



SYNERGY HOUSE BERHAD

Q3FY23 Results Briefing
November 2023

Stock code on Bursa Malaysia: 0279





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Speakers



Tan Eu Tah
Executive Director



Teh Yee Luen
Executive Director



Kenneth Ng
Chief Financial Officer



AGENDA

- 1. Snapshot of Synergy House** 4
2. Financial performance 9
3. Our Priorities & Strategies 23
4. Market outlook & Risk 25
5. Corporate Governance 29
6. Q&A Session 31

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.



9MFY23 Revenue
RM179.4 mil



9MFY23 Profit After Tax
RM16.9 mil



B2B: 57.0%
B2C: 43.0%



2,496 SKU & designs
on offer



96.4% of 9MFY23 total
revenue is export
based



Total marketplace: 10
New marketplace in
2023: 2

HISTORICAL SHARE PRICE AND VOLUME

Historical Closing Share Price and Volume



Share price performance from 1st June to 23rd November.
IPO price: RM0.43

Business model



We are a cross-border e-commerce seller and furniture exporter

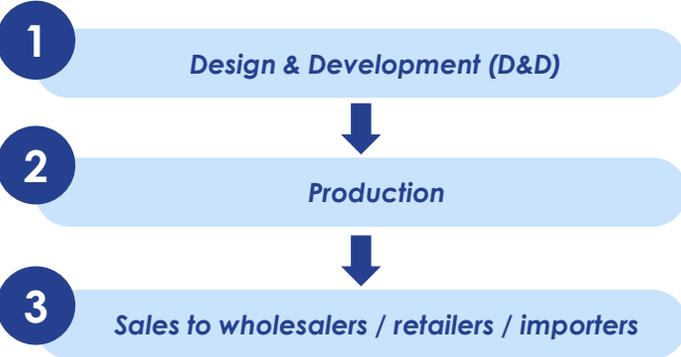
Outsourced

We are not a traditional furniture manufacturer.

They are our supplier instead of our competitor.



Furniture manufacturers listed in Bursa Securities



B2C Target and Current Markets and Platforms

Country

Platform

CURRENT



Malaysia



USA



UK



Canada



FUTURE



Germany



France

FY 2019:

Lazada, Shopee



FY 2020:

Wayfair US



FY 2022:

Amazon US, Wayfair UK, Amazon UK, Cenports Commerce



FY 2023:

Mano-Mano UK, Wayfair Canada



Wayfair Germany, Amazon Germany, Amazon Canada, Amazon France, Mano-Mano France, Home Depot USA



AGENDA

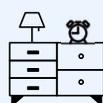
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5. Corporate Governance 29
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Q3FY23 Financial Highlights

Group's Performance Q2FY2023 and Q3FY2023

RM 'mil	Q2 FY23	Q3 FY23	QoQ (%)	9M FY23
Revenue	58.6	69.2	18.1 ↑	179.4
Profit Before Tax	8.5	11.4	34.1 ↑	23.4
Profit After Tax	6.2	8.1	30.6 ↑	16.9

Highlights of Q3FY23



Sales

- Overall revenue growth of 18.1% in Q3FY23 as compared to Q2FY23.
 - B2B sales increased by 33% mainly from higher sales in US and UK.
 - B2C sales decreased mildly by 0.2% in Q3FY23 vs Q2FY23 mainly due to lower B2C sales in USA. B2C sales in UK increased by 95% in Q3FY23 against Q2FY23.



Costs

- Freight costs remains lower as compared to prior year, no major fluctuations between Q2FY23 and Q3FY23.
- Cost of purchase remains stable in Q3FY23 as compared to Q2FY23.

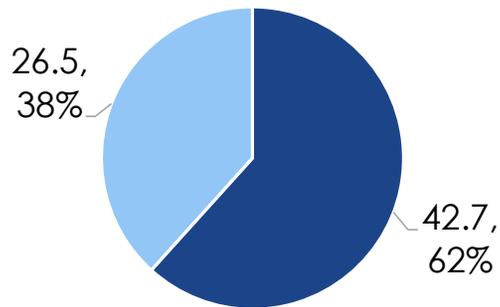


Margins

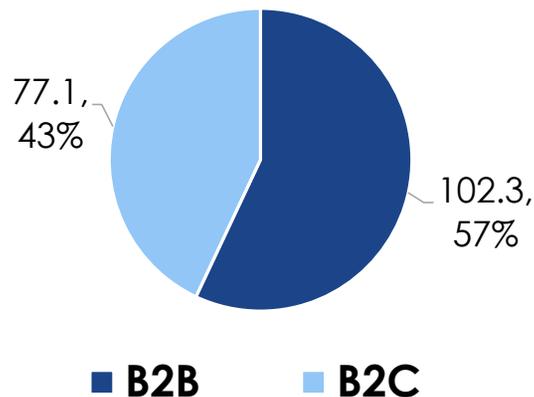
- Overall PAT margin increased from 10.6% in Q2FY23 to 11.7% in Q3FY23.
- Favourable foreign exchange in Q3FY23 where wafex was higher by 2% as compared to Q2FY23.

