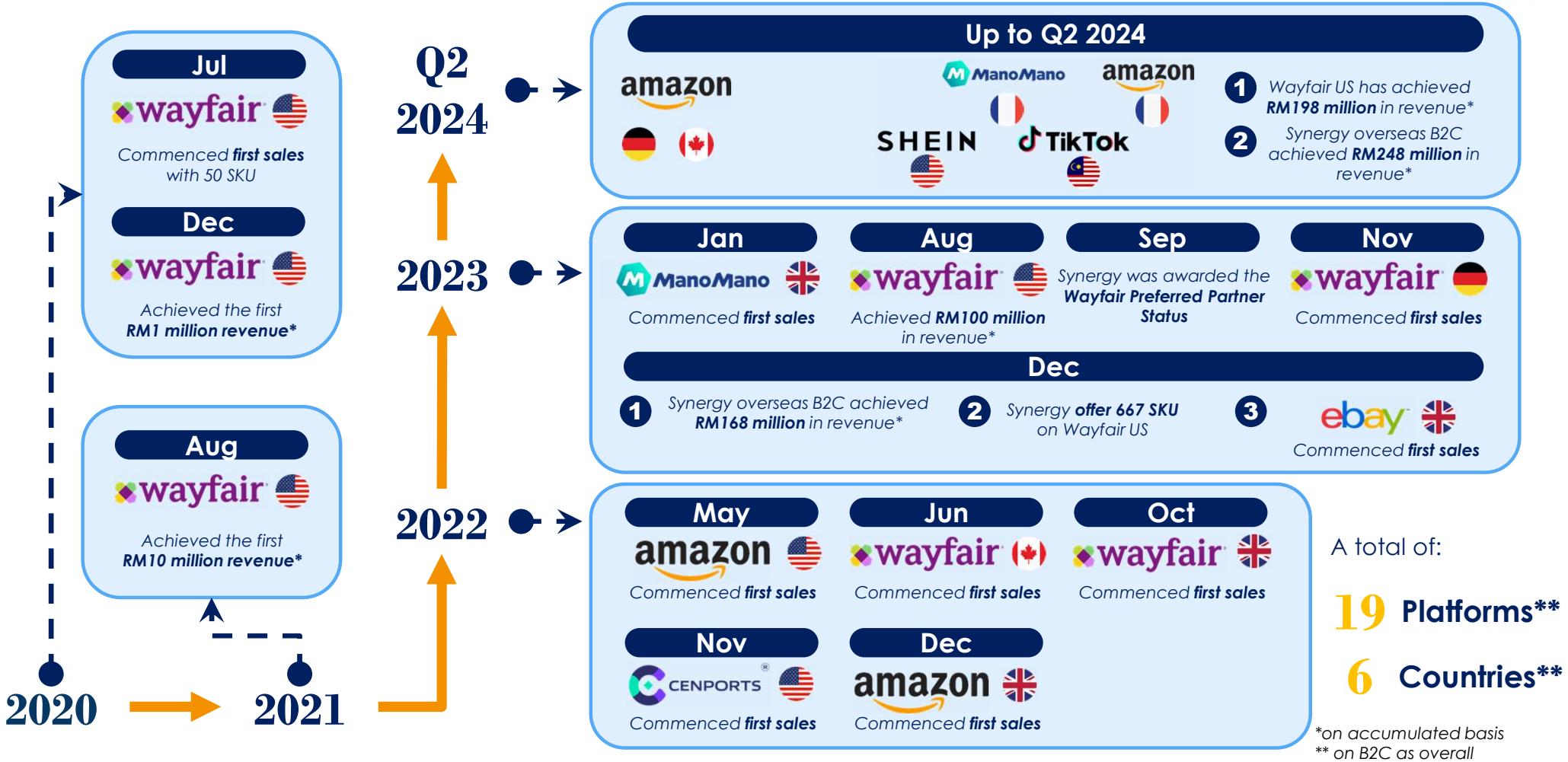
**97% of YTDFY24**  
**total revenue is**  
**export based**



**Total marketplace: 19**  
**New marketplace in**  
**2024: 6\***



# Synergy House Overseas e-commerce key milestones



# Successful onboarding to 19 B2C platforms up to Q2 FY2024

## 1) Malaysia



## 2) USA



## 3) UK



## 4) Canada



## 5) Germany



## 6) France



\* Via Cenports Commerce Inc

# B2C Target Markets and Platforms for 2024







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# AGENDA

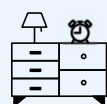
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# Q2FY24 Financial Highlights

## Group's Performance Q2FY2024 and Q1FY2024

\* Without net impact of provision for doubtful debts and expected insurance receivables

