



Hai-O Enterprise Berhad

44th AGM

26 September 2019



MULTI-LEVEL
MARKETING

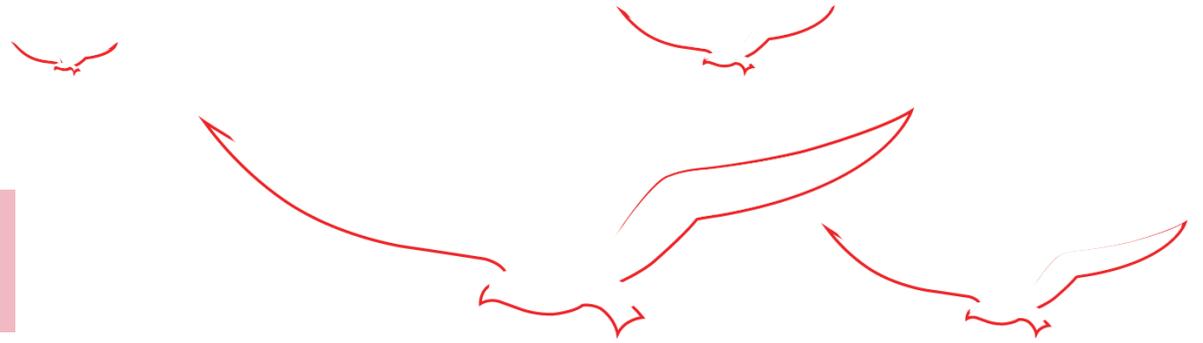


RETAIL



MANUFACTURING

Agenda



FY2019 Performance

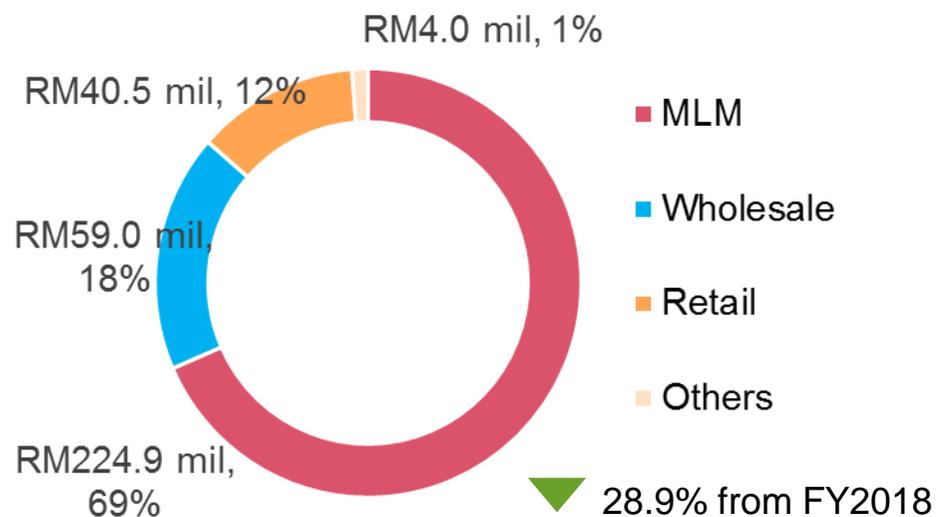


Business Segment Performance

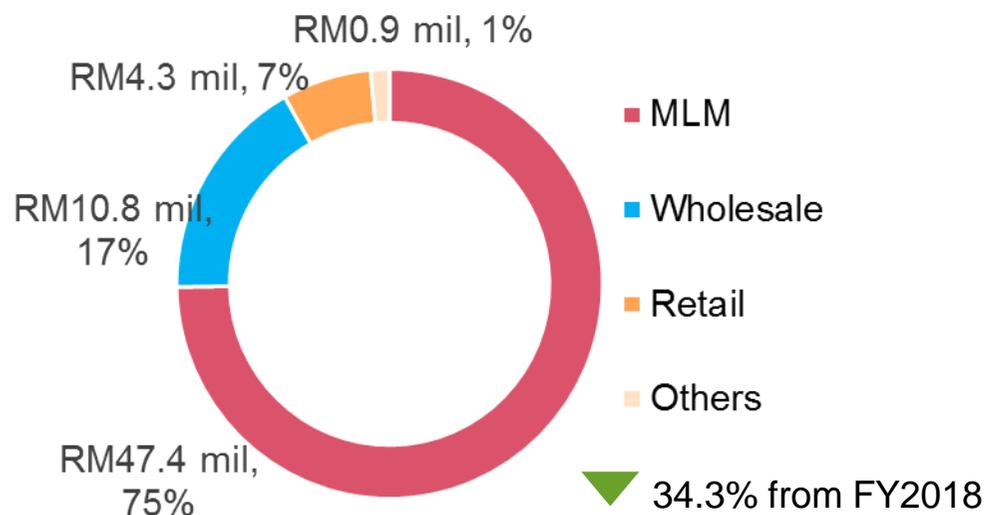


Outlook

Revenue RM328.4 million



Profit before tax RM63.4 million



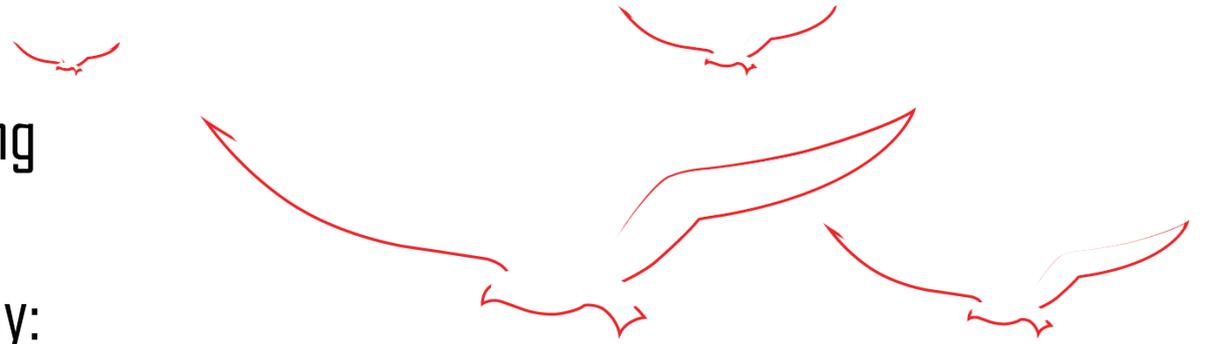
Equity attributable to owners of the Company
RM310.2 million
▲ 0.7% from FY2018

Cash and cash equivalents and short-term investments
RM95.1 million
▲ 24.9% from FY2018

Dividend per share
RM0.13
▼ 7 sen from FY2018, but represents 80% payout ratio

FY2019 Financial Highlights

We strived to maintain business momentum while addressing operating environment challenges, the Group's financial performance was affected by:



“Bearish turn in market sentiments”