Revenue by business segment

Q3 FY23 (RM million)



9M FY23 (RM million)



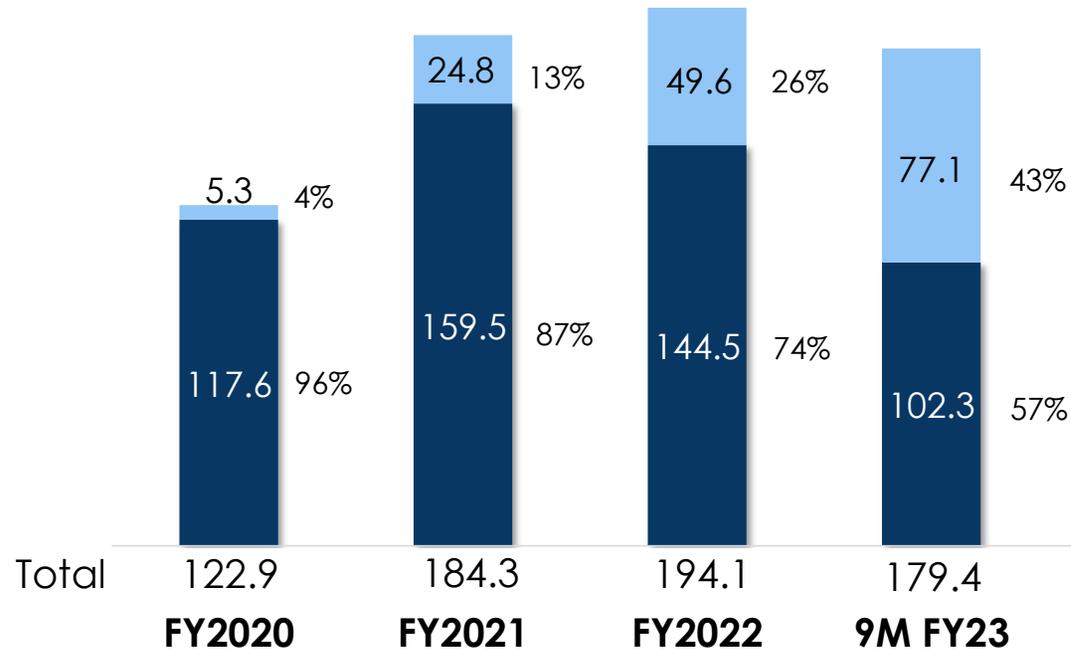
Group's Performance by Business Segment

- 1) For 3QFY23, B2C revenue contribution is 38% of total revenue while B2B at 62%.
- 2) For 3QFY23, B2B sales increased by 33% due to customers stocking up for year end sales while B2C sales remains approximately the same to Q2FY23.
- 3) For 9MFY23, B2C contributed 43% of total revenue while B2B contributed 57%. In FY22, B2C contributed 26% of total revenue, while B2B contributed 74%.
- 4) 9MFY23 B2C sales is at RM77.1million, exceeding total 12 months B2C sales for FY22 of RM49.6million or 55%, which is in-line with the Group's direction of growing its B2C sales.

Revenue by business segment

RM'millions

■ B2B ■ B2C



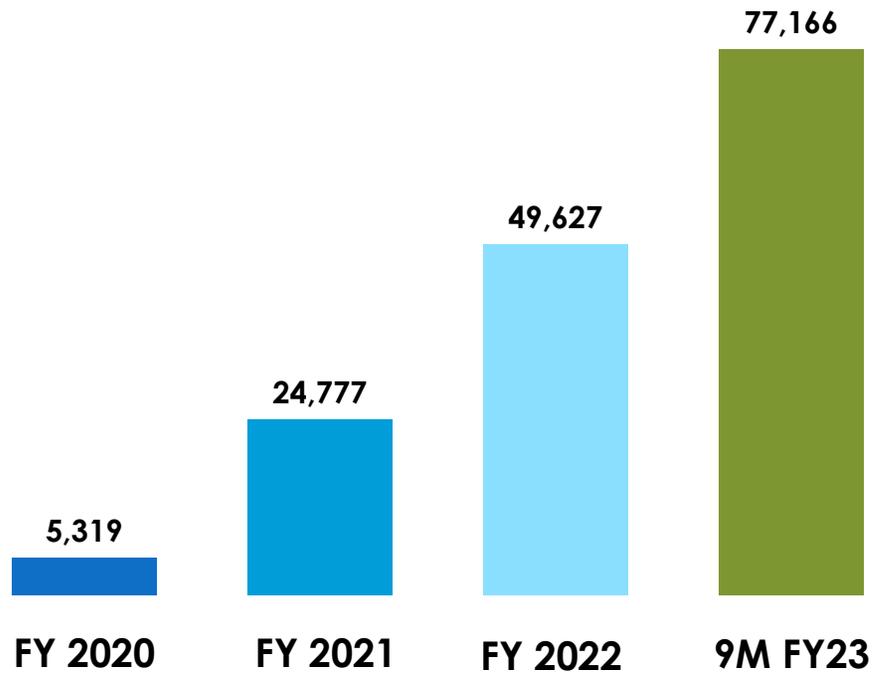
- 1) The Group continues to grow the B2C segment while B2B remains stable due to the Group's long term customers.
- 2) The Group expects the B2C sales contribution to increase further with new countries and platforms, while continuing to expand existing platforms.