RM 'mil	Q2 FY24	Q1 FY24	QoQ (%)
Revenue	77.4	83.7	-7.5 ↓
(Loss)/ Profit Before Tax	(6.4)	12.3	-152.0 ↓
(Loss)/ Profit After Tax	(4.8)	9.0	-153.3 ↓
Profit After Tax *	2.8	9.0	-68.9 ↓



### Sales



### Overall

## Highlights of Q2FY2024 vs Q1FY2024

- Overall revenue declined by **7.5%** in Q2FY2024 as compared to Q1FY2024 as both segment decreased.
  - B2C decreased by **4%** from RM43.7mil in Q1FY24 to RM41.9mil in Q2 FY2024. Total units sold was approximately 126k pcs (Q1FY2024: 120k pcs).
  - B2B sales declined by **11%** from RM40.0mil in Q1FY24 to RM35.6mil in Q2FY24. Total units sold was approximately 136k pcs (Q1FY24: 173k pcs)
  - B2B shipments delays in Q2 and due to circumstances affecting Hillsdale resulted in lower B2B.
- Q2FY2024 were mainly affected by:
  - Clearance of ageing stocks to reduce storage cost but at lower margins.
  - Loss in sales opportunity due to damaged stocks worth approximately RM0.55mil in a fire incident in 3PL warehouse. The amount was largely recovered in Q3FY24.
  - Increase in manpower cost by 6% (Headcount increased by 10%) to cater for growth
  - Recognised forex losses of RM895k in Q2 FY2024 as compared to a gain of RM1.6mil in Q1 FY2024.

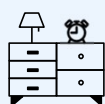
# Q2FY24 Financial Highlights

## Group's Performance YTD 6MFY2024 and 6MFY2023

\* Without net impact of provision for doubtful debts and expected insurance receivables

### Highlights of YTD 6MFY2024 vs 6MFY2023

RM 'mil	6M FY24	6M FY23	QoQ (%)
Revenue	161.0	110.2	46.1 ↑
Profit Before Tax	5.8	12.1	-52.1 ↓
Profit After Tax	4.2	8.8	-52.3 ↓
Profit After Tax *	11.8	8.8	34.1 ↑



#### Sales

- Revenue increased by 46.1% due to higher revenue generated from both business segments:
  - B2C sales higher in YTD 6MFY2024 of RM85.5mil, increased by 69% as compared to 6MFY2023 of RM50.7mil. Total quantity sold was approximately 245k pcs (6MFY23: 143K pcs). Direction is correct with B2C and growth potentials.
  - B2B sales increased by 27% to RM75.6mil in 6MFY2024 as compared to RM59.5mil in 6MFY2023. Total quantity sold increased to 309k pcs from 247k pcs in 6MFY23.



#### Costs

- Headcount has increased to prepare for higher volume of transactions and business expansions. Average basic manpower cost increased by 63% in 6MFY2024 as compared to 6MFY2023 and average headcount was 194 as compared to 125.

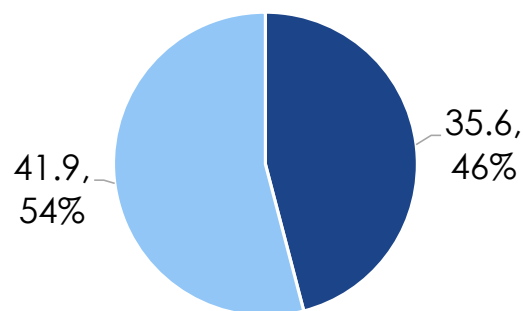


#### Margins

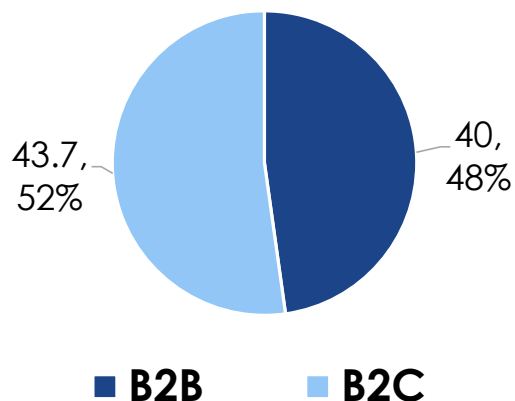
- PAT% excluding the net impact of provision for doubtful debts have decreased to 7% from 8% as compared to 6MFY2023.
- The decrease is mainly due to the lower margins due to stock clearance, higher operating costs mainly manpower and lesser forex gains in current year under review.

