



SYNERGY HOUSE BERHAD

Q1FY24 Results Briefing
June 2024

Stock code on Bursa Malaysia: 0279





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1. Snapshot of Synergy House	4
2. Financial performance	11
3. Market outlook	23
4. Technology and Artificial Intelligence	27
5. New business model	32
6. Environmental, Social and Governance	39
7. Q&A	40

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)



**Q1FY2024
Revenue
RM83.7 mil**



**Q1FY2024 Profit
After Tax
RM9.0 mil**



**B2B: 48.0%
B2C: 52.0%**



**2,585 SKU &
designs on
offer***



**97.3% of Q1FY24
total revenue is
export based**



**Total marketplace: 15
New marketplace in
2024: 2***

HISTORICAL SHARE PRICE AND VOLUME

Historical Closing Share Price and Volume



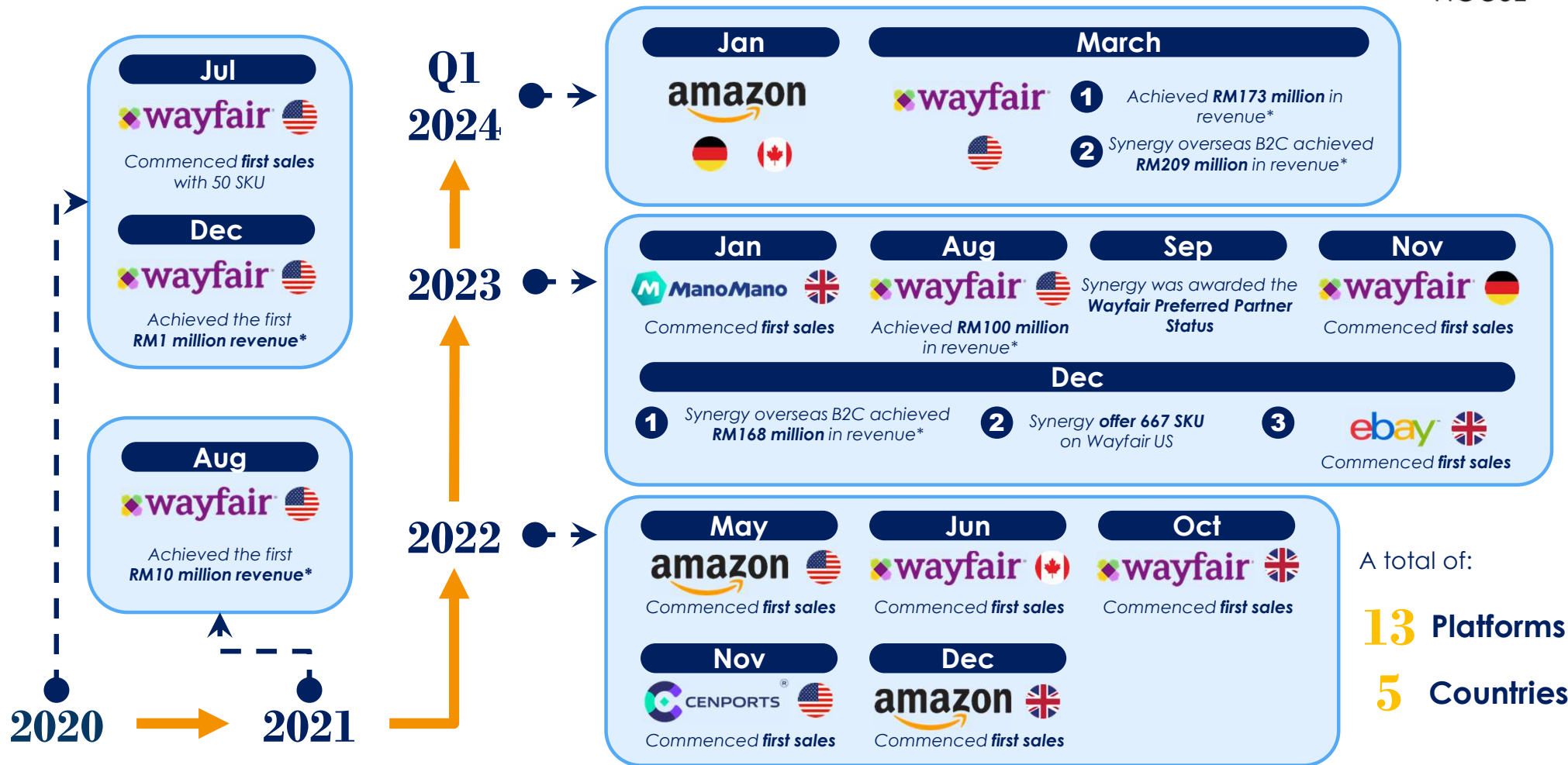
Share price performance from 1st June 2023 to 12th June 2024.
IPO price: RM0.43

Total Shareholder's return since IPO:
309%

Returns compared to 1st Day IPO:
403%

Market Capitalisation:
RM880 M

Synergy House Overseas e-commerce key milestones



A total of:
13 Platforms
5 Countries

*on accumulated basis

Successful onboarding to 15 B2C platforms up to Q1 FY2024

1) Malaysia	2) USA	3) UK	4) Canada	5) Germany
 Lazada	 amazon	 amazon	 amazon	 amazon
	<div> BED BATH & BEYOND</div>	 ebay		

B2C Target Markets and Platforms for 2024





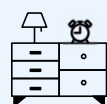
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Q1FY24 Financial Highlights

Group's Performance Q1FY2024 and Q1FY2023

RM 'mil	Q1 FY24	Q1 FY23	QoQ (%)
Revenue	83.7	51.6	62.2 ↑
Profit Before Tax	12.3	3.6	241.7 ↑
Profit After Tax	9.0	2.6	246.2 ↑



Sales

- Overall revenue growth of 62.2% in Q1FY24 as compared to Q1FY23 as both segment increased.
 - B2C increased by 81% from RM24.1mil in Q1FY23 to RM43.7mil in Q1 FY24. Total units sold was approximately 114k pcs (Q1FY2023: 72k pcs).
 - B2B sales grew by 46% from RM27.4mil in Q1FY23 to RM40.0mil in Q1FY24. Total units sold was approximately 173k pcs (Q1FY23: 104k pcs)
 - Approximately RM5 million of shipments were delayed to Apr'24 due to logistics related matters.