“Lower sales across all 3 major business divisions”

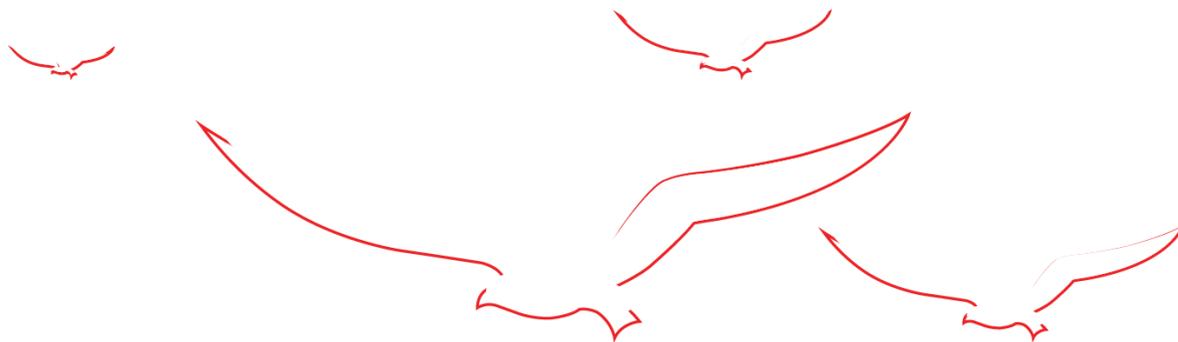
“Higher marketing and branding as well as CSR costs”

Group's balance sheet remained strong, backed by profitable business and good working capital management:

“Marginal increase in shareholders' equity of 0.7%”

“13 sen dividend per share, equivalents to 80% payout ratio”

Business Segments



MLM - Multi level direct marketing of nutritional food & beverage, wellness supplements, skincare, beauty & cosmetic, personal care and household products



Wholesale - Wholesaling and trading in patent medicines, medicated tonic, healthcare products, herbs and tea



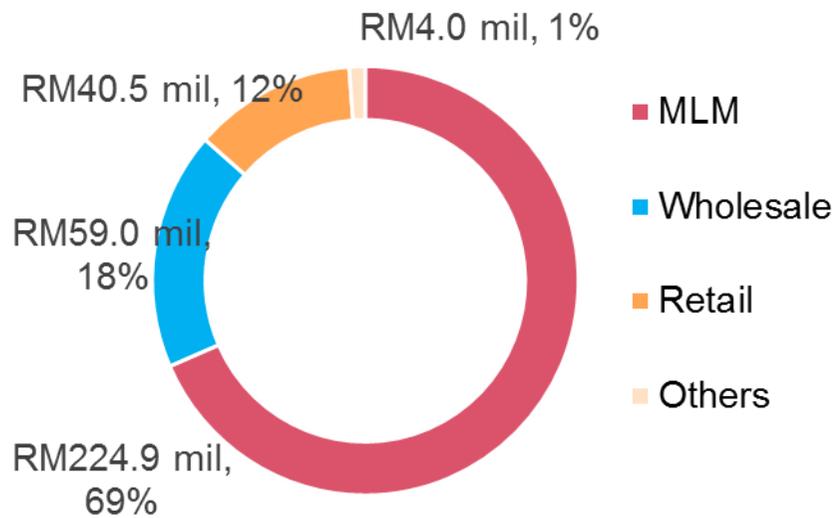
Retail - Operating traditional complementary medicines (“TCM”) retail chain stores and provide Chinese physician consultation services