# Revenue by business segment

Q2 FY24 (RM million)



Q1 FY24 (RM million)

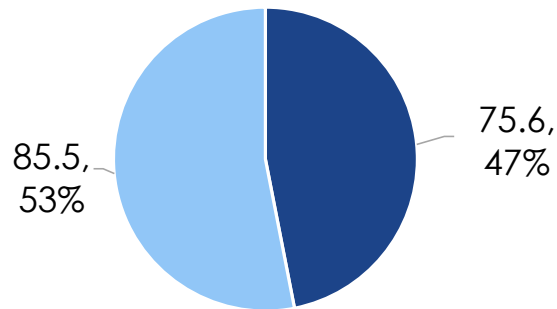


## Group's Performance by Business Segment

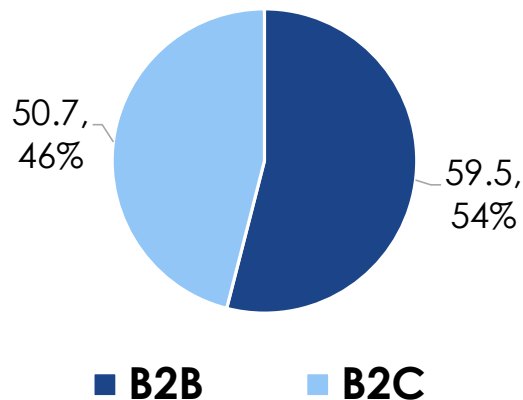
- 1) For Q2FY24, B2C revenue contribution is 54% of total revenue while B2B at 46%.
- 2) For Q2FY24, B2C sales decreased by 4% comparing to Q1FY24 despite registering higher quantities sold. This is mainly due to promotions for stock clearance, out of stocks matter, opportunity loss in sales due to fire incident affecting Synergy's Amazon UK sales.
- 3) For Q2FY24, B2B sales decreased by 11% due to lower revenue contribution from customer in the middle east. There were also delay in B2B shipments due to the circumstances affecting Hillsdale and also securing of vessels.

# Revenue by business segment

6M FY24 (RM million)



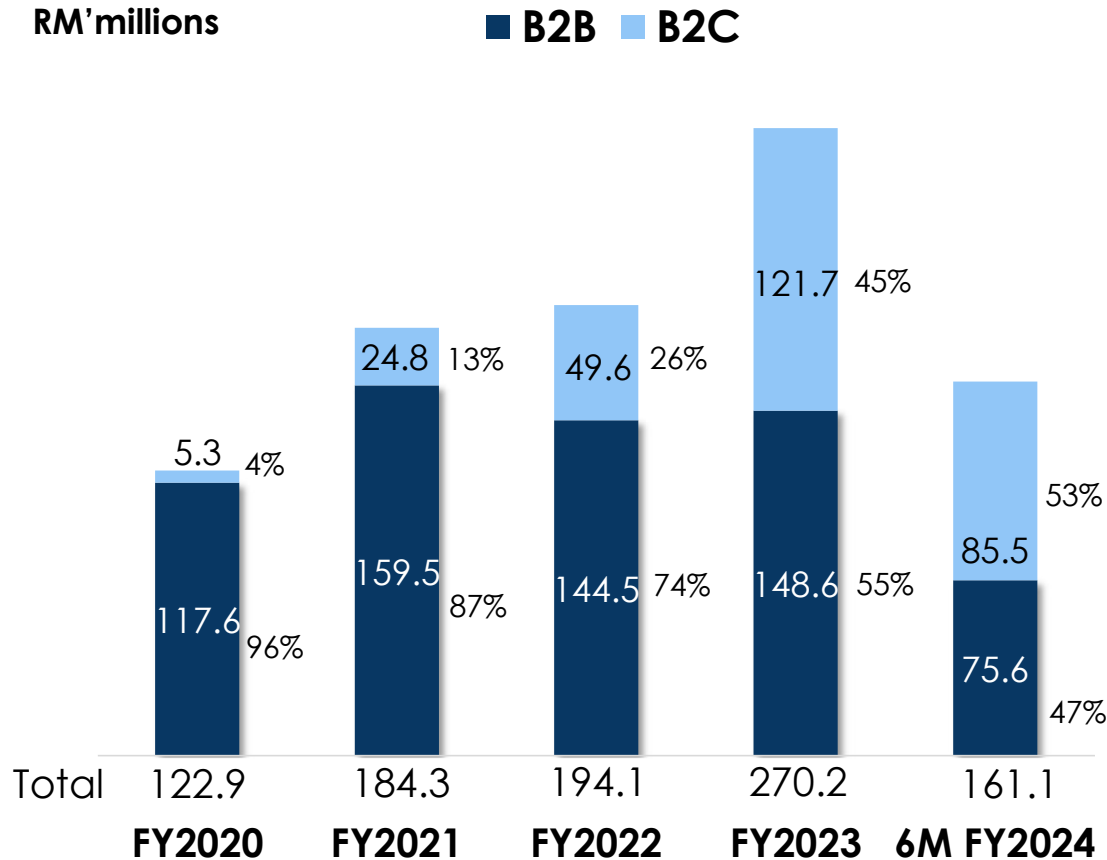
6M FY23 (RM million)