Costs

- Q1FY23 were impacted mainly due to clearance of older inventories with higher freight costs from the year 2022.



Margins

- Basic manpower cost has increased approximately 59% with average headcount in Q1FY24 of 184 as compared to Q1FY23 of 120.
- Overall PAT margin increased from 5% in Q1FY23 to 10.8% in Q1FY24.
- Appreciation in USD towards the end of Mar 2024 resulted in net foreign exchange gain of RM1.6million in Q1FY24. Average wafex in Q1FY23 was 4.38 as compared to 4.67 in Q1FY24.

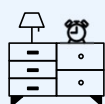
Q1FY24 Financial Highlights

Group's Performance Q1FY2024 and Q4FY2023

Highlights of Q1FY2024 vs Q4FY2023

RM 'mil	Q1 FY24	Q4 FY23	QoQ (%)
Revenue	83.7	90.8	-7.8 ↓
Profit Before Tax	12.3	14.1	-12.8 ↓
Profit After Tax	9.0	10.3	-12.6 ↓

ROE:
8%



Sales

- Overall revenue decline of 7.8% in Q1FY24 as compared to Q4FY23 as both segment decreased.
 - B2C sales lower in Q1 2024 of RM40.0mil , decreased by 2.0% as compared to Q4 2023 of RM46.2mil. Total quantity sold was approximately 114k pcs (Q4FY24: 121k pcs). Signifies considerably strong B2C performance given Q1 is usually the lower season post year end sales.
 - B2B sales drop by 13.4% to RM43.7mil in Q1FY24 as compared to RM44.6mil in Q4FY24. Total quantity sold also decreased to 173k pcs to 183k pcs in Q4FY24.



Costs

- Freight costs peaked in Jan'24 and Feb'24 and was on a declining trend up to May'24. However, freight rate has increased since Jun'24. Synergy has hedged a specific number of containers at a lower rate since May'24.
- Cost of purchase remains stable in Q1FY24 as compared to Q4FY24.

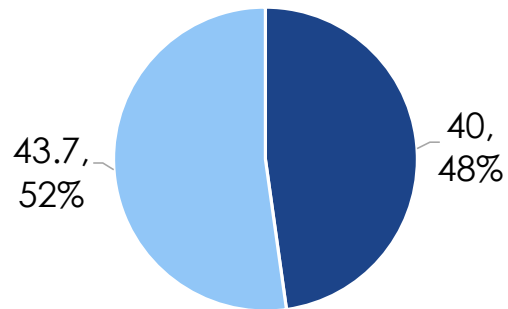


Margins

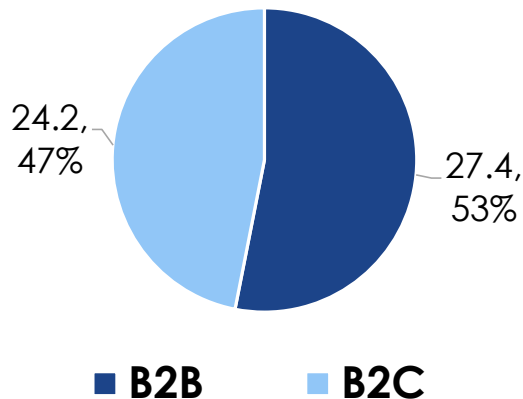
- Overall PAT margin decreased mildly by 0.5% from 11.3% in Q4FY23 to 10.8% in Q1FY24.
- Headcount has increased to prepare for higher volume of transactions and business expansions. Average basic manpower cost increased by 17% in Q1FY24 as compared to Q4FY23 and average headcount was 184 as compared to 160.

Revenue by business segment

Q1 FY24 (RM million)



Q1 FY23 (RM million)

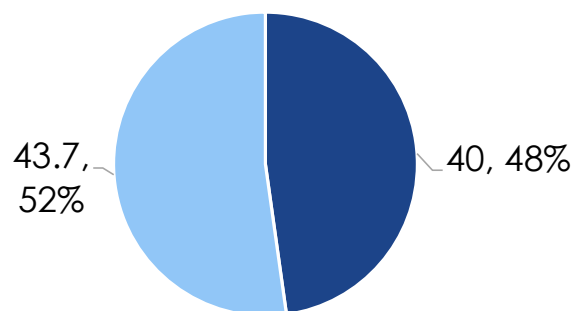


Group's Performance by Business Segment

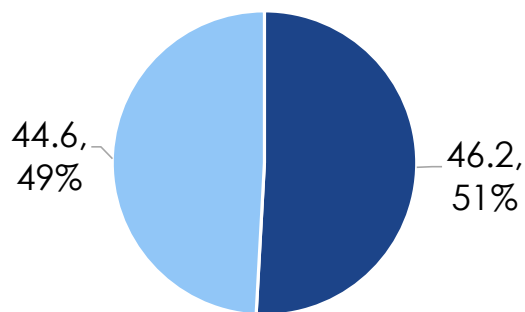
- 1) For Q1FY24, B2C revenue contribution is 52% of total revenue while B2B at 48%.
- 1) Q1FY24 B2C sales is at RM43.7million, exceeding B2C sales for Q1FY23 of RM24.2million or 80%, having more operating in more platforms while existing platform continues to grow.