Note:

* Percentage over respective financial year's total revenue.

B2C Revenue by Platforms & Countries (con't)

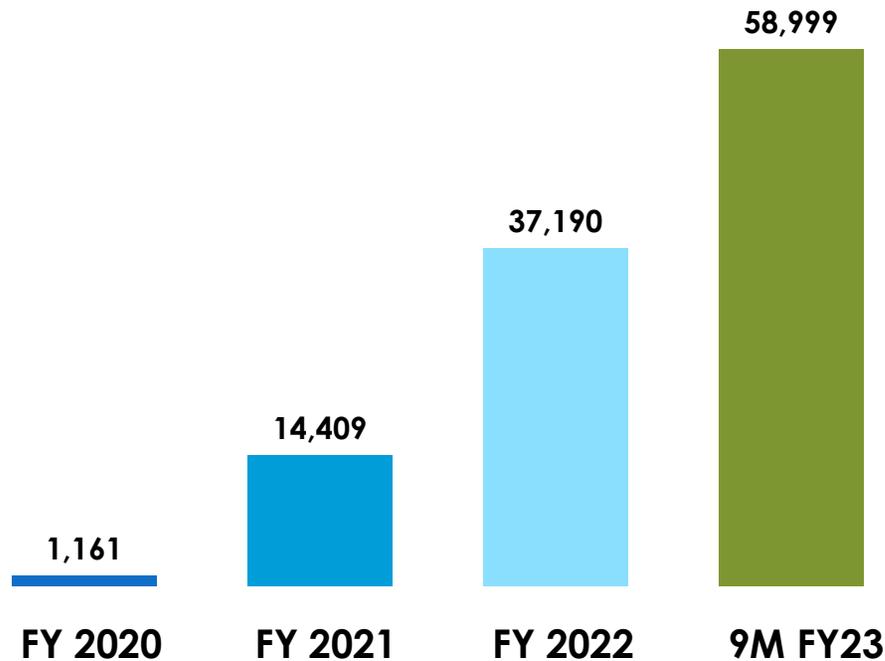
Historical Revenue Contribution by B2C Overall (RM'000)



- 1) Continuous growth trend seen in the B2C.
- 2) For 9MFY23, B2C sales has exceed 12MFY22 by RM27.5m.
- 3) Traditionally, B2C sales peak towards the final quarter of the calendar year.

B2C Revenue by Platforms & Countries (con't)

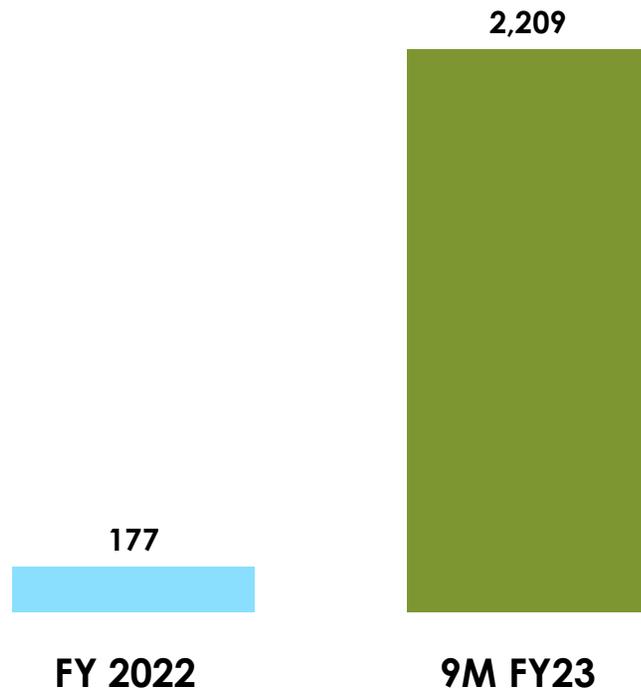
Historical Revenue Contribution by Wayfair US (RM'000)