**We continue
to operate
under
3 core
business
segments**

Segment Contributions

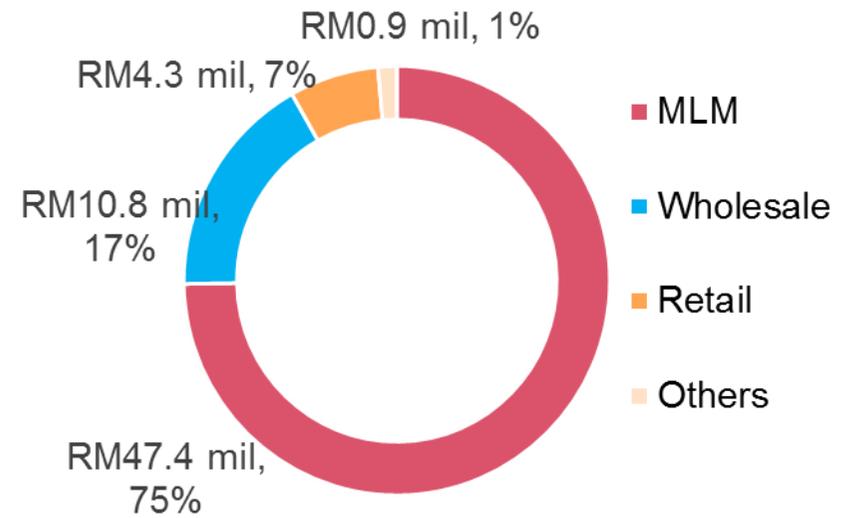
Revenue

RM328.4 million



Profit before tax

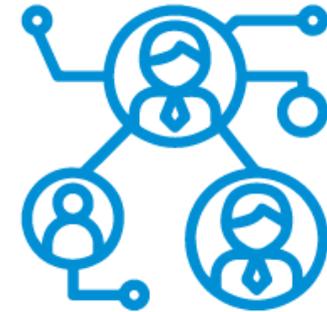
RM63.4 million



- ❑ **MLM segment continues to be the major revenue and PBT contributor**
- ❑ **The decrease in the Group's revenue and PBT was mainly attributed to MLM segment which suffered a drop in sales by more than 30%**
- ❑ **The Wholesale and Retail segments were more resilient with a decline in sales of 7.4% and 2.4% respectively**



Segment Review – MLM



- ❑ **Contraction in revenue and PBT, the first decline after 4 years of consecutive growth**
- ❑ **Financial performance was affected by cutback in members' spending and slowdown in members recruitment and renewal**
- ❑ **Proactive steps taken to counter deterioration of market condition including reinforce product offering, build members' loyalty and increase productivity**

Revenue

RM224.9 mil

▼ by 36.2% from
RM352.5 million in FY2018

PBT

RM47.4 mil

▼ by 32.6% from
RM70.3 million in FY2018

Segment Review – Wholesale

- ❑ Recorded lower revenue of RM59.0 million and PBT of RM10.8 million or a drop by 7.4% and 45.5% respectively
- ❑ PBT was affected by lower sales, higher CSR expenses as well as higher operating expenses
- ❑ Higher operating expenses incurred mainly for new market penetration and enhancement of distributors' incentive structure



Revenue

RM59.0 mil

▼ by 7.4% from
RM63.7 million in FY2018

PBT

RM10.8 mil

▼ by 45.5% from
RM19.8 million in FY2018

Segment Review – Retail

- Resilient in defending drop in revenue which decreased marginally by 2.4%
- PBT was however affected by higher operating costs and drop in sales of premium products which command higher margins
- Financial results were achieved on the back of improvement in product mix, new promotional activities, collaborations with strategic business partners and staff training to increase productivity



Revenue

RM40.5 mil

▼ by 2.4% from
RM41.5 million in FY2018

PBT

RM0.9 mil

▼ by 40.0% from
RM1.5 million in FY2018

Outlook

The Group will continue to chart our course to:

- ❑ **build on measures to expand and adapt products pipeline to cater for market demand**
- ❑ **strengthen operational capability, i.e. upgrading the skills of distributors and employees**
- ❑ **improve the adoption of digitalisation in businesses and operations**
- ❑ **optimise productivity and efficiency**

Subject to the successful execution of these measures, the Group is expected to stay on track to deliver another profitable financial performance for the coming year