Revenue by business segment

Q1 FY24 (RM million)



Q4 FY23 (RM million)

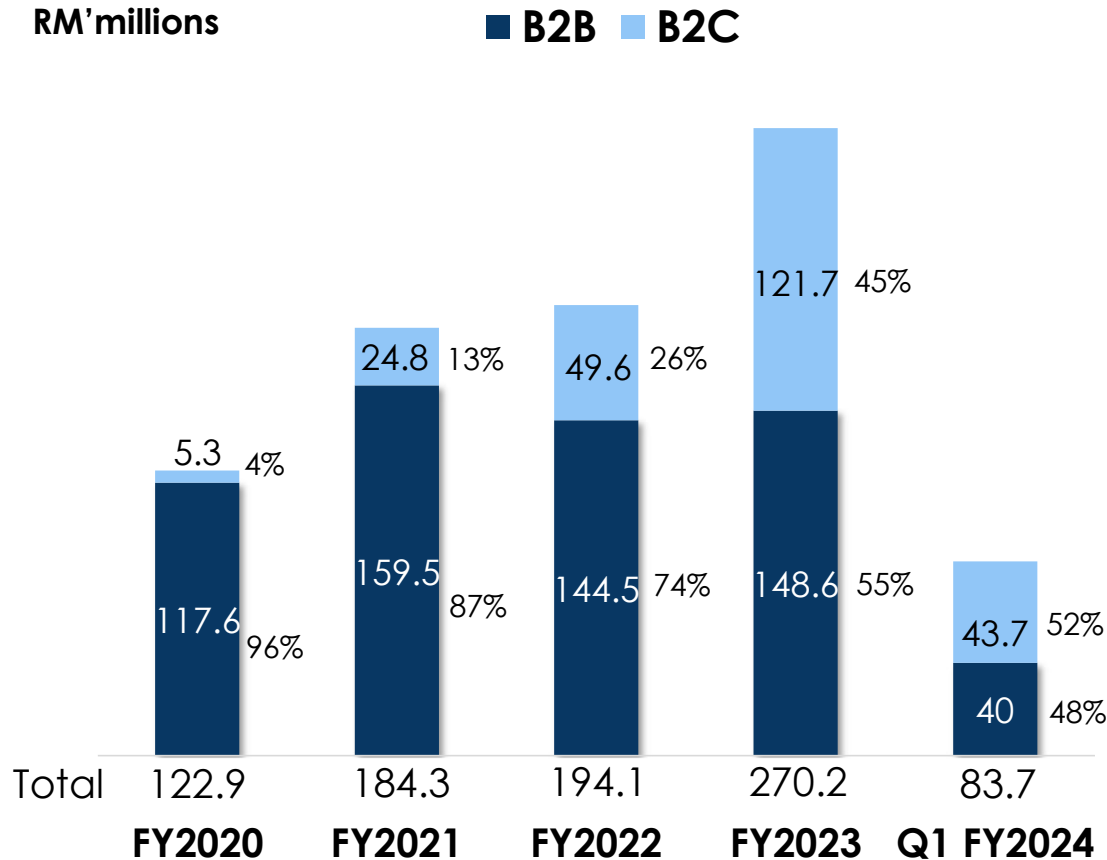


■ B2B ■ B2C

Group's Performance by Business Segment

- 1) For Q1FY24, B2C revenue contribution is 52% of total revenue while B2B at 48%.
- 1) For Q1FY24, B2C sales decreased by 2% generally due to the traditional lower sales post year end promotions. However, a 2% decrease is still considerably strong for B2C in Q1. The lower B2C sales were also due to out of stock items which impact Feb'24 and Mar'24 sales while the Red Sea matter also resulted in delay in stock replenishment in UK.
- 1) For Q1FY24, B2B sales decreased by 13% due to lower revenue contribution in USA for B2B. This decline is partially offset by the improved B2B sales in UK of approximately 7%.

Revenue by business segment



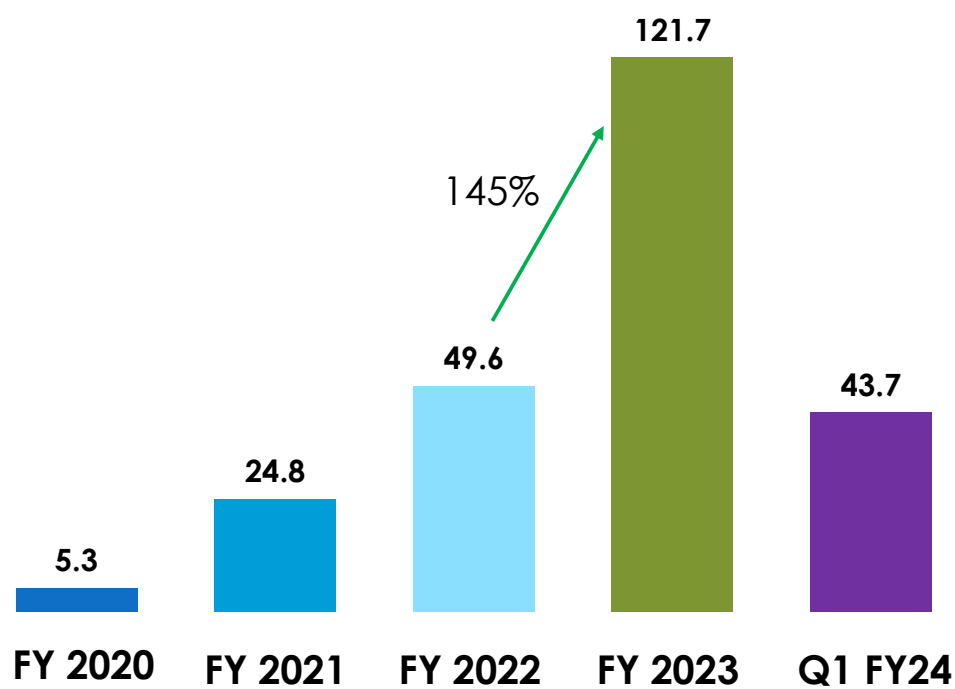
Note:

* Percentage over respective financial year's total revenue.