- 1) Commenced selling on Wayfair US on 2020 and has seen continuously huge growth.
- 2) 9M FY23 sales has exceeded 12 months FY23 by RM22mil or by 59%.
- 3) Q3FY23 sales dipped by 9% as compared to Q2FY23 due to summer holidays.
- 4) Currently have approximately more than 660 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

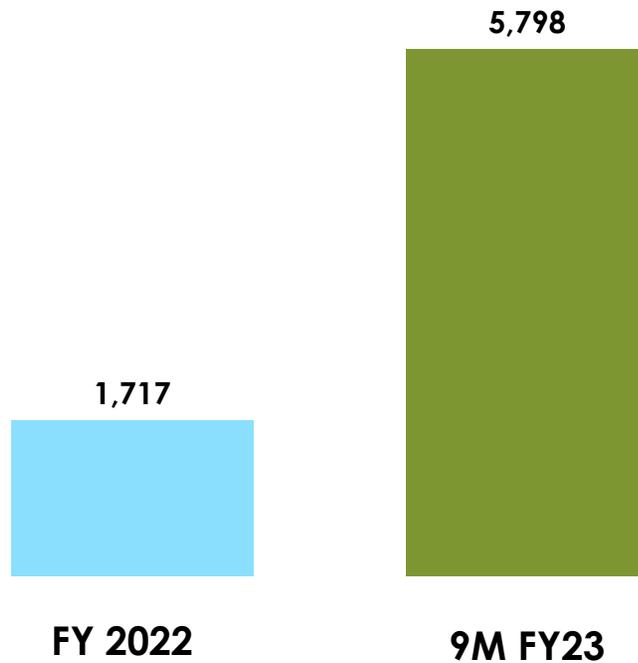
Historical Revenue Contribution by Wayfair UK (RM'000)



- 1) Commenced selling on Wayfair UK in late FY2022.
- 2) Encouraging growth seen in FY23 notable in Q3FY23 where sales grew by 135% from Q2FY23.
- 3) Currently have approximately more than 180 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

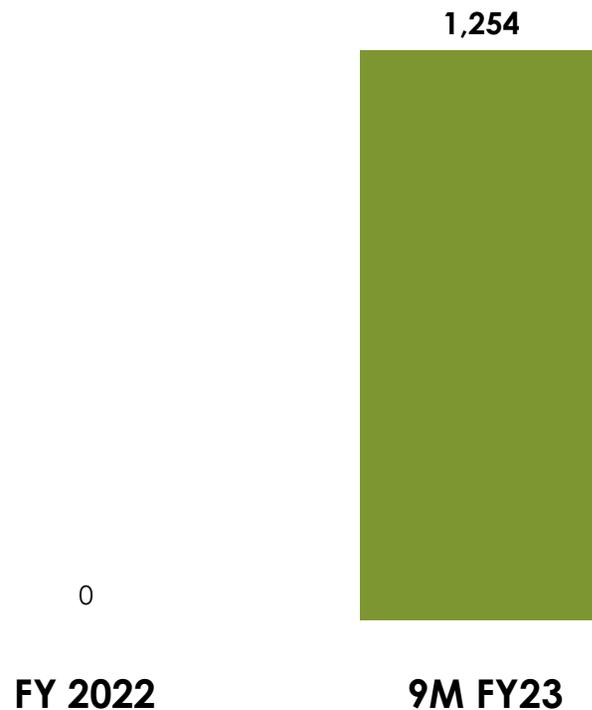
Historical Revenue Contribution by Amazon US (RM'000)



- 1) Commenced selling on Amazon US in mid FY2022.
- 2) Growth of 23% in Q3FY23 as compared to Q2FY23.
- 3) Currently have approximately more than 260 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

Historical Revenue Contribution by Amazon UK (RM'000)



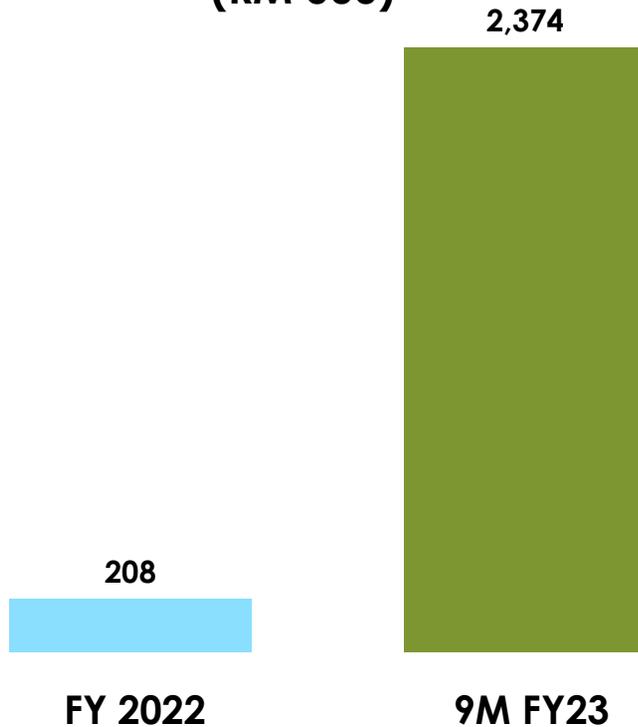
1) Sales in Amazon UK commenced in late FY2022.

