

PRESS RELEASE

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EKUINAS DRIVES VALUE CREATION INITIATIVES TO ELEVATE PORTFOLIO PERFORMANCE

Key Highlights:-

- Ekuinas Direct (Tranche II) Fund recorded a Gross Portfolio Return of RM582.9 million, generating annualised gross Internal Rate of Return (IRR) and net IRR of 13.5% and 9.6%, respectively.
- Ekuinas positively increased the overall Bumiputera equity ownership to RM5.4 billion, which is 1.5 times the capital invested, leading to an increase in total shareholders' value of RM6.9 billion, translating to 1.9 times of Ekuinas' invested capital.
- The focus in FY2019 was on strengthening its portfolio companies through specific value creation plans (VCP) that encompassed operational and capacity improvements to increase and optimise the overall performance of the companies. This is in addition to creating long-term value to ensure they are on a stronger footing to scale further and navigate through challenging times.

KUALA LUMPUR, 28 SEPTEMBER 2020: Ekuiti Nasional Berhad (Ekuinas) today announced the financial results for the financial year ended 31 December 2019 (FY2019). To date, Ekuinas has undertaken cumulative investments in 41 companies, representing the total committed investment of RM4.1 billion. With that, it has also generated a positive impact on the broader Malaysian economy, which facilitated a total economic deployment of RM4.8 billion together with private sector partners.

Ekuinas Direct (Tranche II) Fund recorded a Gross Portfolio Return of RM582.9 million, generating annualised gross Internal Rate of Return (IRR) and net IRR of 13.5% and 9.6%, respectively. Meanwhile, Ekuinas Direct (Tranche III) Fund recorded a Gross Portfolio Loss of RM170.5 million, translating to a negative annualised gross IRR of 10.8%. The performance of this fund was mostly driven by the reduced valuations of several portfolio companies, which Ekuinas has put in place stringent and comprehensive value creation initiatives to enhance the competitiveness of the respective companies as well as execute turnaround plans to improve their operational and financial performance.

EkuiNAS was selective in deploying capital and channelled its investment efforts toward follow-on investments. Within the year, the Company committed a total of RM205.9 million, which includes RM20.0 million investment in Orkim Sdn Bhd, RM183.0 million in Icon Offshore Berhad (ICON), and RM2.9 million in Exabytes Capital Group Sdn Bhd.

During the year, EkuiNAS exited two of its portfolio companies, APIIT Lanka Pvt Ltd and Primabaguz Sdn Bhd, in line with its move to crystallise its investments under the EkuiNAS Direct (Tranche II) Fund. The divestments generated gross IRR of 17.7% and 22.1%, and money multiple of 2.2 and 3.8 times the capital invested, respectively. The realisation proceeds of EkuiNAS' divestment activities in 2019 stood at RM384.6 million, bringing the Company's total realisation, including income from dividends and interests to RM3.1 billion.

Raja Tan Sri Dato' Seri Arshad Raja Tun Uda, Chairman of EkuiNAS said, "2019 was a milestone year for us as we commemorated the 10th year since our inception. Our aim remains to be the partner for growth for Malaysia's next generation of leading companies whilst promoting equitable and sustainable Bumiputera wealth creation and economic participation through the private equity (PE) model. Our commercial and social performance over the decade is a reflection of the effectiveness of our unique PE model strategy in creating value for companies and the returns we generate allows us to execute our social objective through assisting and elevating the Bumiputera community."

In terms of social objectives, EkuiNAS positively increased the overall Bumiputera equity ownership to RM5.4 billion, which is 1.5 times the capital invested, leading to an increase in total shareholders' value of RM6.9 billion, translating to 1.9 times of the capital invested. EkuiNAS also increased the Bumiputera talent pool in its portfolio companies, with management and employees recording a rise of 23.5% and 14.1%, respectively since EkuiNAS' entry.