- 1) The Group continues to grow the B2C segment as the main direction of the Group.
- 1) The Group expects the B2C sales contribution to increase further with new countries and platforms, while continuing to expand existing platforms.
- 1) For a traditionally lower quarter for B2C, Q1FY2024 has already achieved 36% of total B2C sales in FY2023.

B2C Revenue by Platforms & Countries (con't)

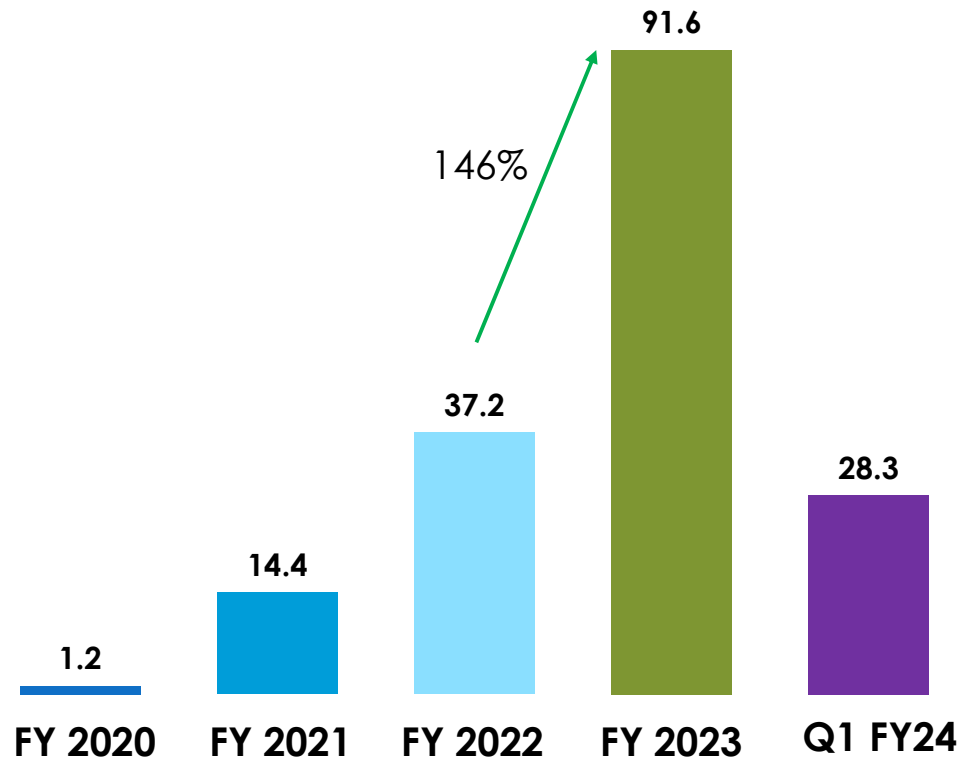
Historical Revenue Contribution by B2C Overall (RM'mil)



- 1) Continuous growth trend seen in the B2C.
- 1) Current Q1FY24 sales is approximately 36% of total FY23 B2C sales.
- 1) Traditionally, B2C sales peak towards the final quarter of the calendar year.

B2C Revenue by Platforms & Countries (con't)

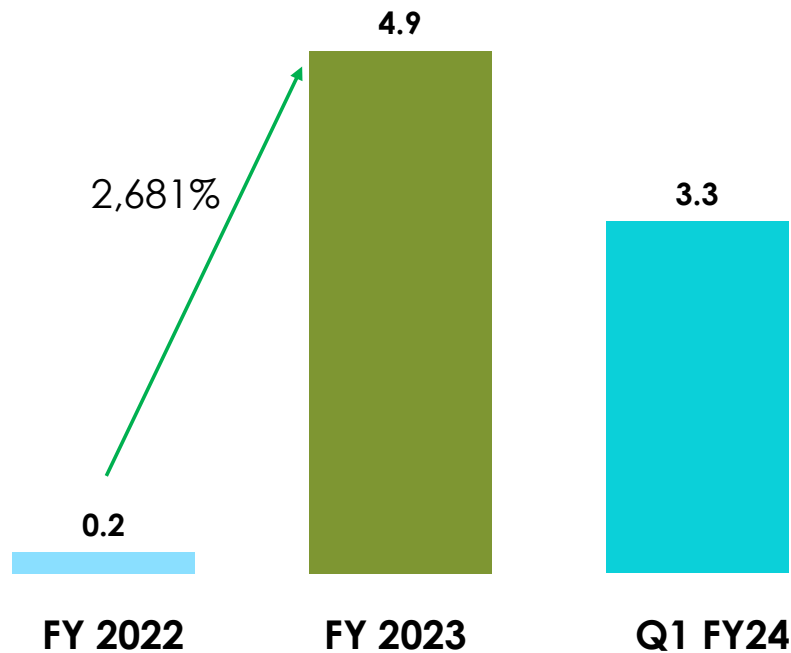
Historical Revenue Contribution by Wayfair US (RM'mil)



- 1) Commenced selling on Wayfair US on 2020 and has seen continuously huge growth.
- 1) Q1FY24 sales decreased by 13% as compared to Q4FY23 (RM32.6m).
- 1) Q1FY24 sales is currently approximately 31% of FY23 total B2C sales.
- 1) Currently have approximately more than 701 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