2) Sales in Q3FY23 grew by 55% as compared to sales in Q2FY23.

3) Currently have approximately more than 180 SKU offered in the platform.

B2C Revenue by Platforms & Countries (con't)

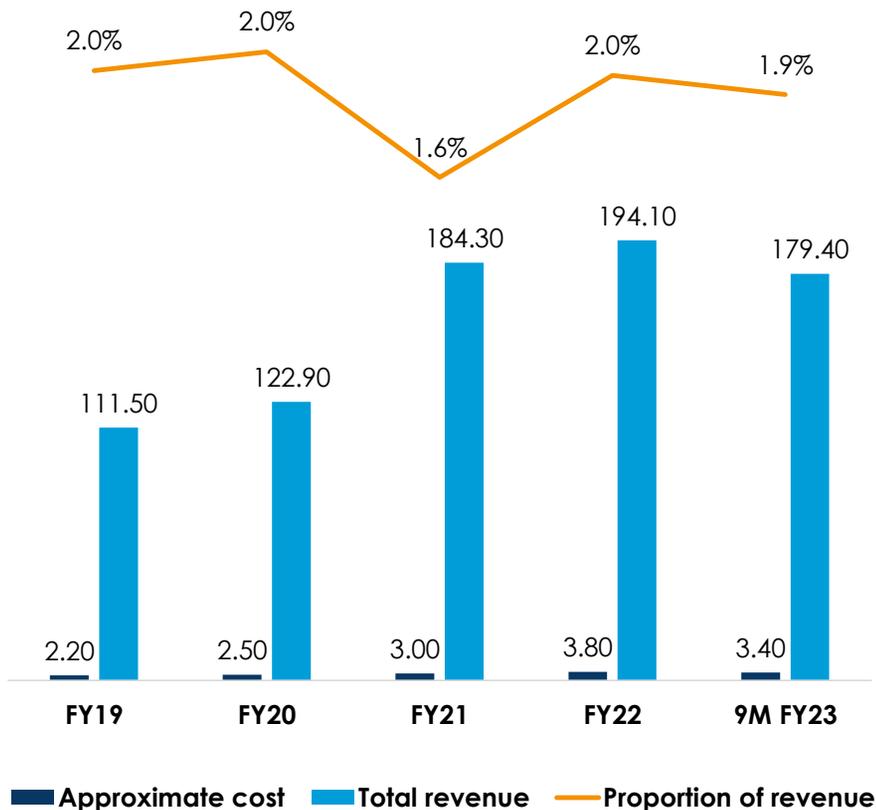
Historical Revenue Contribution by Others
(RM'000)



- 1) Other platforms the Group is in are such as Mano Mano in UK, Cenports in USA and Wayfair Canada.
- 2) Above platforms collectively increased by 80% in sales in Q3FY23 as compared to Q2FY23.
- 3) Total approximately more than 900 SKU on offered on the above platforms collectively.

Costs contribution

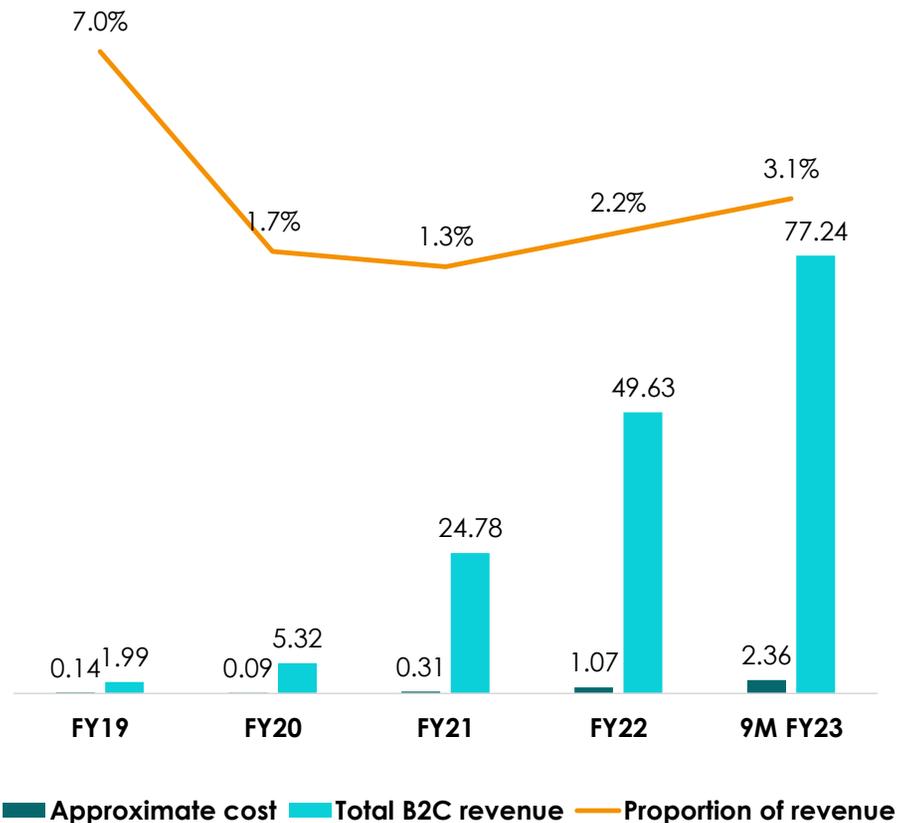
Design and development (D&D) cost (RM million)