## Group's Performance by Business Segment

- 1) For 6MFY24, B2C revenue contribution is 53% of total revenue while B2B at 47%.
- 2) 6MFY24 B2C sales is at RM85.5million, exceeding B2C sales for 6MFY23 of RM50.7million by 69%, having operating in more platforms while existing platform continues to grow.
- 3) Total quantities sold for B2C has also increased by approximately 71% to 245k pieces in 6MFY24 from 143k pcs in 6MFY23.

# Revenue by business segment



Note:

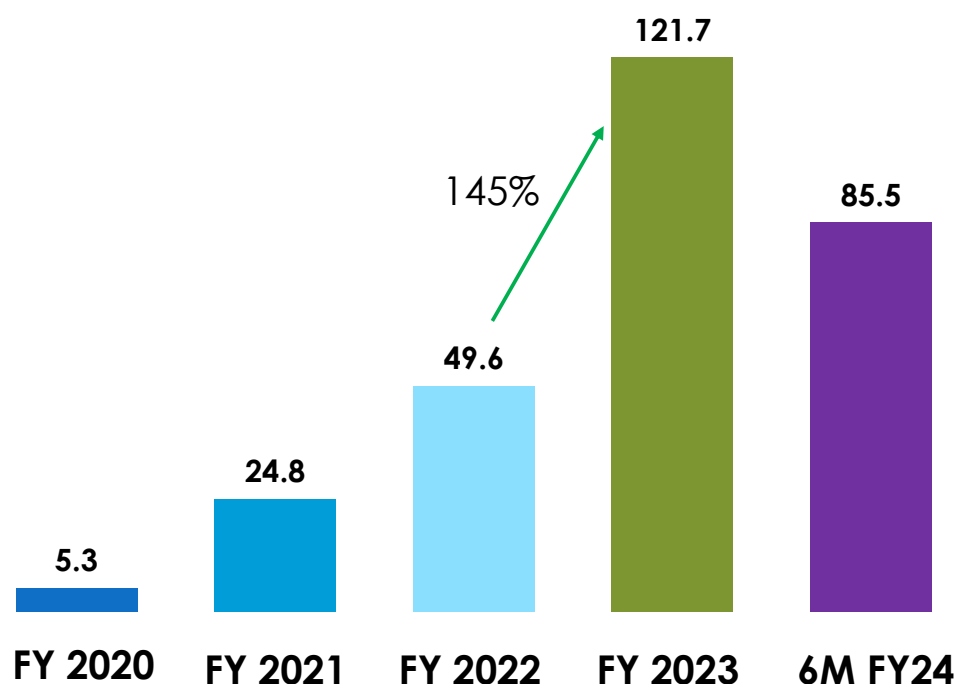
\* Percentage over respective financial year's total revenue.

- 1) The Group continues to grow the B2C segment as the main direction of the Group.
- 2) The Group expects the B2C sales contribution to increase further with new countries and platforms, while continuing to expand existing platforms.
- 3) For 6MFY2024, actual B2C sales has already achieved 70% of total B2C sales in FY2023.



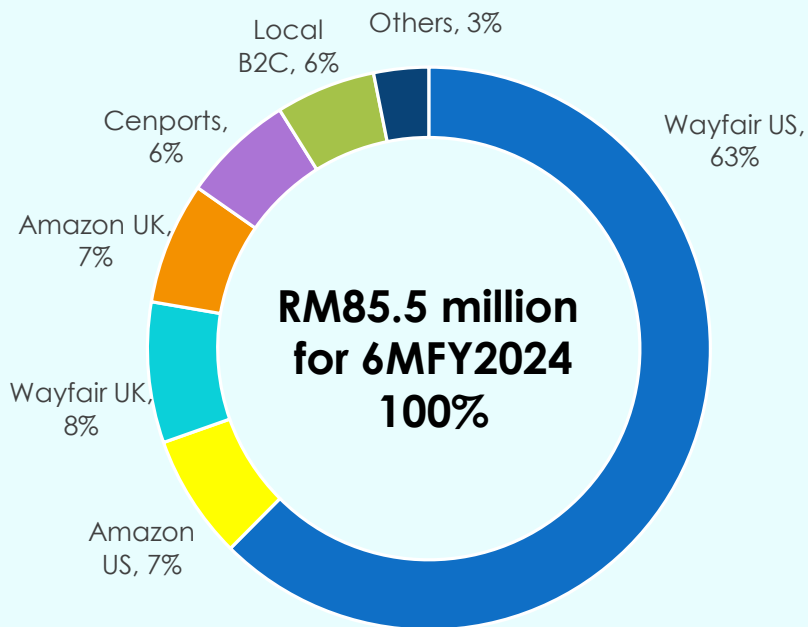
# B2C Revenue by Platforms & Countries (con't)