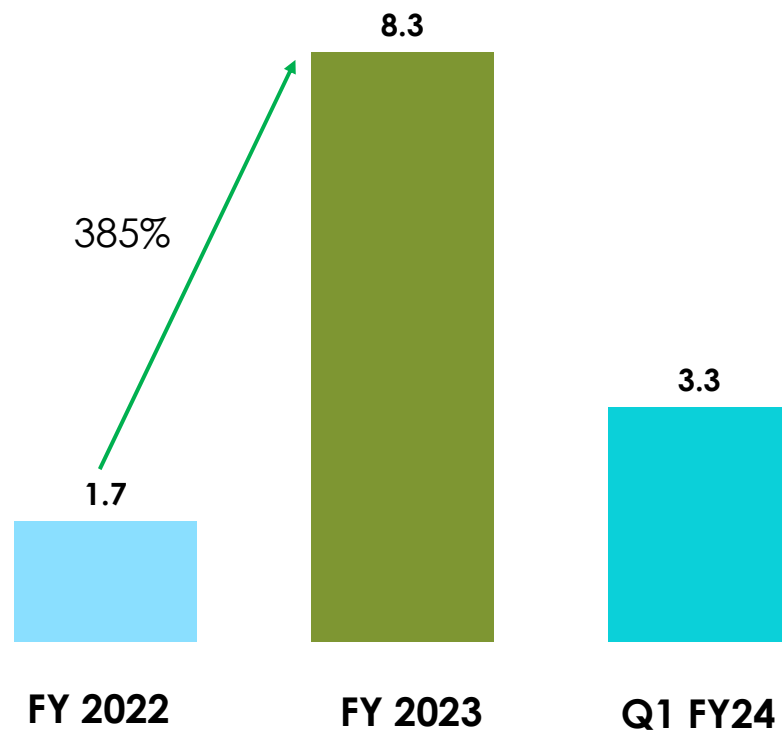
Historical Revenue Contribution by Wayfair UK (RM'mil)



- 1) Commenced selling on Wayfair UK in late FY2022.
- 1) Q1FY24 sales increased by 23% as compared to Q4FY23 (RM2.7m).
- 1) Q1FY24 sales is currently approximately 68% of FY23 total B2C sales.
- 1) Currently have approximately more than 339 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

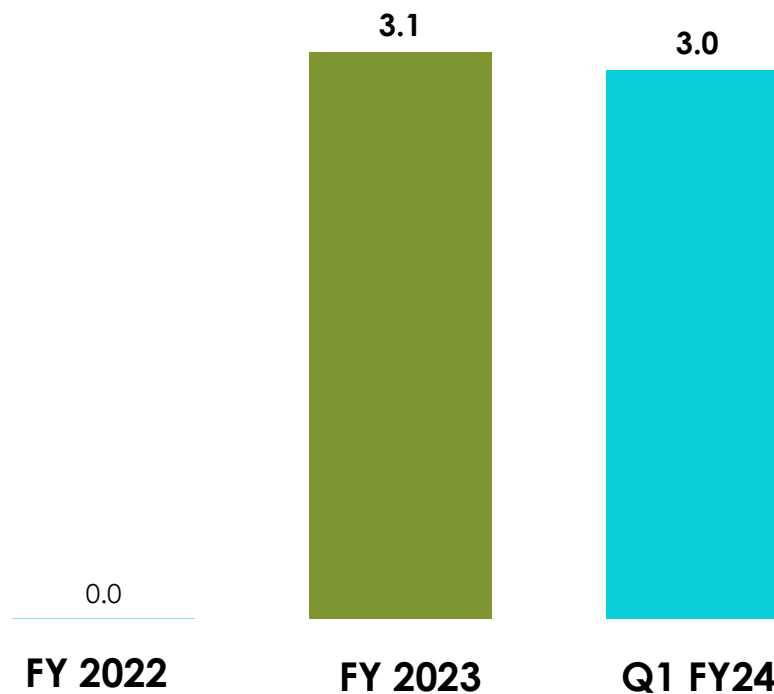
Historical Revenue Contribution by Amazon US (RM'mil)



- 1) Commenced selling on Amazon US in mid FY2022.
- 1) Q1FY24 sales increased by 29% as compared to Q4FY23 (RM2.5m).
- 1) Q1FY24 sales is currently approximately 39% of FY23 total B2C sales.
- 1) Currently have approximately more than 262 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

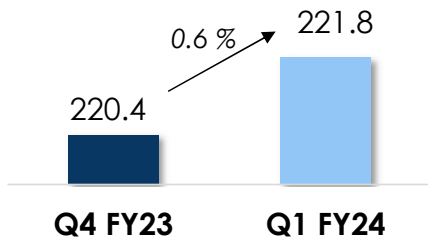
Historical Revenue Contribution by Amazon UK (RM'mil)



- 1) Sales in Amazon UK commenced in late FY2022.
- 1) Q1FY24 sales increased by 61% as compared to Q4FY23 (RM1.9m).
- 1) Q1FY24 sales is currently approximately 96% of FY23 total B2C sales.
- 1) Currently have approximately more than 340 SKU offered in the platform.

Snapshot of Balance Sheet

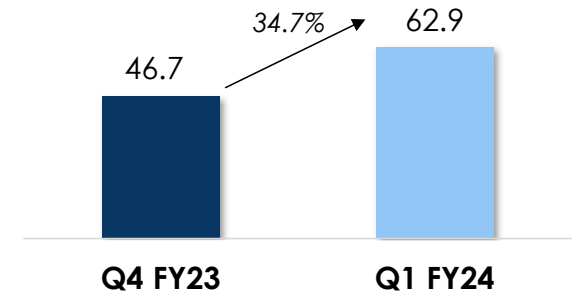
**Total assets
(RM'mil)**



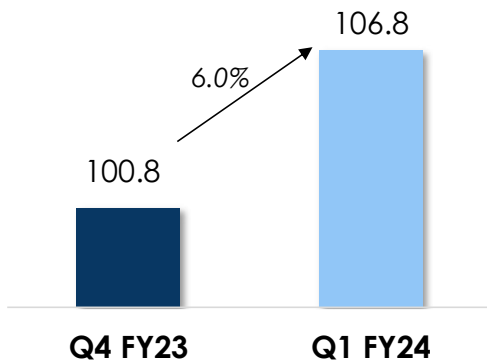
1) Balance sheet continues to strengthen with higher shareholder's equity while gearing relatively maintains.