- 1) D&D costs mainly comprise the payroll costs of D&D team, sample and prototype assembly costs and other miscellaneous costs.
- 2) Based on past trend, D&D cost is on average 1.9% of total revenue.
- 3) Continue expansion of the D&D team to accelerate the introduction of new SKUs to the market.

Costs contribution

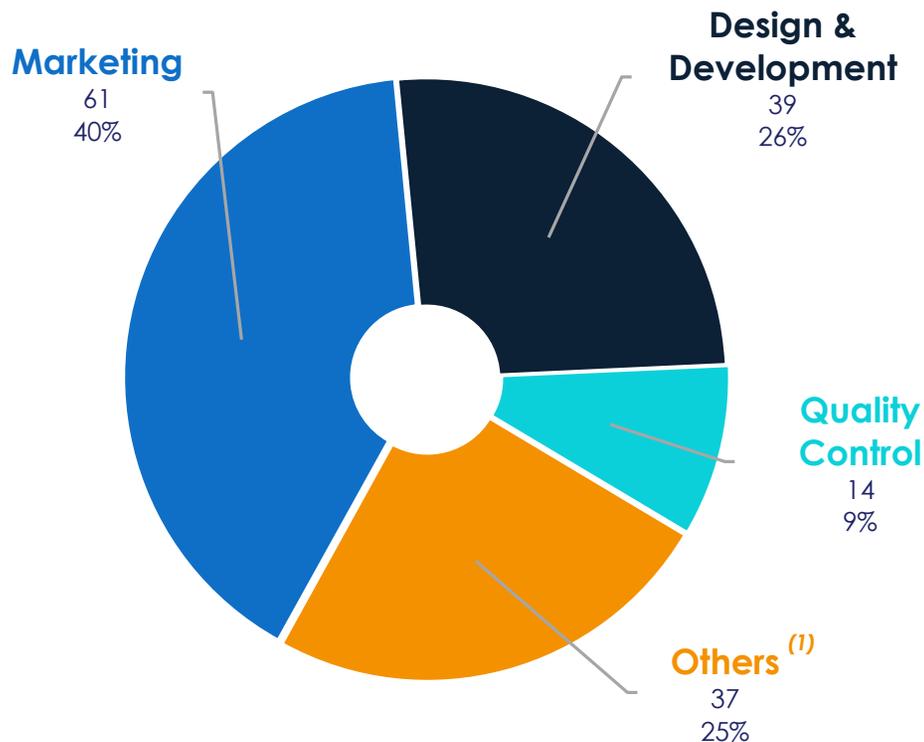
Advertisement for B2C (RM million)



- 1) Advertisement and promotions remains a key factor in the B2C sales.
- 2) Based on 9 months, the Group incurred approximately RM2.36mil in advertisement costs or 3.1% of total B2C revenue.
- 3) Advertisement costs mainly incurred to appear as sponsored items in the first page to attract customer's attention.

Human Capital

Manpower breakdown by department



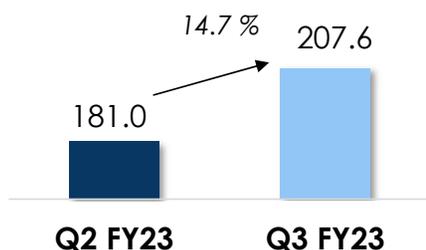
Notes:

1. "Others " consists of Finance, Operation, Purchasing, Human Resource, IT, Internal Control, Key Senior Management and Executive Directors.

- 1) Group places utmost importance in human capital. As at 31 Oct, we have 151 headcount.
- 2) Approximately 66% of total manpower is from the D&D and Marketing Department, which forms the key strength of the Group.
- 3) Continuous investment in Human Capital, focusing on people with appropriate certifications. More than 70% of staff employed has diploma and above qualifications.