## Historical Revenue Contribution by B2C Overall (RM'mil)



- 1) Continuous growth trend seen in the B2C.
- 2) Current 6MFY24 sales is approximately 70% of total FY23 B2C sales.
- 3) Traditionally, B2C sales peak towards the final quarter of the calendar year, hence 6MFY2024 is commendable given we have achieved 70% of FY2023 B2C sales.

# Current B2C Contribution to Total B2C Revenue

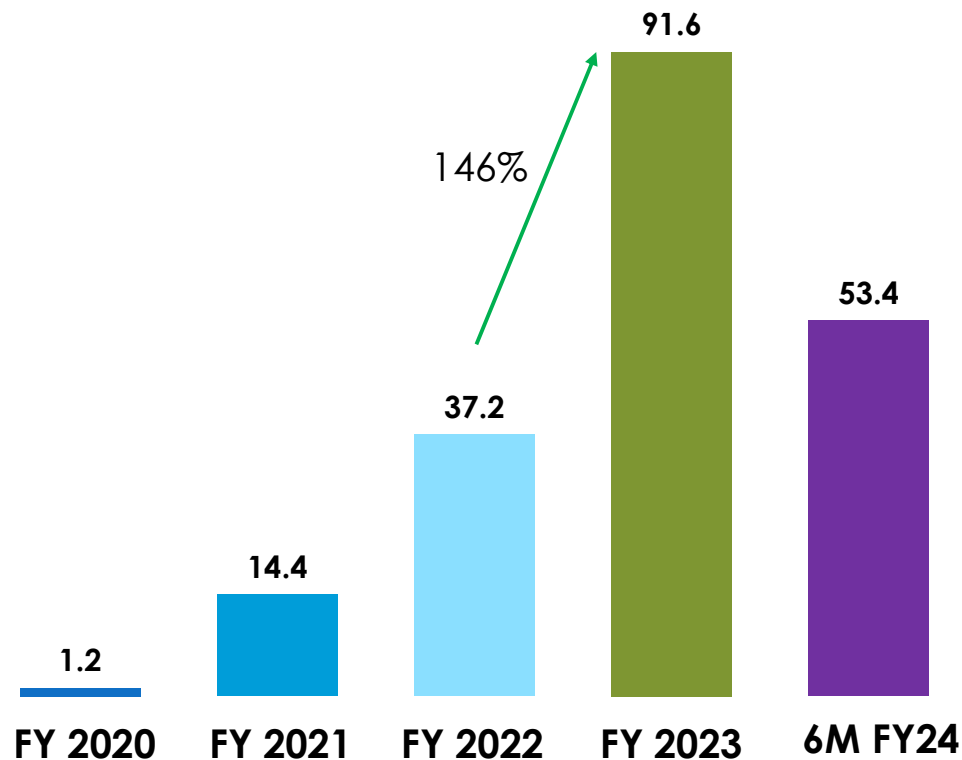


- **Wayfair US**
- **Amazon US**
- **Wayfair UK**
- **Amazon UK**
- **Cenports**
- **Local B2C**
- **Others**

1. Wayfair US remains the major platform that Synergy operates in, being the 1<sup>st</sup> overseas platform penetrated.
2. Diversification to reduce dependency risk is ongoing with other platforms namely Amazon US, Wayfair UK, Amazon UK and Cenports. Also diversification in terms of geographical region is ongoing.