1) Recorded positive operating cash flow mainly due to lower receivables balance.

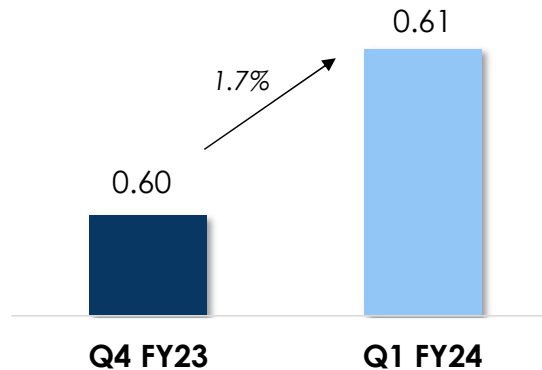
**Total cash
(RM'mil)**



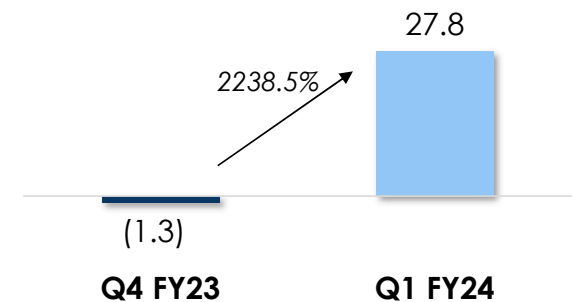
**Total Shareholders' Equity
(RM'mil)**



**Gearing
(times)**



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





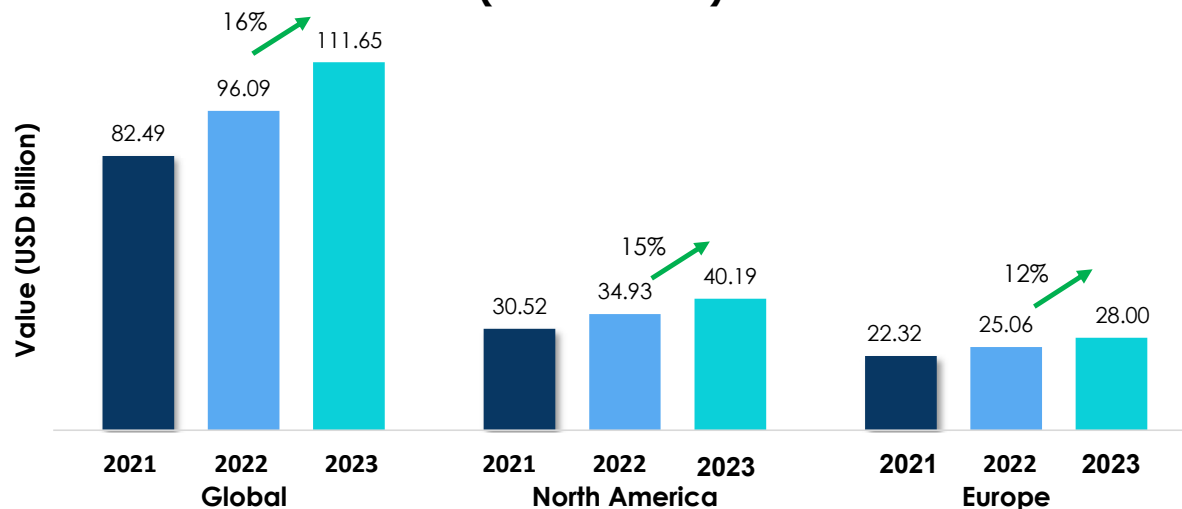
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Market Outlook

Global furniture e-commerce sales grew from **USD82.49 billion** in 2021 to **USD111.65 billion** in 2023. During the same period, global furniture e-commerce sales by key regions are set out as follows:

**Global furniture e-commerce sales*
(2021 - 2023)**



* Information extracted from a research by QY Research
** 2023 is based on forecast

North America

Particularly the United States, had a strong presence in the cross-border B2C e-commerce market. The region's **large consumer base, tech-savvy population, and established logistics networks** facilitated cross-border transactions..



Europe

One of the leading regions in the cross-border B2C e-commerce market. The region's **robust e-commerce infrastructure, high internet access,** and EU trade ease, was a key player in cross-border B2C e-commerce. Notable countries included the UK, Germany, and France.

Market Outlook (cont'd)

Abundance in Growth opportunity

Furniture e-commerce market for USA and Europe in 2023:

USD 68 billion

Synergy House total B2C sales for FY2023:

USD 0.026 billion

With only a presence of **0.04%** of the furniture e-commerce market in USA and Europe, there is much potential for Synergy House to benefit from the overall market share which is growing.



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.
3. B2C sales segment continues to grow from existing platforms and new platforms, reducing the dependency on B2B.



Cost structure

1. Foresee purchase cost to potentially increase for orders placed in Q4 FY2024, however still in discussion with suppliers.
2. Freight costs temporarily peaked in Jan'24 and Feb'24 due to the Red Sea matter. The cost started declining up to May'24 and is now on an increasing trend. However, Synergy has hedged a portion of its freight cost since May 2024.



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.



