

Press Release
24 May 2022

EKUINAS ACCELERATES VALUE CREATION AND DIGITALISATION EFFORTS, DELIVERS POSITIVE GROWTH FOR STAKEHOLDERS

Key highlights: -

- Ekuinas Direct (Tranche II) Fund recorded a Gross Portfolio Return of RM654.0 million, generating a Gross Internal Rate of Return (IRR) of 12.1% p.a. and a net IRR of 8.6% p.a.
- As of FY2021, Ekuinas' total cumulative investment stood at RM4.4 billion which comprised 70 investments and consequently generated a Total Economic Deployment of RM5.0 billion, together with private sector partners.
- Through these investments, Ekuinas increased the overall Bumiputera equity ownership by RM5.9 billion, equivalent to 1.5 times the capital invested as well as Total Shareholders' Value by RM7.7 billion, translating to 2.0 times the capital invested.

KUALA LUMPUR, 24 MAY 2022: Ekuiti Nasional Berhad (Ekuinas), the government-linked private equity (PE) fund management company, today announced the results of its financial year ended 31 December 2021 (FY2021), reaffirming its commitment to deliver value to stakeholders and make good on its mandate to increase Bumiputera equity and participation albeit in a challenging economic landscape.

In terms of direct investments, the Ekuinas Direct (Tranche II) Fund recorded strong growth with a Gross Portfolio Return of RM654.0 million, generating a Gross Internal Rate of Return (IRR) of 12.1% p.a. and a net IRR of 8.6%, marking a significant increase from last year which saw the Fund recording a Gross Portfolio Return of RM571.2 million. Meanwhile, Ekuinas Direct (Tranche III) Fund recorded a Gross Portfolio Loss of RM125.3 million, translating to a negative Gross IRR of -4.3% p.a. The Ekuinas Direct (Tranche IV) Fund is still in the early stages of investment and is expected to perform well backed by the strong performance of its underlying asset, Medispec (M) Sdn Bhd, a leading distributor and marketer of local pharmaceutical and supplement products. This investment which was made in February 2021 signified Ekuinas' maiden foray into the pharmaceutical space.

In relation to outsourced investments, the Ekuinas Outsourced (Tranche I) recorded Gross Portfolio Return of RM60.5 million, achieving a Gross IRR of 3.3% p.a. and a net IRR of 2.5% p.a. whilst Ekuinas Outsourced (Tranche II) Fund recorded a Gross Portfolio Loss of RM4.4 million, translating to a negative Gross IRR of -0.8% p.a.

For the year under review, Ekuinas recorded a consolidated revenue growth of 12.1% and earnings before interest, tax depreciation and amortization (EBITDA) growth of 28.0%, well above FY2020's performance of -12.8% and -14.9% respectively.

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda, Chairman of Ekuinas said, "Whilst 2021 tested Ekuinas' resilience as a company and as a PE investor given the uncertain and challenging economic environment brought on by the pandemic and resulting lockdowns, Ekuinas remained active in efforts to preserve our portfolio performance in a volatile environment and create long term value for our investors, companies, people and the wider community."

"As we marked our 13th anniversary, we were grateful that with industry support and hard work put in by our employees and that of our portfolio companies, the year proved our ability to successfully navigate through this environment with the implementation of robust business continuity plans focused on building resilience, maximising operations under various restrictions and leveraging cost containment structures that were perfected in 2020."

"Apart from economic objectives, achieving social objectives is equally key to delivering on our mandate. In FY2021, Ekuinas successfully increased the total Bumiputera equity ownership in our portfolio companies to RM5.9 billion, or 1.5 times of capital invested, as compared to RM5.6 billion in 2020. We also helped to increase the pool of Bumiputera managers and employees by 19.4% for Bumiputera managers and 12.3% for Bumiputera employees, up from 13.3% and 10.5% respectively in 2020. These have contributed towards increasing the Total Shareholders' Value for portfolio companies to RM7.7 billion, or 2.0 times of the invested capital as compared to RM7.0 billion in the previous year, reflecting Ekuinas' success in leveraging on the PE business model to promote wealth creation for Bumiputeras and all Malaysians," added Raja Tan Sri Dato' Seri Arshad.

Syed Yasir Arafat, the Chief Executive Officer of Ekuinas who presented detailed results of FY2021 said, "2021 has certainly been a year of continued change and adaptation – one that demanded resilience, agility, discipline and saw the accelerated push for greater digitalisation,

and with that, enhanced innovation in all industries including the PE space. The PE market's performance in Malaysia was relatively subdued despite growth in funds and asset allocation with the pandemic situation mid-2021 delaying broad-based recovery in economic activity. However, with the steady and gradual rebound that we see, we are ready to capitalise on opportunities that are aligned to our investment strategies.”