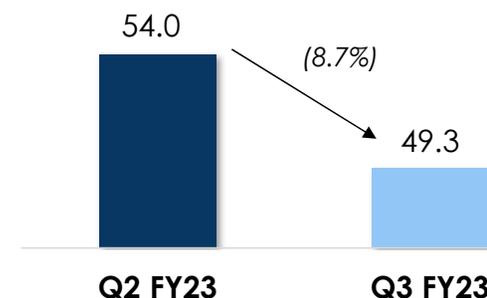
Snapshot of Balance Sheet

Total assets
(RM'mil)

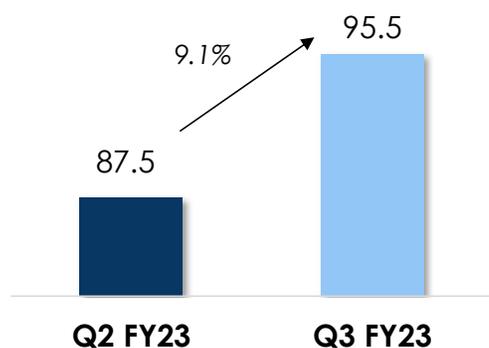


- 1) Balance sheet continues to strengthen with higher shareholder's equity while gearing maintains.
- 2) Recorded negative operating cash flow mainly due to inventory stocking up for year end.

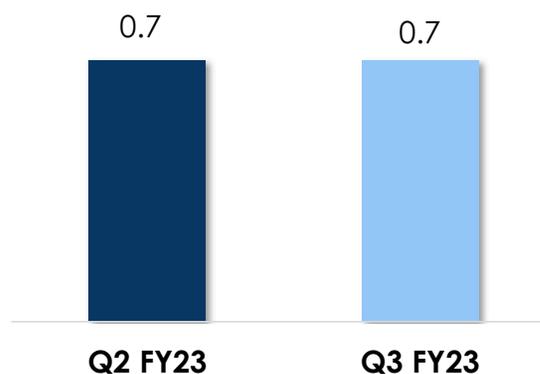
Total cash
(RM'mil)



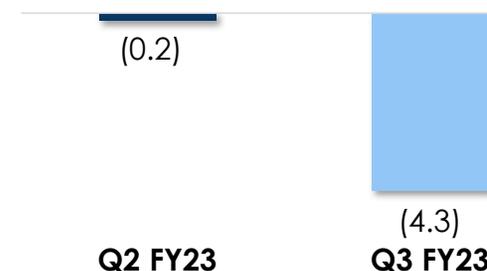
Total Shareholders' Equity
(RM'mil)



Gearing
(times)



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





AGENDA

1. Snapshot of Synergy House	4
2. Financial performance	9
3. Our Priorities & Strategies	23
4. Market outlook & Risk	25
5. Corporate Governance	29
6. Q&A Session	31

Our Priorities & Strategies

1 Marketplace and offering expansion

- a. Onboarding to new marketplaces in the USA, UK, Canada, Germany and France.
- b. Offer more product categories and SKUs to the market.
- c. Actively sourcing for well-established third-party manufacturers from Malaysia, China, Indonesia and Vietnam.

2 Marketing Strategies

- a. Strengthening our E-Commerce Department to monitor advertisement and improve visibility of products in marketplace.
- b. Further strengthen the customer service department.
- c. Expanding the market research team and investment in market intelligence software.

3 Internal strengthening

- a. Expansion of D&D team to accelerate the introduction of new SKUs into the market.
- b. Improve inventory management system for sales and replenishment monitoring.
- c. Develop well-organized training module to cultivate and train talented individuals.