Syed Yasir Arafat Syed Abd Kadir, Chief Executive Officer of EkuiNAS remarked, "Over the last decade, the PE industry reflected a significant change in deal numbers and recording a growth rate of almost five-fold. Globally and in Malaysia, market dynamics have shifted and have seen a significant transition in capital allocation from public to private markets. PE as an asset class in Malaysia has come a long way and I am glad to see that the vibrancy of the PE industry has improved tremendously since our establishment in 2009. I believe our track

record speaks volumes of our achievements given our mandate of investing only in Malaysian companies. We remained focused on our objective in developing local mid-sized companies to create regional industry leaders. We hope to continue executing the same strategy for more high potential Malaysian companies to enter the next phase of growth.”

“2019 was once again another challenging year for the world and Malaysia. Globally, the year had remained economically challenging, exacerbated by the escalating trade wars and volatility in the oil industry. Malaysia’s economic growth was moderate due to prolonged uncertainties brought by external factors, and the effects had permeated through our economy. Against that backdrop, our focus in FY2019 was on strengthening our portfolio companies through specific value creation plans (VCP) that encompassed operational and capacity improvements to increase and optimise the overall performance of the companies. This is in addition to creating long-term value, to ensure they are on a stronger footing to scale further and navigate through challenging times. We continued to execute against our investment strategy amidst the slowdown by implementing our VCP to further improve and optimise the overall performance of our companies,” Syed Yasir Arafat concluded.

Some of the value creations initiatives by Ekuinas for its portfolio companies include:

- i. Improving operational efficiency in terms of financial and inventory management for Al-Ikhsan that led them to achieve their best ever year in 2019 as well as executing its digitalisation and e-commerce initiatives;
- ii. Restructuring of ICON’s debt and the completion of its rights offering exercise;
- iii. Reassessing and analysing Coolblog’s customer base, product offerings and procurement processes; and
- iv. Building a wider customer base and improving the internal operational efficiencies for Flexi Versa Group Sdn Bhd.

The challenges of 2020 are expected to persist with greater financial distress for businesses. Overall, Ekuinas expects there will be opportunities ahead, but it will continue to exercise discipline as the Company seeks quality investment prospects and endeavours to continue delivering on its mandate to catalyse the growth of local businesses whilst channelling positive impact for the Bumiputera communities.

Ekuinas’ Corporate Social Responsibility (CSR) unit, ILTIZAM, continued to assist the underserved communities. In 2019, ILTIZAM Entrepreneur Mentorship Programme (EMP)

provided assistance to a Bumiputera enterprise, Kapten Batik, a premium local producer of men's batik shirts by putting in place a roadmap and strategy to ensure the brand continues to offer high quality products and service to its customers. As for ILTIZAM's flagship programme, the Professional Development Programme (PDP), 2019 cohort saw 76 trainees accepted into the one-year programme and placed at several Ekuinas' portfolio and partner companies. Notably, since 2012, the programme has successfully helped 80% of Bumiputera graduates to secure permanent graduate level employment.

In support of the community, ILTIZAM reached out to various underserved communities across Malaysia in collaboration with selected non-governmental organisations (NGO) through food programmes and financial assistance. For 2019, ILTIZAM disbursed a total of RM8.0 million across the three pillars (entrepreneurship, education and community), impacting 12,000 beneficiaries across the country.

In addition, as the country and world are battling against the COVID-19 pandemic, Ekuinas established a RM10.0 million fund named ***Dana Ihsan COVID-19 ILTIZAM*** to alleviate the pressing needs of the healthcare community and to provide some relief to the affected groups.

To read more on Ekuinas' 2019 performance, please refer to the Chairman and CEO's Joint Statement in the 2019 Annual Report, pages 12 – 19.

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About Ekuiti Nasional Berhad (Ekuinas)

Ekuinas is a government-linked private equity fund management company established on 1 September 2009 and aims to create Malaysia's next generation of leading companies whilst promoting equitable and sustainable Bumiputera wealth creation and economic participation. To date, Ekuinas has undertaken investments in over 40 high potential Malaysian companies involved in sectors namely education, fast moving consumer goods, oil and gas, retail, healthcare, and services as well as manufacturing.

Ekuinas was shortlisted as one of the Top Three Southeast Asian Firms of the Year by the Private Equity International (PEI) Awards for the year 2018 and 2019. For more information, visit www.ekuinas.com.my.

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