# B2C Revenue by Platforms & Countries (con't)

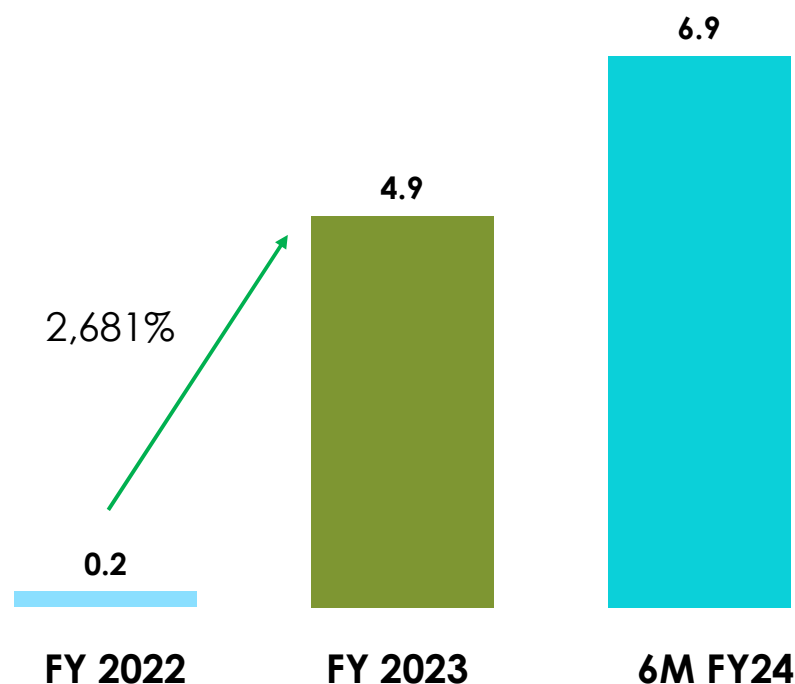
## Historical Revenue Contribution by Wayfair US (RM'mil)



- 1) Commenced selling on Wayfair US on 2020 and has seen continuously huge growth.
- 2) Q2FY24 sales decreased by 11% as compared to Q1FY24 (RM28.3m).
- 3) 6MFY24 sales is currently approximately 58% of FY23 total B2C sales.
- 4) Currently have approximately more than 690 SKU offered in the platform.

# B2C Revenue by Platforms & Countries (con't)

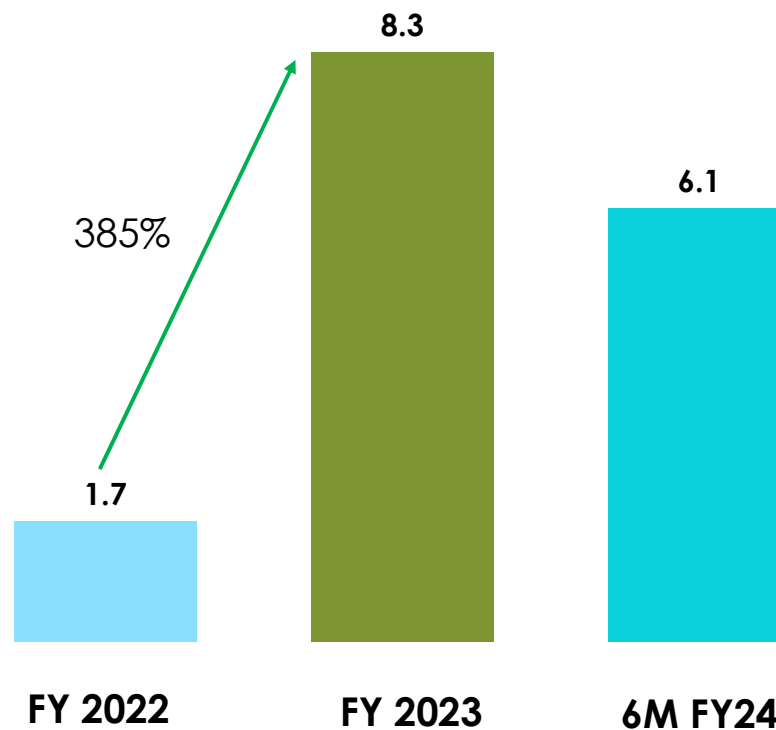
## Historical Revenue Contribution by Wayfair UK (RM'mil)



- 1) Commenced selling on Wayfair UK in late FY2022.
- 2) Q2FY24 sales increased by 6% as compared to Q1FY24 (RM3.3m).
- 3) 6MFY24 sales is currently approximately 141% of FY23 total B2C sales.
- 4) Currently have approximately more than 410 SKU offered in the platform.