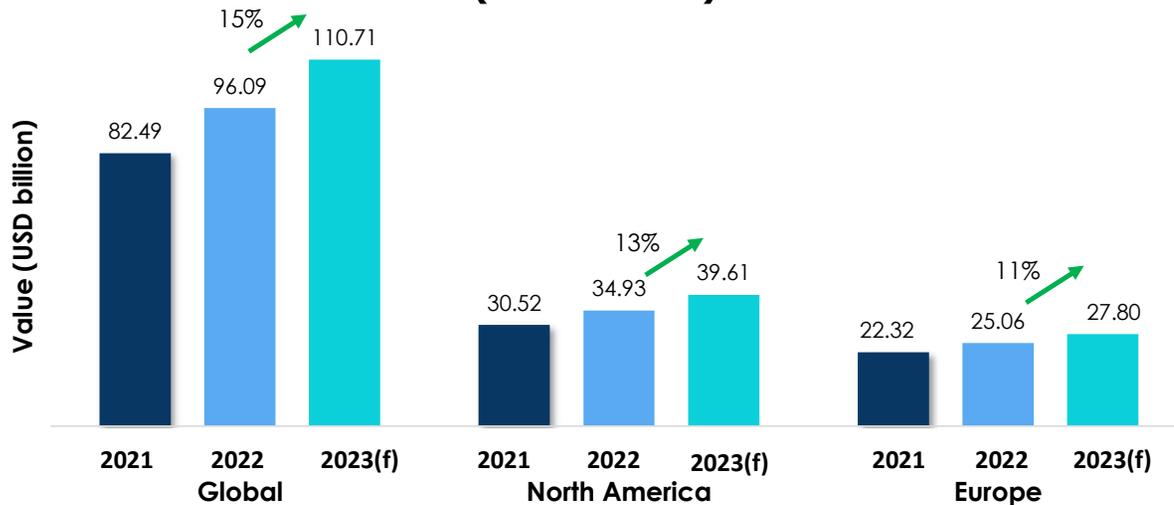
AGENDA

1. Snapshot of Synergy House	4
2. Financial performance	9
3. Our Priorities & Strategies	23
4. Market outlook & Risk	25
5. Corporate Governance	29
6. Q&A Session	31

Market Outlook

Global furniture e-commerce sales grew from **USD82.49 billion** (RM379.45 billion) in 2021 to forecasted **USD110.71 billion** (RM509.27 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.

Type of Furnitures Category



Furniture

- Living**
 - Sectionals
 - Sofa
 - Chairs and Seating
 - Coffee Table & End Table
 - Loveseats
 - TV Stands and Media Storage
 - Cabinet & Chest
 - Console Table
 - Ottomans & Poufs
 - Bookcases
 - Futons & Daybeds
 - Fireplaces & Stove
- Bedroom**
 - Bed
 - Nightstands
 - Dresser & Chest
 - Daybeds
 - Mattress & foundation
 - Wardrobe
 - Bedroom benches
 - Makeup vanities
 - Vanity stools
 - Jewelry armories
- Kitchen & Dining**
 - Dining table & seating
 - Kitchen island & cart
 - Sideboards & Buffets
 - Bar Furniture
 - Display & China cabinet
 - Food Pantries
 - Bakers Racks
 - Wine Racks

- Home Office**
 - Desk
 - Office chairs
 - Bookcases
 - Filling cabinets
 - Craft & sewing table
 - Printer standings
 - Laptop carts and stands
 - Office stocks
- Kid and Teen**
 - Toddler and kids bedroom furniture
 - Nursery Furniture
 - Teen Bedroom Furniture
 - Teen Lounge Furniture
- Outdoor Furniture**
 - Outdoor seating & patio chairs
 - Outdoor table
 - Patio bar furniture
- Entre and Mudroom**
 - Console table
 - Cabinets & chest
 - Shoe storage
 - Wall hooks
 - Coat Racks
 - Umbrella stand & holders
- Bathroom Furniture**
 - Bathroom vanities
 - Bathroom cabinet & shelving
 - Medicine cabinet

Key risk and mitigation actions



Inventory Risk

- Risk of obsolete inventories
- Acceptance of designs by customers

Mitigation Actions

- Subscribed to market intelligence information to support product launching
- Test the market acceptance of products through smaller batches (i.e 100 pieces)
- Collaboration with respective platforms on inventory management



Currency Risk

- Exposure to currency risk due to export based nature
- Exposure to USD, GBP, CAN.

Mitigation Actions

- Opening up to different countries and platforms with various currency.
- Natural hedge to a certain extent via costs incurred in foreign currency.



Market Risk

- Uncertainty in global economy
- Country specific risk

Mitigation Actions

- Expected less impact due to affordable price and furniture as a necessity
- Expansion to more platforms and countries
- Offering of more SKUs to the B2C market (2021: 318 SKU ; 2022: 960 SKU; 9M2023: 1,482 SKU)



AGENDA

1. Snapshot of Synergy House 4
2. Financial performance 9
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4. Market outlook & Risk 25
5. **Corporate Governance** 29
6. Q&A Session 31

Corporate Governance

Company adheres to strict corporate governance practices

Policies are available on our Company website (www.synergyhouseberhad.com) as well as internal communication medium.

Key internal controls and compliance policy

- Designated Compliance Officer to support the corporate governance matters
- Key internal controls policy covers amongst others personal integrity, corporate integrity, employment matters and safeguard of Company's assets.

Anti-Corruption policy

- Established an Anti-Corruption policy or staff to adhere to
- Lists the prohibited advantages and no-gift policy of the Group
- Governs the donation and sponsorship activities

Whistleblowing policy

- Channel for employees, 3rd parties to report on any misconduct
- Prioritise the anonymity of reporter
- Reporting channel goes directly to both Executive Directors

Email: whistleblower@synergy-house.com



SYNERGY HOUSE

Q&A Session





THANK YOU



www.synergyhouseberhad.com



ir@synergy-house.com