

INNATURE REGISTERS PROFIT IN 1Q2020

SUBANG JAYA, 29 MAY 2020 – InNature Berhad (“**InNature**” or “**Company**”, and together with its subsidiaries, the “**Group**”), a leading regional retailer of cosmetics and personal care products carrying The Body Shop and Natura brands, announced today a core profit after tax (“**PAT**”) of RM3.7 million on the back of RM37.4 million revenue in the 1st Quarter ended 31 March 2020 (“**1Q2020**”). Core PAT excluded listing-related expenses of RM1.0 million (1Q2019: RM0.4 million).

Performance Review for 1Q2020

The operating environment of the Group in 1Q2020 has been turbulent. The early days of Covid-19 pandemic and the movement control order (“MCO”) imposed by the Malaysian government, led to an unprecedented closure of all stores. These events coupled with the gloomy outlook of an economic downturn, had significantly impacted the performance of the Group’s operations in Malaysia. Consequently, this had contributed to the year-on-year decline in revenue of the Group by -21.5% for 1Q2020.

The quarterly decline in the Group’s revenue was partly mitigated by Vietnam’s +13.5% revenue growth following the net opening of 8 new stores in 2019, and contribution from its new businesses in Cambodia and Malaysia. MCO in Vietnam was only imposed towards the tail end of March 2020.

Despite the unprecedented decline in revenue, the Group remained profitable with core PAT of RM3.7 million for 1Q2020. Also included in the Group’s core PAT was gestational loss from its new business in Malaysia of RM0.8 million.

Commenting on the performance, Group Managing Director Datin Mina Cheah-Foong (“**Datin Mina**”) said, “The Covid-19 pandemic presents an original challenge to our business, as never in the past did we shut down our stores for such a protracted period. Nevertheless, we have continued to service our customers’ needs through our e-commerce channels. Sales from our Group’s e-commerce channels increased year-on-year by +75.4% to RM1.8 million in 1Q2020, with Malaysia being the main contributor. We pivoted various marketing initiatives to encourage customers and loyalty members to shop online at our e-store, redeployed our people to support the e-commerce operations during the MCO period, and worked closely with our logistic partners in attending to the heightened demand amid capacity restriction due to the MCO.”

Business Continuity Plan

On the Group’s approach to Covid-19 and the MCO, Datin Mina said, “We put in place a business continuity plan as soon as the MCO was announced. Appropriate procedures were rolled out to ensure the orderly closure and eventual reopening of our business premises, which includes the implementation of the necessary monitoring, sanitisation and social-distancing measures. Our teams were arranged to work from home or were redeployed to support the e-commerce operations. Necessary meetings were conducted online and we took the opportunity to boost our staff learning capacity by compulsory daily online training sessions.”

“Given the uncertainty over the containment of Covid-19, we have continued with the work-from-home arrangement by rotation as well as online meetings and trainings upon the resumption of business, to ensure the proper implementation of social-distancing at our

workplace. Personal protective equipment has been distributed to our staff, especially those in our stores, for mutual protection. We encourage contactless transaction such as payment through e-wallets or contactless credit cards, and soon we will roll out e-receipt for customers who do not need a paper receipt. Recently we have also launched a premium service of personal consultation and fast delivery at selected stores, to provide convenience for our customers who prefer personalised service from the comfort of their home,” she added.

“Financially, we remain frugal with our spending and cautious with our cashflow despite being in a net cash position as at 31 March 2020. Our variable expenses have reduced following the closure of stores. We have suspended the hiring of new headcounts, engaged landlords and suppliers for rebates, discounts and/or extension of credit, and pursued various government assistance measures that are applicable to us. We are closely monitoring the effects of Covid-19 on the performance of each store,” shared Datin Mina.

As for the Group’s store expansion plan, Datin Mina said, “We adopt a precautionary approach prior to committing a new location. As this juncture, we expect there will only be 5 new openings (4 in Vietnam, 1 in Cambodia) for The Body Shop operations and 1 new opening (in Malaysia) for Natura operation in 2020.”

“This pandemic has spotlighted the importance of digitalisation and distance selling. Hence, we will continue to invest in enhancing and accelerating our omnichannel capabilities as well as in developing our Natura social selling channel to future-proof ourselves,” she added.

Healthy Balance Sheet and Cash Flow

The Group’s financial position remains healthy with a working capital of RM45.3 million and total equity of RM129.5 million as at 31 March 2020. Despite facing challenging environments, the Group generated net cash from operations (including lease payments to landlords classified under financing activities pursuant to MFRS 16) of RM3.0 million during the financial period and maintained a healthy cash balance (including fixed deposits and money market funds under Other Investments) of RM48.3 million as at 31 March 2020.

Outlook

Commenting on the Group’s outlook for 2020, Datin Mina said, “Our performance in the 2nd Quarter ending 30 June 2020 will continue to be significantly impacted by the MCO. We expect consumers to remain cautious beyond the MCO period, as efforts to contain the virus is still a work-in-progress at this juncture. As such, it may take a while to rebuild footfall to our store, and social-distancing is expected to become the new normal in the foreseeable future, though we expect to be able to capitalise on new opportunities presented by this situation for our e-commerce and social selling channels, as we are prepared with our omnichannel capabilities. Assuming that consumer sentiment is to recover gradually by the final quarter of the year, we believe our Group will remain profitable for the financial year ending 31 December 2020.”

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About InNature Berhad

InNature is a leading regional retailer of cosmetics and personal care products carrying The Body Shop and Natura brands, with an extensive network of 123 stores across West Malaysia, Sabah, Labuan, Vietnam and Cambodia as at 31 March 2020.

The Group has garnered over 35 years of experience operating The Body Shop franchise business since its founder, Datin Mina opened the first store in 1984 in Kuala Lumpur, Malaysia. The Group was subsequently awarded the franchise for Vietnam in 2009, and for Cambodia in 2019.

In collaboration with Natura Cosmetics SA, the Group introduced the Natura beauty brand to Malaysia in 2019 to expand its brand portfolio as well as to strengthen its leadership and market share in the naturals sector of the cosmetics and personal care industry.

For more information, please visit www.innature.com.my

Disclaimer

This document shall be read in conjunction with the Company's interim financial report for the 1st Quarter ended 31 March 2020, as announced to Bursa Malaysia Securities Berhad on 29 May 2020. Statements included herein may include "forward-looking statements" relating to the Group's business and the sector in which the Group operates. These forward-looking statements include statements relating to the Group's performance. These statements reflect the current views of the Group with respect to future events and are subject to certain risks, uncertainties and assumptions. It is important to note that actual results may differ materially from those anticipated in these forward-looking statements, and there can be no assurance on the occurrence of certain events, achievability of projections or accuracy of assumptions made by the Group.