“Our investment strategy has always been for the long term. A volatile market masks true value of companies hence we made a conscious decision to keep our cash reserves intact in spite of the healthy investment pipeline. We executed one follow-on investment of RM11 million in Orkim Sdn Bhd which was completed in April 2021 to support the company's working capital requirements as well as fund the start-up costs of newly-built vessels. In navigating the new normal, we kept our operations lean and focused. It was also integral that we implemented value-creation activities, building in greater efficiencies to futureproof our portfolio companies to support their top-line growth while also positioning some of our holdings for successful exits in 2022, expediting realisation initiatives to ensure solid fund performance.”

“We executed cost management measures for Al-Ikhsan Sports Sdn Bhd, Revenue Valley Group and Icon Offshore Bhd and drove significant organic and inorganic growth for Exabytes Capital Group and Flexi Versa Group. Ekuinas also stepped up the value creation process to strengthen and pivot the businesses to improve operationally and enhance product and services to adapt to the volatile, uncertain and unpredictable marketplace. The initiatives included ramping up digitalisation by introducing various operational systems and management dashboards tailored to the needs of portfolio companies to improve internal processes, strengthening growth and expansion plans for Exabytes and Medispec, supporting e-commerce platform enhancement for Al-Ikhsan, expanding the business strategy into solar engineering, procurement, construction and commissioning (EPCC) space for Davex and elevating customer experience at all touch points as well as rolling out a new kiosk concept for Revenue Valley, to name a few.”

As of FY2021, Ekuinas' total cumulative investment stood at RM4.4 billion which comprised 70 investments covering 47 direct investments and 23 outsourced programmes which consequently generated a total economic deployment of RM5.0 billion, together with private sector partners.

On the Corporate Social Responsibility (CSR) front, Ekuinas through ILTIZAM, its CSR arm, continued to assist underserved communities across three pillars – Entrepreneurship,

Education and Community – to give back to society, creating long term value needed for social growth and economic recovery. Due to the unique circumstances of the pandemic, Ekuinas made a quantum leap increase in its allocation for the Entrepreneurship pillar from RM331,000 in 2020 to RM8.9 million in 2021 to help affected businesses and entrepreneurs. Of this, RM8.5 million of the funds benefited close to 4,000 micro, asnaf, social, and small Bumiputera businesses through its EMP Ihsan programme. Overall, ILTIZAM disbursed RM17.5 million, benefiting a total of 14,000 individuals. This brings Ekuinas’ total contribution towards CSR to RM68.3 million since the inception of ILTIZAM.

Commenting on the outlook for 2022, Syed Yasir said, “Ekuinas expects 2022 to be the year we truly emerge from the pandemic. We anticipate that economic activity will improve for many of our portfolio companies as the economy bounces back gradually and the country opens its borders. In 2021, digitalisation was an impactful theme for us with almost all our portfolio companies undergoing digitalisation enhancement as a critical core of business operations and will continue to be a guiding force as we move forward.”

Another key component that will guide its investment strategy is the establishment and implementation of Ekuinas’ ESG framework. The ESG framework builds on Ekuinas’ strong foundation in social impact and governance to embed a culture of sustainability across the firm, its portfolio companies and the overall investment evaluation process. It will outline a clear road map for implementation of ESG initiatives across four (4) key sustainability themes anchored on seven (7) of the Sustainable Development Goals announced by the United Nations.

To read more on Ekuinas’ 2021 performance, you may refer to the Chairman and CEO’s joint statement in pages 16 – 25 of the 2021 Annual Report which is also available on Ekuinas’ website, www.ekuinas.com.my.

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About Ekuiti Nasional Berhad

Ekuiti Nasional Berhad (Ekuinas) is a government-linked private equity company that aims to create Malaysia’s next generation of leading companies whilst promoting equitable and sustainable Bumiputera wealth creation and economic participation. The Company’s primary objective is to deliver financial value on its investments to ensure its social objective is achieved in a sustainable manner.

To date, Ekuinas has undertaken investments in 70 high potential Malaysian companies involved in its core target sectors namely education, fast moving consumer goods, oil and gas, retail, healthcare, and services. Ekuinas was shortlisted as one of the Top 3 Southeast Asian Firms of the Year by the Private Equity International (PEI) Awards for the year 2018 and 2019.

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