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Embracing Advancement in Technology and Artificial Intelligence



Marketing

- Order replenishment
- Market trend analysis
- Product description drafting using AI
- Chatbot and AI for customer service and support



Project management

- Project tracking and status
- Data management
- Communication tool



Advertisement and monitoring

- Optimisation of keyword search with AI
- Competitors analysis
- Video content creation

Technology and Artificial Intelligence



Shipping*

- Online vessel booking
- Container tracking



Design & Development

- Product design
- Data management
- 3D product pictures, room view pictures
- Time saving for producing room view pictures using AI

* - Implementation is ongoing

Embracing Advancement in Technology and Artificial Intelligence (cont'd)

Utilizing AI for 3D photo rendering



- 1) Commence using AI for 3D photos rendering.
- 1) 3D photos are an essential part of B2C namely for product listing purposes.
- 1) Rendering 3D photos requires hours of preparations, using AI just requires 5 minutes.

Embracing Advancement in Technology and Artificial Intelligence (cont'd)

Utilizing AI for 3D photo rendering



Embracing Advancement in Technology and Artificial Intelligence (cont'd)

Utilizing AI for video content creation

English version



Malay version



German version

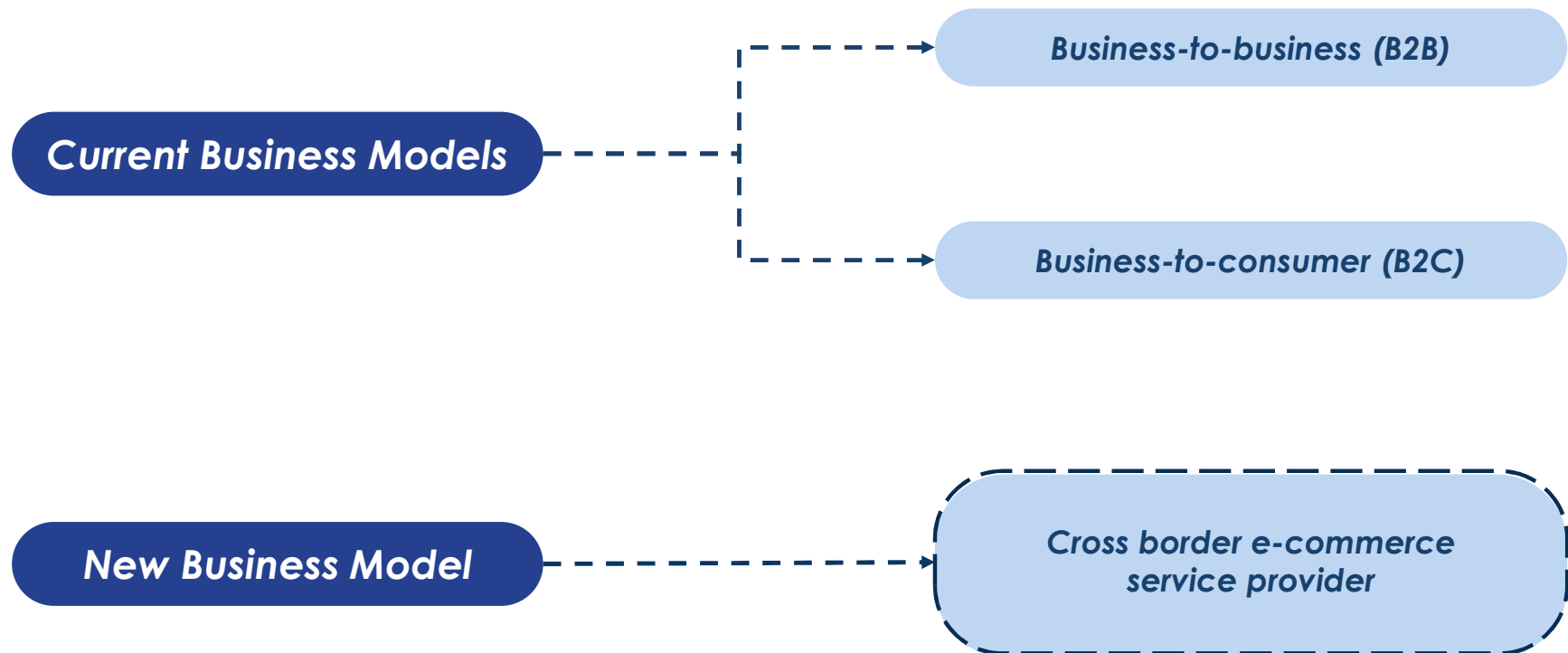




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New Business Model – Cross-border ecommerce service provider



New Business Model – Cross-border ecommerce service provider



Engaged as a service partner for the Retailer in Malaysia*

Background

- 1) Synergy House Group has been involved in B2B and B2C business models in the past.
- 2) Synergy House Global (Formerly known as Sunny & Ker Furniture Industries Sdn. Bhd.) ("SHG") was engaged as a service partner for the Retailer in Malaysia, marking a new 3rd business model for Synergy House Group.
- 3) As a service partner, SHG is tasked with guidance to vendors on the onboarding process to the Retailer's platform. In addition, SHG will be co-organize online and offline events with the Retailer.
- 4) Subsequent to the onboarding of vendors on the Retailer, SHG is expected to collaborate directly with vendors to offer specific services to support the vendor's accounts operations in the Retailer's platform.

Overall key roles of SHG in this model**

1. Vetting of Vendor's background and support in onboarding to the Retailer's platform
2. Fully manage the Vendor's created account in the Retailer's platform including managing the password and all operating aspects of the account.
3. Strategic advisor role covering amongst others:
 - Product selection
 - Advertisement and promotion strategies
 - Inventory replenishment
 - Data sourcing
 - Troubleshooting for issues (eg. Logistical challenges, compliances related, customer service, etc)
4. Linkage to other service providers (3PL, insurance providers, payment gateways, etc).