# B2C Revenue by Platforms & Countries (con't)

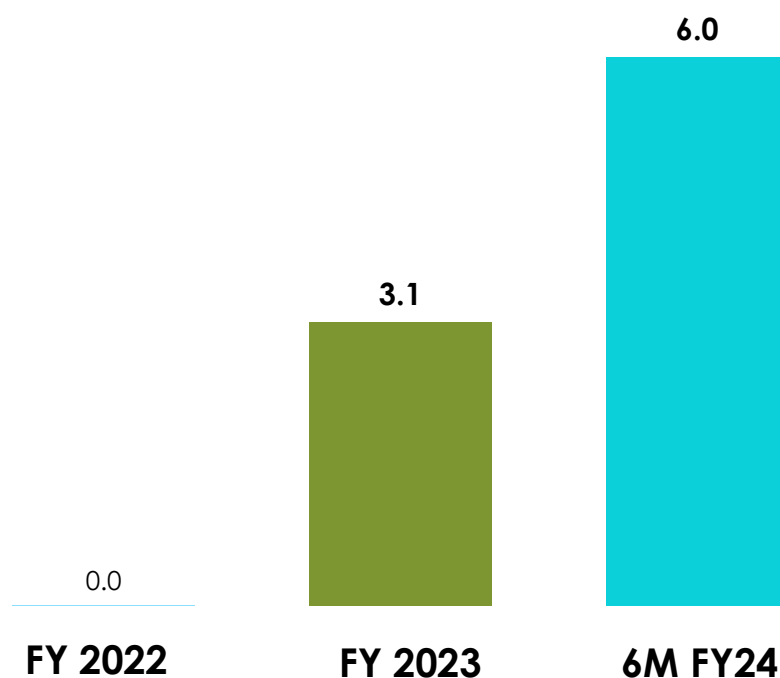
## Historical Revenue Contribution by Amazon US (RM'mil)



- 1) Commenced selling on Amazon US in mid FY2022.
- 2) Q2FY24 sales decreased by 13% as compared to Q1FY24 (RM3.3m).
- 3) 6MFY24 sales is currently approximately 74% of FY23 total B2C sales.
- 4) Currently have approximately more than 230 SKU offered in the platform.

# B2C Revenue by Platforms & Countries (con't)

## Historical Revenue Contribution by Amazon UK (RM'mil)

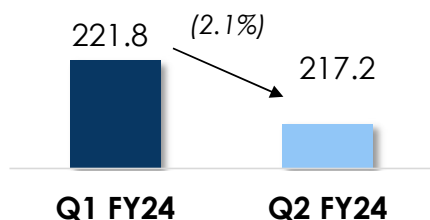


- 1) Sales in Amazon UK commenced in late FY2022.
- 2) Q2FY24 sales decreased by 2% as compared to Q1FY24 (RM3m), despite the loss in sales opportunity due to the fire incident.
- 3) 6MFY24 sales is currently approximately 194% of FY23 total B2C sales.
- 4) Currently have approximately more than 360 SKU offered in the platform.



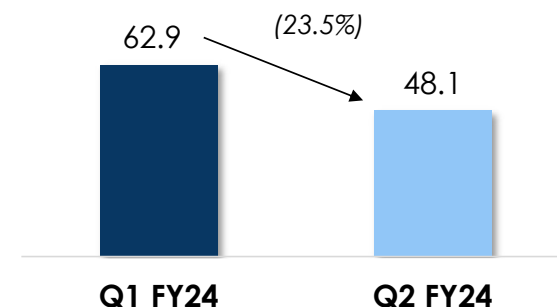
# Snapshot of Balance Sheet

**Total assets  
(RM'mil)**

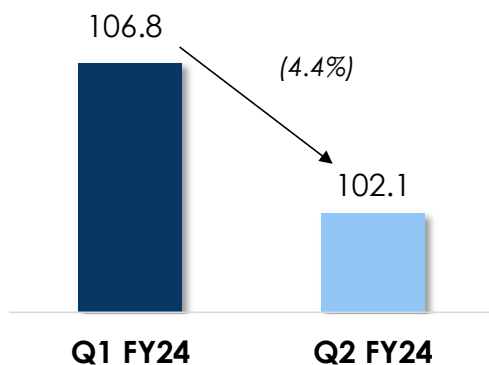


1. Balance sheet remains strong despite lower results as compared to Q1 FY24.
2. Despite that, the Group still reported a positive operating cash flow for Q2 FY24 of RM10.7million.

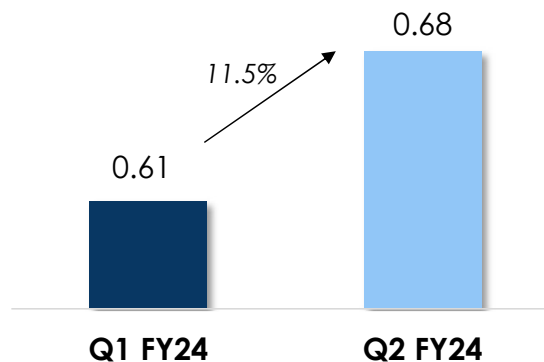
**Total cash  
(RM'mil)**



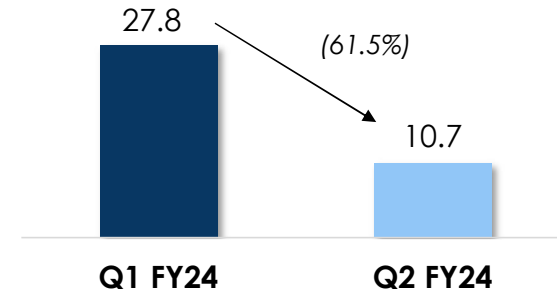
**Total Shareholders' Equity  
(RM'mil)**