** Reference to announcement made in Bursa Malaysia on 11 June 2024.*

*** This list is not exhaustive and compulsory and will be subjected to final agreement signed with the vendor.*

New Business Model – Cross-border ecommerce service provider



Benefits for Synergy House on this engagement

1. Immense market potential – Extend the penetration to a larger customer base and new market segments of the Retailer through the vendors.
2. Strategic growth – Enables Synergy to increase its market share and business. Indirectly growing the offerings to the market.
3. New income stream – Synergy is able to earn fees and commission for selected services rendered and from each transaction processed in the platform. Synergy may also charge monthly subscription fees for maintaining the account on behalf.

Benefits for Vendors to join the program

1. Accelerate the onboarding to the Retailer's platform and penetrate the e-commerce market overseas
2. Allows for expansion to new markets with lesser risk of competing with existing customer base
3. Product listing flexibility and choices for Vendors
4. Ability to engage to the global market without the need of setting up overseas operations
5. Having the support from Synergy for issue trouble shooting

Competitive advantage

1. SHG is among the pioneer of as a service partner of the Retailer in Malaysia.
2. Accumulated experience in B2C provides SHG the know-how to support the vendors in the process through the selected services
3. First mover advantage of supporting vendors to onboard to the Retailer's platform and providing selected support services to vendors

New Business Model – Cross-border ecommerce service provider

Potential key risks and mitigation

No	Potential risk	Mitigation plans*
1.	<p>Financial risk</p> <ul style="list-style-type: none"> - Risk of non-payment by vendors for SHG's fees and charges imposed - Risk of non-payment by vendors to 3rd party service providers 	<ul style="list-style-type: none"> - SHG will be controlling and has sole access to vendor's account in the Retailer's platform. SHG will have the option to freeze/close the account should the need arises - Vendors will be the party signing the service agreement with other service providers (eg. Logistics) which eliminates SHG risk - SHG will not be responsible for any financial obligations of the vendors.
2.	<p>Operational risk</p> <ul style="list-style-type: none"> - Key risk of associated to the following e-commerce related issues: <ul style="list-style-type: none"> a) Product recall, defects and returns b) Breach of platform's code of conduct c) Breach of any trademark or patents d) Unsuccessful product launch e) Slow moving inventories f) Credit risk of the platform 	<ul style="list-style-type: none"> - SHG will be signing an agreement with vendors limiting its liabilities and exposure to the risk - Included in the agreement will be explanation of SHG's key role i.e advisory role on selected services but final decisions are to be made by Vendors and they will be responsible for the decisions. - Vendors are required to sign the agreement with the Retailer and adhere to its terms and conditions.

New Business Model – Cross-border ecommerce service provider

Engaged as a service provider for Platform X in Malaysia

Potential key risks and mitigation (cont'd)

No	Potential risk	Mitigation plans*
3.	Competition risk	- Market is huge with various price points and product segment depending on appetite of vendors. May not necessarily compete directly with Synergy
4.	Risk of Vendors exiting this program and start on their own	- While this is non-exclusive, SHG may freeze / close the account of Vendors and cease the support services provided.

Overall, SHG will not be liable for the following:

- Final pricing decisions and advertisement / marketing promotion pricing
- Final decisions on all aspects of the operations in the Retailer's platform (eg. Product selection, inventory replenishment)
- Payments due by Vendors to 3rd party service providers (eg. Logistics)
- Any breach of vendor agreements or warranties between Vendors and the Retailer / Vendors and Service Provider
- Vendors cannot make claims against SHG for any financial disputes or losses due to whatsoever reasons as final decision is theirs.

New Business Model – Cross-border ecommerce service provider



Commencement and timeline

1. Inaugural event for the introductory to this service will be on 3rd July 2024
2. Expect the involvement of representatives from the Retailer, key service providers and interested vendors.

Period	Key milestone
Current – July'24	Meetings with vendors and related associations
3 July 2024	Inaugural event at Sofitel Kuala Lumpur Damansara
End 2024*	Identify and onboard minimum 10 vendors on the Retailer's platform
Mid 2025*	Vendors to commence selling on the Retailer's platform



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE



SOCIAL

Sedex Members Ethical Trade Audit (SMETA)

- Carry out yearly SMETA audits on our key suppliers to ensure social compliances (eg. labour standards and health & safety).

Promoting good health and healthy working relationship at the workplace

- Encourage participation in weekly sports activity and gym.
- Organizing monthly company events if possible.



ENVIRONMENTAL

Use of particle board in some of our home furniture

- Particle boards are generally made from scraps of other timber products.
- Minimal waste and lower environmental impact when manufactured.

Our home furniture are packaged in flat-packed form

- Maximises container utilisation during transportation which translates to less carbon footprint as compared to transporting furniture sold in Completely Built Up (CBU) form.

Lower usage of chemicals

- Compliances to CARB P2 and TSCA Title VI regulations for lower formaldehyde contents in the product for selected region.

Forest Stewardship Council (FSC)



- Our Group holds a valid FSC Chain of Custody certificate.
- Encourages suppliers to obtain FSC as well.

Packaging

- Focus on usage of biodegradable carton packaging which is more environmentally friendly.
- Optimum amount of polyfoam used in our packaging owing to various tests performed (drop tests, vibration, compression).
- Promotes green packaging via the removal of polyfoam in packaging for 1 customer.

Promotes local purchases

- Approximately 92% of total purchases are made from local suppliers



GOVERNANCE

Anti-Bribery and Corruption Policy

Internal Controls Policy

Business ethics and conduct for employees

Whistleblowing Policy

Whistleblower channel
whistleblower@synergy-house.com



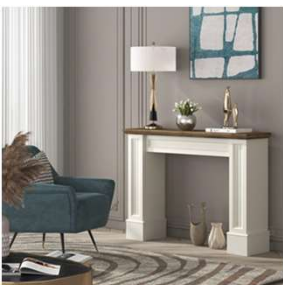
SYNERGY HOUSE

Q&A Session





THANK YOU



www.synergyhouseberhad.com



ir@synergy-house.com