**Gearing  
(times)**



**Quarterly Net Cash Flows  
generated from / (used in)  
Operating Activities, (RM'mil)**





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# AGENDA

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# Updates on Hillsdale Furniture LLC matter

## Updates:

- 1) Based on the announcement, Synergy has conservatively made a full provision of USD2.9mil (Equivalent to approximately RM13.4million) for the total outstanding amount owing by Hillsdale and recognized an expected insurance claim receivable of RM3.15million.
- 2) Steps which Synergy has taken currently:
  - Initiated the insurance claims and the application is currently being processed. Final claim amount will be subject to Insurance provider.
  - Initiated the debt collection arrangement. However, the debt collection team is unable to establish a proper direct communication with Hillsdale.
  - Sought for initial legal advise with a lawyer based in US.
  - Business in relation to the major retailer previously through Hillsdale continues on with Mellow River Inc.
- 3) Synergy has no contacts in Hillsdale nor could we obtain any latest updates.
- 4) We will continue to work on possible avenues to recover but we acknowledge the challenges we face in this process.



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# FUTURE OUTLOOK



## Revenue

1. Expect for both business segments to grow in FY2024 as compared to FY2023.
2. Positive order trends for the B2B segment based on orders received in currently including for the major retailer in USA.
3. Despite the lower B2C revenue in Q2, we expect demand to recover mainly in Q4 2024 as Q3 2024 is the summer season and spending on indoor furniture traditionally is lower.
4. Depreciation in USD recently could result in lower revenue numbers. Synergy has hedged a portion of its net expected exposure up to Mar 2025.



## Cost structure

1. Foresee no major increase in purchase cost up to the end of the year.
2. Synergy continue to benefit from fixed freight rates for a portion of its total freight cost. On average, the freight cost booked is approximately 53% lower than current market rate.
3. Manpower costs is expected to continue to increase as recruitment for new staff to meet business requirements.



## Overall

1. Overall, management remains optimistic of the business potential and it's growth opportunity.
2. Furniture e-commerce market is expected to grow steadily on the basis of past growth history and heightened awareness and habits of purchasing through e-commerce.
3. Re-iterate that Synergy is very much on a **growth stage**. Planting the seeds for **long term growth** which could be at the temporary expense of profitability at the moment.
4. **Revenue growth** reflects the opportunity that the Company has in the future.
5. Overall, we do not expect the temporary hiccup arising from the inherent risk of B2B business to affect the overall growth plan and trajectory of the Group.



# MANAGEMENT INITIATIVES

## Revenue

1. Continue on-board to more platforms and countries and grow the correct products offerings.
2. Explore with Wayfair on other categories and segment of offerings that are available.
3. Exploring higher price point segment where in the past Synergy targets the retail price up to USD300.

## Overall

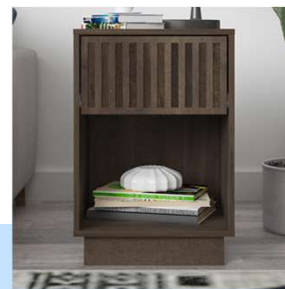
1. Continue working on growing the e-commerce enabler project (i.e Collaboration with Wayfair and onboarding of vendors). Presently at the stage of onboarding documentations, assessing the vendor's products, finalizing the terms and conditions of the agreement amongst others. We have started to expand our internal team to support for this project.
2. Recruited a staff that specializes in Artificial Intelligence ("AI") and is tasked to support each departments in improving processes by utilizing more AI.
3. More in-depth review of inventory healthiness to avoid unnecessary additional storage cost. Improve internal communications to expedite the activity of clearing old inventories.
4. Improving our customer service processes to enhance customer experience.





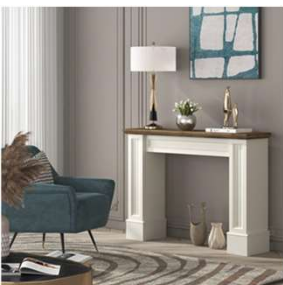
# SYNERGY HOUSE

## Q&A Session





THANK YOU



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